

BOUSSARD &
GAVAUDAN
H O L D I N G
L I M I T E D

Boussard & Gavaudan Holding Limited

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 45582)

Facility for existing shareholders to convert Euro Shares into Sterling Shares of €0.0001 par value

Boussard & Gavaudan Holding Limited (the “**Company**”), a closed-ended investment company organized under the laws of Guernsey, is making available a conversion facility to holders of Euro shares in the Company (the “**Euro Shares**”) to allow conversion of the Euro Shares into Sterling shares of the Company (the “**Sterling Shares**”) (the “**Offer**”).

The Company intends to apply for admission of the Sterling Shares to be made available pursuant to the Offer to trading on Euronext Amsterdam by NYSE Euronext (“**Euronext Amsterdam**”) and to list all of its Sterling Shares on Euronext Amsterdam (“**Admission**”) under the symbol “BGHS”. It is expected that the closing date for the applications by shareholders to participate in the Offer will be 24 June 2008 (the “**Closing Date**”) and that Admission will become effective and that trading in the Sterling Shares on Euronext Amsterdam will commence on or about 28 July 2008 (the “**Euronext Listing Date**”) on an “as-if-and-when-issued” basis. Delivery of the Sterling Shares is expected to take place on or about 31 July 2008 (the “**Settlement Date**”). If closing does not take place on the Settlement Date or at all, all applications for the Sterling Shares will be disregarded, and all transactions in the Sterling Shares on Euronext Amsterdam will be cancelled. Any dealings in the Sterling Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam is not responsible or liable for any loss or damage incurred by any person as a result of the listing and trading of the Sterling Shares on an “as-if-and-when-issued” basis as from the Euronext Listing Date until the Settlement Date. Application has also been made by the Company for admission of all of the Sterling Shares and the Euro Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange (the “**London Admission**”). It is expected that trading in the Shares on the London Stock Exchange will commence on or about 28 July 2008.

The Sterling Shares will not be generally made available or marketed to the public in The Netherlands, the United Kingdom or any other jurisdiction in connection with the Admission or the London Admission.

Investing in Sterling Shares in the Company involves significant risks. See “Risk Factors” beginning on page 10.

ISSUE PRICE: £10 PER STERLING SHARE

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended, (the “**Investment Company Act**”), and investors will not be entitled to the benefits of the Investment Company Act. The Sterling Shares have not been and will not be registered under the US Securities Act of 1933, as amended, (the “**Securities Act**”) or with any securities regulatory authority of any State or other jurisdiction of the United States. The Sterling Shares are being offered only outside the United States to non-“US Persons” (as defined in the section headed “**Glossary of Selected Terms**” beginning on page 125) pursuant to Regulation S under the Securities Act. The Sterling Shares are not being offered in the United States or to US Persons. The Sterling Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Sterling Shares or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States. For a description of the restrictions on transfer as well as the representations that holders of Euro Shares wishing to convert to Sterling Shares will be required to give, see “**Selling and Transfer Restrictions**” beginning on page 95.

Each holder of Euro Shares that is seeking to convert all or part of their holding into Sterling Shares will be required to represent, acknowledge and agree in a conversion notice (in such form as the Directors (as defined in the section headed “**Glossary of Selected Terms**” beginning on page 125) may prescribe) and each subsequent purchaser that acquires Sterling Shares will be deemed to have represented, acknowledged and agreed as follows that, on each day from the date on which it acquires or holds the Sterling Shares including the date on which it disposes of such Sterling Shares, it is not (i) a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or acting on behalf of or using the assets of a benefit plan investor, or (ii) other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, (an “**Other Plan**”), or acting on behalf of or using the assets of any Other Plan with respect to the purchase, holding or disposition of any Sterling Shares. See “**Selling and Transfer Restrictions**” beginning on page 95.

Sponsor

UBS Investment Bank

Dated 30 June 2008

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SUMMARY

This summary highlights certain aspects of the Company's business and the Offer and should be read as an introduction to this prospectus. Any decision to participate in the Offer should be based on a consideration of this prospectus as a whole, including the information under the heading "Risk Factors" beginning on page 10.

No civil liability is to attach to the Company solely on the basis of this summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus. If a claim relating to the information contained in this prospectus is brought before a court of a Member State of the European Economic Area, the plaintiff may under the national legislation of the Member State where the claim is brought be required to bear the costs of translating this prospectus before legal proceedings are initiated.

The Company

Boussard & Gavaudan Holding Limited is a closed-ended investment company that was registered and incorporated in Guernsey on 3 October 2006 with an unlimited life. The Company invests its assets in order to deliver an exposure to multiple alternative investment strategies managed by Boussard & Gavaudan Asset Management, LP (the "**Investment Manager**"). The Company raised €440 million in November 2006 through its initial public offering of ordinary shares of €0.0001 in the capital of the Company (the "**Euro Shares**") and raised a further €534 million in June 2007 through its offering of C Shares of €0.0001 in the capital of the Company (the "**C Shares**").

Investment objective

The Company's investment objective is to seek to produce long term appreciation of its assets.

Investment policy

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 Limited (the "**Sark Fund**"), which is a feeder fund of Sark Master Fund Limited (the "**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" below and subject to the limit on the leverage set out under the heading "Gearing" below, provided that, where such hedge funds are managed by the Investment Manager, the Company will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund.

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

With the possible application of leverage and when taken with the returns achieved from the 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.

The Company intends to hedge substantially all of the currency exposure in respect of each of its investments.

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.

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 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.

Diversification

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

General

The Company will comply with certain investment restrictions for so long as they remain requirements of the UK Listing Authority. The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of shareholders.

Historical performance

As announced on 23 May 2007, to date, the Company has made one private equity investment in the shares in Castle HoldCo 1, Ltd and the debt securities of Castle HoldCo 2, Ltd for an aggregate consideration of approximately £12 million. The shares in Castle HoldCo 1, Ltd and the debt securities of Castle HoldCo 2, Ltd were acquired by the Sark Master Fund and Channel Bridge Special Situations Master Fund Limited on 23 May 2007 and were sold to the Company on an arm's length basis at acquisition cost on the same day, as the profile of such a private equity investment is inconsistent with that of the Sark Master Fund and Channel Bridge Special Situations Master Fund Limited. This private equity investment represents 0.40 per cent. of the Company's Net Asset Value as at 4 June 2008.

From its inception in March 2003 to 30 April 2008, the current Euro denominated share class of the Sark Fund has produced an annualised return of 8.19 per cent. The Company aims to generate a target annualised return in excess of 10 per cent. (net of all fees) by investing in the Sark Fund as well as other assets in the future while utilising its ability to leverage such non-Sark Fund investments. Return targets are targets only and are based over the long-term on the performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. **There is no guarantee that any target return can be achieved. Shareholders participating in the Offer should not place any reliance on such target return in deciding whether to participate in the Offer.**

Advantages of Investing in Hedge Funds

The general advantages of an investment in a hedge fund may be summarised as:

- Hedge funds are focused on the delivery of absolute returns which are typically intended to have little correlation to equity or bond markets.
- Hedge funds seek to provide higher returns on a risk-adjusted basis than other investments in the financial markets.
- Hedge funds generally have limited restrictions on their ability to make investments, thus enabling investors to benefit from diversification of the underlying assets, the strategies implemented and the investment instruments used.
- Investors in hedge funds can benefit from financial innovations used by sophisticated investment managers.
- The fee structure in hedge funds is often performance based, thereby aligning the interests of the investment manager and investors.

Strengths of the Company

In addition to the benefits of the hedge fund industry generally, investors in the Company will benefit from its main competitive strengths:

High profile and experienced investment professionals

The Investment Manager's group employs a team of experienced professionals. The team operates using a rigorous and collegiate investment process and carefully monitors risks. The interests of the Investment Manager and investors in the Company will continue to be aligned through an incentivising performance fee structure, an investment by the Investment Manager, its partners and its group's employees and the Directors in the Company as part of the secondary fund raising in July 2007 (of approximately €20 million in total) with a 12-month lock-up, together with a policy of investment by the Investment Manager on behalf of its group employees of an amount equal to the annual cash bonuses of such employees with an 18-month lock-up.

Access to a diversified investment strategy with no double layering of fees

Through the Company's investment in the Sark Fund, investors will gain exposure to Europe-focused diversified investment strategies, including volatility strategies, equity strategies and credit strategies. This will enable investors to benefit from diversified strategies and risks without paying multiple layers of fees as with a fund of hedge funds.

The Investment Manager focuses on implementing strategies combining derivative expertise and fundamental analysis. This expertise is built around a strongly integrated team of financial analysts and traders who find, research and decide on investment opportunities on a collegiate basis, allowing the Investment Manager to stay in a relatively uncrowded niche.

Award-winning performance track-record with Sharpe Ratio and historically low volatility

Since admission of the Euro Shares to Euronext Amsterdam, the Company's Net Asset Value has increased by 6.96 per cent. to an unaudited €10.69 per Euro Share as at 30 April 2008, whilst the share price has decreased by 8.50 per cent. to €9.15, which represents a discount to Net Asset Value of 14.46 per cent. (average discount to Net Asset Value since admission was 3.12 per cent.). During the same period, the Dow Jones Stoxx 600 Index has decreased 8.89 per cent.

During the market turmoil of the first quarter of 2007 (from 26 February to 5 March), the Company's share price performance was flat with a share price at €11.00, whilst the Dow Jones Stoxx 600 index dropped by 6.74 per cent.

From 31 December 2007 until 30 April 2008, the Company's Net Asset Value has decreased by 3.63 per cent. to an unaudited €10.69 per Euro Share, whilst the share price has decreased by 17.49 per cent. to €9.15, which represents a discount to Net Asset Value of 14.46 per cent.

Launched in March 2003, the Sark Fund, in which substantially all the Company's assets are invested, has had (net of any fees) an annualised return from inception to 30 April 2008 of 8.19 and 8.61 per cent. for the Euro and US Dollar share classes respectively, coupled with low volatility (4.56 and 4.68 per cent. for the Euro and US Dollar share classes respectively). As of 30 April 2008, the Sark Fund's annualised Sharpe Ratio, which is a measure of risk-adjusted performance and is further defined in the section headed "Glossary of Selected Terms" beginning on page 174 of this prospectus, was 1.15 and 1.09 for the Euro and US Dollar share classes respectively. The Investment Manager believes that the Sark Fund's historical returns and Sharpe Ratio demonstrate its ability to generate positive performance on a risk-adjusted basis in comparison to equity and bond market indices and, in particular, versus its hedge fund peers in the convertible and equity arbitrage space (which may have suffered from difficult market conditions in recent years).

The Sark Fund received the 2005 and 2006 EuroHedge Awards for Best Convertibles and Equity Arbitrage Fund.

As of 31 December 2005, 31 December 2006 and 31 December 2007 the Sark Fund had assets under management of approximately €956 million, €1.33 billion and €2 billion respectively. As of 1 May 2008, the Sark Fund had assets under management of approximately €1.85 billion.

Conversion between classes of Shares

The Articles of Association incorporate provisions to enable shareholders of any one class of Shares to convert all or part of their holding into any other class of Shares which are in issue at the relevant date on a quarterly basis, in accordance with the detailed provisions of the Articles of Association and subject to the receipt by the Company of the representations set forth in "Selling and Transfer Restrictions" from the shareholder seeking to convert its Shares. It is anticipated that the first date on which conversion will be available, pursuant to the Offer, would coincide with the admission of the Sterling Shares to the Official List of the UKLA and to trading on the London Stock Exchange and Euronext Amsterdam. Thereafter, conversion between classes of Shares will take place quarterly in accordance with the detailed provisions of the Articles of Association.

Investment Manager

Boussard & Gavaudan Asset Management, LP acts as the Investment Manager and, as such, is responsible for the day-to-day management of the assets of the Company.

The Investment Manager is an asset management company focused on achieving the investment objectives of all its funds, including the Company, by relying on a combination of fundamental analysis and trading expertise, particularly in relation to derivatives. Total assets under management across all funds managed by the Investment Manager were approximately €2.2 billion as of 1 May 2008.

The Investment Manager was ranked in the top five innovators in Banking & Finance for 2006 by CNBC's European Business magazine and third European Equities Fund for 2006 by Europerformance.

The Investment Manager operates a rigorous investment process involving thorough risk monitoring throughout its sourcing, research and decision making in relation to each potential investment. The Investment Manager relies on a fundamentals-driven bottom-up research and analysis approach for sourcing and finding new investment opportunities and employs a team of seven financial analysts dedicated to developing new, and monitoring existing and potential, trade ideas. The philosophy behind the Investment Manager's research and analysis process is that of a team effort whereby decisions are taken in a collegiate fashion. The Investment Manager's decision process involves: (i) the identification of mispricing or of an investment opportunity; (ii) an analysis of the causes of the mispricing; (iii) the identification of a catalyst for the convergence of the security's price; and (iv) the identification of potential risk scenarios and the assignment of probabilities to those scenarios. Following this four-step decision process, the Investment Manager's Investment Committee takes a final decision on the trade, which is then usually executed by the Investment Manager's in-house traders.

The Sark Fund and the Sark Master Fund

The Sark Fund is organised as a feeder fund and all of the Sark Fund's assets (to the extent not retained in cash) are invested in the ordinary shares of the Sark Master Fund, of which the Sark Fund is the only shareholder. The investment objective of the Sark Master Fund is to achieve an attractive risk-adjusted return on capital consistent with principles designed to manage risk of capital loss. The Sark Master Fund is an opportunistic Europe-focused

multi-strategy fund which aims primarily at arbitrating instruments with non-linear pay-offs in special situations. The table below shows the historic performance of the Sark Fund up to 30 April 2008, together with other relevant comparators.

	Total return					Performance Annualised	Volatility ⁽²⁾ Annualised	Sharpe ratio ^(3,4) Annualised	Beta to Equity Index	Beta to Bond Index	Nb of positive mths/total Since inception	Max Drawdown ⁽⁵⁾	
	10m 2003	2004	2005	2006 ⁽¹⁾	2007								2008
SARK FUND EUR	9.69%	2.81%	8.70%	18.99%	5.85%	-3.34%	8.19%	4.56%	1.15	0.20	-0.18	44/62	-9.55%
SARK FUND USD	9.00%	2.08%	9.45%	21.29%	6.97%	-3.73%	8.61%	4.68%	1.09	0.20	-0.18	44/62	-9.36%
BGHL NAV	—	—	—	5.15%	5.56%	-3.63%	4.86%	7.19%	0.26	0.47	-0.39	10/18	-9.75%
BGHL SHARE PRICE	—	—	—	6.40%	4.23%	-17.49%	-6.07%	12.56%	-0.72	0.82	-0.84	9/18	-22.78%
All Strategies													
CS/Tremont Hedge													
Fund Index	13.23%	9.64%	7.60%	13.86%	12.58%	-1.45%	10.85%	4.18%	1.75	0.22	0.14	49/62	-2.74%
Greenwich-Van Global													
Hedge Fund Index	17.96%	7.68%	8.63%	12.12%	11.13%	-1.38%	10.95%	4.73%	1.57	0.29	0.06	48/62	-4.08%
HFRI Fund Weighted													
Composite Index	18.75%	9.03%	9.30%	12.89%	9.96%	-1.81%	11.32%	4.88%	1.60	0.30	0.07	48/62	-5.03%
EuroHedge Composite													
Index	—	6.26%	8.60%	9.52%	7.00%	0.00%	6.12%	2.95%	0.89	0.15	-0.07	50/62	-2.03%
Convertible & Equity Arbitrage													
CS/Tremont Conv.													
Arbitrage Index	8.07%	1.98%	-2.55%	14.30%	5.19%	-6.61%	3.75%	4.72%	0.05	0.16	0.03	40/62	-9.37%
Greenwich-Van Global													
Conv. Index	6.75%	0.97%	-1.81%	13.08%	2.46%	-2.79%	3.52%	3.99%	0.00	0.13	0.05	42/62	-8.52%
HFRI RV: Fixed Income-Convertible Arbitrage													
Index	5.89%	1.18%	-1.86%	12.17%	5.33%	-5.30%	3.25%	4.00%	-0.07	0.15	0.01	42/62	-8.05%
EuroHedge Conv. & Equity Arbitrage													
Index	—	0.61%	4.37%	11.78%	8.49%	-2.98%	4.25%	3.84%	0.19	0.11	-0.07	46/62	-5.90%
Multi-Strategy													
CS/Tremont Multi-Strategy													
Index	13.24%	7.54%	7.53%	14.48%	16.82%	-3.24%	10.94%	4.52%	1.64	0.21	0.03	52/62	-5.28%
Greenwich-Van Global													
Multi-Strat. Index	15.51%	5.90%	7.99%	12.23%	14.69%	-0.27%	10.95%	4.50%	1.65	0.24	0.11	45/62	-2.84%
EuroHedge Mixed Arb. & Multi-Strat. Index													
—	3.06%	8.59%	8.32%	8.98%	-0.23%	5.58%	3.27%	0.63	0.15	-0.06	49/62	-2.62%	
Equity strategy													
HFRI Equity Hedge													
(Total) Index	21.49%	7.68%	10.60%	11.71%	10.48%	-3.46%	11.31%	6.22%	1.25	0.40	-0.02	46/62	-8.14%
EuroHedge Global Equity													
Index	—	8.97%	15.07%	16.24%	12.58%	-2.58%	9.67%	5.38%	1.14	0.27	-0.05	49/62	-5.50%
Fund of hedge funds													
HFRI Fund of Funds													
Composite Index	10.30%	6.86%	7.49%	10.39%	10.25%	-3.15%	8.21%	4.47%	1.05	0.25	0.06	45/62	-5.18%
Traditional indices													
DJ Stoxx 600	25.94%	9.51%	23.47%	17.81%	-0.17%	-11.39%	11.95%	11.37%	0.79	1.00	-0.80	41/62	-22.88%
S&P 500 EUR	14.53%	1.14%	18.69%	1.63%	-6.62%	-11.39%	2.90%	11.09%	-0.06	0.78	-1.24	32/62	-26.61%
Lehman Brothers Global													
Aggregate Bond	9.84%	9.27%	-4.49%	6.64%	9.48%	4.59%	6.84%	5.52%	0.60	-0.19	1.00	38/62	-5.42%

Sources: Sark Fund Ltd Annual Report, Sark Fund Monthly Reviews, Credit Suisse/Tremont, Greenwich-Van, Hedge Fund Intelligence — EuroHedge, Hedge Fund Research, Inc., Lehman Brothers, Inc. and Datastream

Sources: Sark Fund Ltd Annual Report, Sark Fund Monthly Reviews, Bloomberg, Hedge Fund Intelligence — EuroHedge, Lehman Brothers, Inc. and Datastream

The value of your investment may fluctuate. Results achieved in the past are no guarantee of future results

(1) From October to December 2007 for BGHL NAV & BGHL Share Price

(2) Annualised volatility is calculated from monthly volatility (standard deviation of reported monthly performance) as: Monthly volatility*12^{0.5}

(3) Annualised Sharpe ratio is calculated as: (Annualised total return — Annualised risk free rate return) / Annualised volatility

(4) Sark Fund EUR and DJ Stoxx 600 Sharpe ratios are calculated using Euribor 1M risk free rate. Sark Fund USD and other indices are calculated using US Libor 1M risk free rate

(5) Maximum drawdown represents the largest drop from a peak to a trough since inception

Note: the reference in the above table to 'Sark Fund Eur' relates to the Euro class A shares of the Sark Fund only.

Dividend Policy

The Directors do not expect to declare any dividends and income earned in the portfolio will be reinvested.

Management and Performance Fees

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

The performance fee will be calculated in respect of each period of twelve months (except for the first such period) ending on 31 December in each year (a “**Calculation Period**”). The performance fee is deemed to accrue on a monthly basis as at each Valuation Day.

For each Calculation Period, the performance fee will be calculated on an aggregate basis and will be equal to the sum of 20 per cent. of the appreciation in the Net Asset Value during that Calculation Period above the Base Net Asset Value. The Base Net Asset Value is the highest Net Asset Value of the Company achieved as at the end of any previous Calculation Period (if any). The performance fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued performance fee. Following calculation of the aggregate performance fee, the performance fee will be allocated between the classes of shares in issue in proportion to the value of the relevant Pool. The effect of hedging the Sterling Shares shall not be taken into account when determining the value of the Sterling Pool for these purposes.

The Company has entered into a management agreement with the Investment Manager (the “**Management Agreement**”). If the 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.

Corporate Governance

The Directors of the Company are Christopher Fish, Sameer Sain and Nicolas Wirz, each of whom is independent of the Investment Manager. The Company complies with the corporate governance obligations that are applicable to it under Guernsey law.

As a Guernsey registered company, the Company is not required to comply with the Combined Code. Nevertheless, the Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies with the Combined Code to the extent that they consider appropriate, given the Company’s size, stage of development and resources.

As a Guernsey registered company, the Company is not required to comply with the Dutch Corporate Governance Code.

OFFER

Company	Boussard & Gavaudan Holding Limited
Offer	The facility to be made available to shareholders who are not US Persons to convert Euro Shares into Sterling Shares at the date of Admission in accordance with the Articles of Association.
Euronext symbol	BGHS
LSE symbol	BGHS
Issue Price	£10 per Sterling Share.
Euronext Listing Date	The Company expects that trading in the Sterling Shares on Euronext Amsterdam will commence on or about 28 July 2008 on an “as-if-and-when-issued” basis and that delivery will take place on or about 31 July 2008.
London Listing Date	Listing on the Official List of the UKLA and admission to trading on the London Stock Exchange is expected to take place before the start of trading on 28 July 2008.
Settlement Date	Expected to be on or about 31 July 2008, subject to acceleration or extension of the timetable for the Offer.
Sponsor	UBS Limited (“ UBS Investment Bank ”) is acting as Sponsor to the London Admission.

Conversion of between classes of Shares

The Articles of Association incorporate provisions to enable shareholders of any one class of Shares to convert all or part of their holding into any other class of Shares which are in issue at the relevant date on a quarterly basis, in accordance with the detailed provisions of the Articles of Association and subject to the receipt of the representations set forth in "Selling and Transfer Restrictions" from the shareholder seeking to convert its Shares. It is anticipated that the first date on which conversion will be available, pursuant to the Offer, will coincide with the admission of the Sterling Shares to the Official List of the UKLA and to trading on the London Stock Exchange and Euronext Amsterdam. Thereafter, conversion between classes of Shares will take place quarterly in accordance with the detailed provisions of the Articles of Association.

Expenses

The costs and expenses incurred in connection with the Offer (including all fees, commission and expenses payable to the Sponsor) will be borne by the Company. The costs and expenses of the Offer are not expected to exceed £1.2 million.

Risk Factors

Before participating in the Offer, shareholders should consider carefully, together with the other information contained in this prospectus, the factors and risks attaching to an investment in the Sterling Shares described in the section headed "Risk Factors", beginning on page 17, including the following risks:

- the Company is a recently established investment company and has a limited operating history;
- the target return included in this prospectus is based on projections and the Company cannot guarantee that it will meet or exceed the target in the future or that its Net Asset Value will not decrease;
- no reliance should be placed by investors on the past performance of the Company, the Sark Fund or the Sark Master Fund;
- the performance of the Company depends on the ability and services of the Investment Manager;
- valuations of portfolio investments may not reflect the price at which such investments can be realised;
- investments to be made by the Company will be relatively illiquid and subject to restrictions on redemption;
- due to the concentration of the Company's assets in the Sark Fund, the Company's performance will continue to be substantially affected by the performance of the Sark Fund and the Sark Master Fund;
- the Investment Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company, the Sark Fund or the Sark Master Fund and which could cause the investment opportunities available to, and investment returns achieved by, the Company, the Sark Fund or the Sark Master Fund to be prejudiced;
- the Investment Manager is dependent upon the expertise of its key personnel in providing investment management services to the Company, the Sark Fund and the Sark Master Fund. The departure of such key personnel for any reason may negatively impact the ability of the Company to achieve its investment objective;
- the continued services of the Investment Manager are dependent on the continuation of the Management Agreement, which can be terminated with notice. Failure to secure a suitable replacement investment manager will adversely impact on the achievement by the Company of its investment objective;
- the Company's shares in the Sark Fund are subject to redemption at any time by the Sark Fund;
- changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business, investments and/or performance;
- changes in taxation could adversely affect the ability of the Company to meet its investment objective;
- if the Company or the investment funds in which it directly or indirectly invests become subject to tax on a net income basis in any tax jurisdiction, including France or the United Kingdom, the Company's financial condition and prospects could be materially and adversely affected;
- if unanticipated withholding or excise taxes are imposed in respect of distributions or other payments on the Company's direct and indirect investments, the return on those investments could be materially and adversely affected;

- shareholders of Euro Shares may be adversely affected by currency movements;
- shareholders of Sterling Shares may be adversely affected by currency movements;
- disclosure of the portfolio of the Company, the Sark Fund and the Sark Master Fund may be limited;
- the Company is reliant upon the provision of services by third party service providers in order to carry on its business and a failure by one or more service providers could materially disrupt the business of the Company or impact detrimentally on its investment performance;
- investments to be made by the Company other than in the Sark Fund have not yet been finalised, selected or arranged and investors in the Offer are unable currently to ascertain the merits or risks of these investments;
- short selling by the Sark Master Fund may subject it to uncapped losses;
- the Company is at risk from the failure of the strategy followed by the Sark Master Fund;
- investments held by the Sark Master Fund and the Company (with respect to non-Sark Fund assets) may be illiquid and an inability to realise investments in difficult market conditions may expose the Company to additional losses;
- the use of leverage may increase the volatility of returns and increase the risk of loss to investors' capital;
- the Company's investments are subject to market risk;
- the Company may suffer loss as a result of the actions of the Investment Manager and its other service providers;
- the Sark Master Fund is subject to limited supervision and legal conditions may lead to difficulty in protecting and enforcing the rights of the Sark Fund and the Sark Master Fund;
- the Sark Master Fund may at certain times hold a few relatively large investments;
- the Sark Master Fund invests in "special situations" and/or "events";
- the use of derivatives by the Sark Master Fund gives rise to a number of specific potential risks;
- the Sark Master Fund's investment in options subjects it to the risk of being required to purchase the underlying securities on unfavourable terms in order to satisfy its obligations;
- the Company and the Sark Master Fund are subject to the risk of default of counterparties with respect to their investments in forward foreign exchange contracts;
- the Company and the Sark Master Fund may trade financial futures, the prices of which can be highly volatile;
- the Sark Master Fund is subject to the risk of counterparty default in and the unenforceability of off-exchange transactions as well as exchange-traded transactions;
- investments made by the Sark Master Fund will be sensitive to changes in interest rates and fluctuations in interest rates may expose the Sark Master Fund and the Company to losses;
- the Sark Master Fund may invest in non-investment grade or unrated debt securities which are subject to greater risk of loss of principal than higher rated securities;
- the Company, the Sark Fund and/or the Sark Master Fund may not be successful in its hedging strategies;
- risk models which are relied upon may prove inaccurate or inadequate;
- substantial redemptions by several investors or a significant investor in the Sark Fund may cause a liquidation of investments at an undesirable rate;
- performance fee arrangements may adversely influence investment management decisions notwithstanding the alignment of interest provided thereby;
- higher portfolio turnover may result in significant transaction costs;
- prime brokers and custodians of the Sark Master Fund may hold legal and beneficial title to assets of the Sark Master Fund which will subject the Sark Master Fund to risks of insolvency or fraud on the part of the prime brokers and custodians;
- investments by the Sark Master Fund may not be regulated by the rules of any stock exchange or investment exchange and may be subject to increased risk of the counterparty failing to perform its obligations;

- investments by the Sark Master Fund may be affected by changes to international agreements and international laws and failures of authorities to enforce compliance with such laws;
- certain income received or gains made by the Company, the Sark Fund and the Sark Master Fund may be subject to irrecoverable tax;
- the increasing size and maturity of hedge fund markets may reduce opportunities available for investment;
- shareholders have no right to have their Shares redeemed by the Company;
- the existence of a liquid market in the Sterling Shares cannot be guaranteed;
- Euronext Amsterdam trading market is less liquid than other major exchanges, which could affect the prices of the Euro Shares and the Sterling Shares;
- Euronext Amsterdam may annul all transactions effected in the Sterling Shares in the “as-if-and-when-issued” period if the Sterling Shares are not delivered on the Settlement Date;
- there may be a settlement risk at the time of conversion of the Sterling Shares;
- the Sterling Shares in the Company may trade at a discount to Net Asset Value and shareholders may be unable to realise their investments at Net Asset Value;
- the Company has waived the pre-emption rights contained in the Articles of Association and subsequent issues of shares may have a detrimental effect on the Net Asset Value and market price of the Shares;
- shareholders in countries with currencies other than Sterling may have their investments adversely affected by currency exchange rate fluctuations;
- if withholding tax were unexpectedly imposed in respect of distributions or other payments on the Sterling Shares, the value of the Sterling Shares could be materially and adversely affected; and
- the Company has not registered and will not register as an investment company under the Investment Company Act.

The foregoing is not a comprehensive list of the risks and uncertainties to which the Company is subject. Each shareholder should carefully consider all of the information in this prospectus, including the information included under the section headed “Risk Factors” beginning on page 17, prior to participating in the Offer. The Directors believe that the risks described in the section headed “Risk Factors” are the material risks relating to the Sterling Shares as at the date of this prospectus, although such information does not purport to be an exhaustive list or summary of the risks that the Company may encounter.

RISK FACTORS

An investment in the Sterling Shares involves a high degree of risk. Existing shareholders are referred to the risks set out below. The Directors believe that the risks described below are the material risks relating to the Sterling Shares as at the date of this prospectus, although the information below does not purport to be an exhaustive list or summary of the risks that the Company may encounter. No assurance can be given that shareholders will realise a profit or will avoid a loss of all or part of their investment. Investment in the Company is suitable only for persons who can bear the economic risk of a substantial or entire loss of their investment and who can accept that there may be limited liquidity in the Sterling Shares. Additional risks and uncertainties not currently known to the Company, or that the Company deems to be immaterial as at the date of this prospectus, may also have an adverse effect on its business. Potential investors should review this prospectus carefully and in its entirety and consult with their professional advisers before making an application to invest in the Sterling Shares.

Risks relating to the Company

The Company is a recently established investment company and has a limited operating history

The Company was formed on 3 October 2006. Prior to its formation, the Company had no operations or assets. Accordingly, the Company has limited historical financial statements and only limited operating or financial data with which to evaluate the Company and its performance. An investment in the Company is therefore subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and target return and that the value of an investor's investment could decline substantially as a consequence.

The target return included in this prospectus is based on projections and the Company cannot guarantee that it will meet or exceed the target in the future or that its Net Asset Value will not decrease

The target return figure is a target only and is based on the Investment Manager's performance projections of the Company's investment strategy, market conditions and economic environment at the time of assessing the proposed target, and are therefore subject to change. There is no guarantee that the target return of the Company can be achieved at the numbers set out in this prospectus or that its Net Asset Value will not decrease. A variety of factors, including changes in financial market conditions, interest rates, government regulations, the worldwide economic environment or the occurrence of risks described elsewhere in this prospectus could adversely impact the Company's ability to achieve its target and its performance. Investors should not place any reliance on such return target in deciding whether to invest in the Company. A failure by the Company to achieve its target return or increase its Net Asset Value could adversely impact the value of the Shares and result in a loss of all or part of an investor's investment.

No reliance should be placed by investors on the past performance of the Company, the Sark Fund or the Sark Master Fund

Historical financial statements and performance information for the Company, the Sark Fund and the Sark Master Fund has been included in this prospectus as the Company's investment strategy involves investing a significant proportion of its assets into the Sark Fund (and therefore being exposed to the investment performance of the Sark Master Fund). The Company has only operated since November 2006 and while the Sark Fund and the Sark Master Fund have operated since March 2003, there can be no assurance that the Sark Master Fund (and therefore the Sark Fund) will be able to maintain its historic investment performance. Past performance of the Sark Fund and the Sark Master Fund should not be taken to be a guide to the future performance of the Sark Fund, the Sark Master Fund or, by extension, the Company. Unrealised values of investments made by the Sark Fund and the Sark Master Fund may not be realised in the future. In addition, the Company intends to invest a portion of its assets in investments other than the Sark Fund that may have different rates of return and risks.

The performance of the Company depends on the ability and services of the Investment Manager

The performance of the Company depends on: (i) the ability of the Investment Manager to generate positive returns within the Sark Master Fund; and (ii) in respect of investments of the Company other than the investment in the Sark Fund, the Investment Manager's ability to advise on, and identify, investments in accordance with the investment objective of the Company and to allocate the assets of the Company among all investments in an optimal way. Achievement of the investment objective will also depend, in part, on the ability of the Investment Manager to provide competent, attentive and efficient services to the Company, the Sark Fund and the Sark Master Fund under the terms of the Management Agreement and its management agreements with the Sark Fund and the Sark Master

Fund. There can be no assurance that, over time, the Investment Manager will be able to provide such services or that the Company or the Sark Master Fund will be able to invest their respective assets on attractive terms or generate any investment returns for shareholders or indeed avoid investment losses.

None of the Company, the Sark Fund or the Sark Master Fund currently has any employees or owns any facilities and each depends upon the Investment Manager for the day-to-day management and operation of their respective businesses. Additionally, there are no restrictions on the Investment Manager's ability to establish funds or other publicly traded entities that compete with the Company, the Sark Fund or the Sark Master Fund, including any other entities that may invest in the Sark Fund. The Investment Manager currently serves as the investment manager for three funds other than the Company. Personnel and support staff provided by the Investment Manager are not required to have as their primary responsibility the day-to-day management and operations of the Company, the Sark Fund or the Sark Master Fund or to act exclusively for any of them. The success of the Company, the Sark Fund or the Sark Master Fund will depend upon the experience and performance of the Investment Manager and its continued involvement in their businesses. If the Investment Manager were to cease to provide its services to the Company, the Sark Fund or the Sark Master Fund, they may experience difficulty in achieving their respective investment objectives and their businesses and prospects would be materially prejudiced.

Valuations of portfolio investments may not reflect the price at which such investments can be realised

Close Fund Services Limited (the "Administrator") each month arranges for the publication of the Net Asset Value as at the end of the previous month and the Investment Manager provides daily estimates. The Sark Fund and the Sark Master Fund, through their respective administrators, publish net asset values as at the last calendar day of each month. To the extent that such information is not available in a timely manner, the Net Asset Value will be published based on estimated values of the Sark Fund and the Sark Master Fund and on the basis of the information available to the Administrator at the time. There can be no guarantee that the Company's investments could ultimately be realised at any such future valuation or at the historical valuations contained in this prospectus for the Sark Fund and the Sark Master Fund.

Because of overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through the Sark Master Fund), the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations obtained by the Company. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities to be held by the Company may routinely trade with bid-offer spreads that may be significant. At times, third party pricing information may not be available for certain positions held directly or indirectly by the Company.

In calculating the Net Asset Value, the Administrator will be relying, *inter alia*, on the value of the Sark Fund and the Sark Master Fund which will be supplied by the administrators of those funds. Such estimates will be unaudited and may be subject to little independent verification or other due diligence. In the event that a price or valuation estimate accepted by the Company, the Sark Fund or the Sark Master Fund in relation to an underlying investment subsequently proves to be incorrect or varies from the final published price, no adjustment to any previously published Net Asset Value will be made.

The type of assets (including derivative instruments) traded by the Sark Master Fund may be complex, illiquid and not listed on any stock exchange. In particular, the values of certain bonds held by the Sark Master Fund are difficult to ascertain and the administrator of the Sark Master Fund may have to rely on the spot price of such bonds quoted by a single broker. In other, limited, cases the administrator of the Sark Master Fund may have to rely on valuations of securities provided by the Investment Manager. The value of such assets is therefore subject to the judgment of the administrator of the Sark Master Fund and might prove to be incorrect or vary from the final price obtained by the Sark Master Fund at the end of the trade.

To the extent that the Company invests in hedge funds or financial assets other than its investment in the Sark Fund, similar risks to those highlighted above as being existing risks in the Sark Master Fund would apply to the Company's direct investments, particularly in the context of private equity investments, which may be difficult to value accurately.

In the course of their respective businesses, the Company, the Sark Fund and the Sark Master Fund place significant numbers of orders with their brokers. Errors may occur in the placing of trading orders and be detrimental to the Company's performance.

The investments to be made by the Company will be relatively illiquid and subject to restrictions on redemption

The assets of the Company are invested predominantly in the Sark Fund, which in turn invests its assets in the Sark Master Fund. There is no active market in the shares of the Sark Fund or the shares of the Sark Master Fund. Accordingly, in order to realise its investment in the Sark Fund, the Company will need to exercise its redemption rights as a shareholder in the Sark Fund to have its shares in the Sark Fund redeemed.

The Company may redeem its shares in the Sark Fund only on a monthly basis and, in certain limited circumstances described below in the section headed "Redemptions" beginning on page 99 of this prospectus, the redemption of shares in the Sark Fund may be suspended. In the event the Company intends to redeem its shares in the Sark Fund it must provide at least 60 days' notice prior to such redemption and may be required to pay a redemption fee equal to up to five per cent. of the redemption proceeds. The redemption fee will not apply in respect of redemptions made in accordance with the above procedure (broadly, where such redemption is made on a date falling two years after the date of issue of the relevant shares or every two years thereafter). These limitations on redemption of the Company's Sark Fund shares may hinder the Company's ability to realise its investment in the Sark Fund and adversely impact the value of the Shares as the Company may be unable to dispose of its investment in the Sark Fund at the optimal time or in an optimal manner. See the section headed "Information on the Sark Fund and the Sark Master Fund-Redemptions" beginning on page 99 for a further description of the procedures required for the Company to redeem its investment in the Sark Fund.

Similarly, in order to realise its investment in the Sark Master Fund, the Sark Fund is required to comply with the redemption provisions of the Sark Master Fund. Whilst the directors of the Sark Master Fund have determined to effect redemptions of ordinary shares in the Sark Master Fund on a basis not less frequent than the Sark Fund, they retain a general discretion as to when shares in the Sark Master Fund may be redeemed.

In the event of a material adverse event occurring in relation to the Sark Master Fund or the market generally, the ability of the Company to realise its investment at an optimal price at such time and prevent the possibility of further losses is therefore limited by its restricted ability to redeem its shares in the Sark Fund and by the Sark Fund's potentially restricted ability to realise its investments in the Sark Master Fund. These restrictions could materially extend the period over which the Company is able to realise its investments in the Sark Fund. In addition, the potential limitations on the Sark Fund's ability to redeem its shares in the Sark Master Fund may adversely affect its liquidity in the event the Company or other shareholders of the Sark Fund have requested a redemption of their respective shares in the Sark Fund. Withdrawals or redemptions by other investors in the Sark Fund and the Sark Master Fund may also negatively impact the value of the Company's investment.

The Company expects that its investments in assets other than the Sark Fund will also be relatively illiquid and subject to similar restraints on realisation.

Due to the concentration of the Company's assets in the Sark Fund, the Company's performance will continue to be substantially affected by the performance of the Sark Fund and the Sark Master Fund

While the Company intends to diversify its investment portfolio by investing in assets other than the Sark Fund in the future, a significant portion of its assets will continue to be shares of the Sark Fund. The Sark Fund invests solely in the Sark Master Fund. Therefore the Company's performance is substantially dependent on the performance of the investments made by the Sark Master Fund and the result of such performance on the value of the Company's shares in the Sark Fund. Any event or investment that has a negative impact on the performance of the Sark Master Fund, including the failure of the Sark Master Fund's investment manager to appropriately diversify the investments made by the Sark Master Fund, will likely have a negative impact on the performance of the Company and the value of the Shares. Investors should thus carefully consider the particular risks associated with the Sark Fund and the Sark Master Fund set forth in this prospectus when considering an investment in the Company.

The Investment Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company, the Sark Fund or the Sark Master Fund and which could cause the investment opportunities available to, and investment returns achieved by, the Company, the Sark Fund or the Sark Master Fund to be prejudiced

Currently, the Investment Manager is the manager of three funds other than the Company and it and its affiliates may serve as managers to other clients. As a result, the Investment Manager and its respective affiliates may have conflicts of interest in allocating investments among the Company or the Sark Master Fund and the other clients and in effecting transactions between the Company or the Sark Master Fund and other clients, including transactions in which the Investment Manager and its respective affiliates may have a greater financial interest. Depending on the

circumstances, the Investment Manager and its respective affiliates may give advice or take action with respect to such other clients that differs from the advice given or action taken with respect to the Company.

The Investment Manager and its respective affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company or the Sark Master Fund. In particular, the Investment Manager manages funds other than the Sark Master Fund and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company.

The Investment Manager and its affiliates carry on investment activities for their own accounts, for the accounts of their employees (and their families) and for other accounts in which the Company has no interest. The Investment Manager and its affiliates also provide management services to other clients, including other collective investment vehicles. The Investment Manager and its affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or securities recommended or bought for, the Company, even though their investment policies may be the same or similar.

The Directors are or may become directors of and/or investors in other companies. However, the Directors are not involved in the day-to-day investment decision making for the Company, this role having been delegated to the Investment Manager pursuant to the Management Agreement.

The Investment Manager is dependent upon the expertise of its key personnel in providing investment management services to the Company, the Sark Fund and the Sark Master Fund. The departure of such key personnel for any reason may negatively impact the ability of the Company to achieve its investment objective

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Investment Manager, its partners and portfolio managers and the Investment Manager's and its affiliates' ability to attract and retain suitable staff. The partners (including Emmanuel Boussard and Emmanuel Gavaudan) and employees of the Investment Manager's group are not subject to restrictions on their departure from the Investment Manager's group. The impact of the departure for any reason of a key individual (or individuals) on the ability of the Investment Manager to achieve the investment objectives of the Company and the Sark Master Fund cannot be determined and may depend, amongst other things, on the ability of the Investment Manager to recruit other individuals of similar experience and credibility. Furthermore, certain of the Sark Fund's and the Sark Master Fund's contractual arrangements, particularly with their prime brokers, ISDA counterparties and Sark Fund shareholders, provide the relevant counterparties with rights of termination or redemption, as the case may be, in the event that key employees of the Investment Manager's group cease to devote their time and attention to the business of the Sark Fund and the Sark Master Fund. The assertion of such rights to terminate contracts or redeem shares in the Sark Fund could have a negative impact on the business and/or condition of the Sark Master Fund, the Sark Fund and the Company. There can be no guarantee that the Investment Manager would be able to replace any such key individual or limit any delay in replacing such an individual.

The continued services of the Investment Manager are dependent on the continuation of the Management Agreement, which can be terminated with notice. Failure to secure a suitable replacement investment manager will adversely impact on the achievement by the Company of its investment objective

The Management Agreement can be terminated by the Investment Manager and/or the Company with 12 months' notice in writing, such notice not to expire prior to the third anniversary of admission of the Company's existing Euro Shares to Euronext Amsterdam, except in certain circumstances where, *inter alia*, the Investment Manager becomes insolvent or is in material breach of the Management Agreement, in which case the Management Agreement may be terminated forthwith. The Management Agreement may be terminated on notice only where such termination is unanimously agreed to by the Directors and confirmed by a special resolution of the Company in general meeting. The Investment Manager's investment management agreement with the Sark Fund and the Sark Master Fund can be terminated on 90 days' notice. Where the Investment Manager terminates the Management Agreement or its investment management agreement with the Sark Fund and the Sark Master Fund, no assurance can be given that the Company, the Sark Fund or the Sark Master Fund will be able to find and recruit a replacement manager of similar experience and credibility or as to the length of time the search for a replacement will take. Termination of the Management Agreement or the investment management agreement between the Investment Manager and the Sark Fund and the Sark Master Fund and any delay in finding another investment manager may adversely impact on the achievement by the Company, the Sark Fund and the Sark Master Fund of their investment objectives and target returns.

The Company's shares in the Sark Fund are subject to redemption at any time by the Sark Fund

At any time, including in the event the Management Agreement is terminated, the Sark Fund is entitled to redeem the Company's shares in the Sark Fund. The Sark Fund is not required to redeem its shares on a pro rata basis amongst all of its shareholders and such redemption could be specific to the Company alone. Should such a circumstance occur, the Company will be required to seek an alternative investment strategy for a substantial portion of its assets. Alternatively, the Directors may propose to wind up the Company. In the event that an alternative investment strategy is sought, there can be no assurance that such strategy will have similar risks or target rates of return as the Company's investment in the Sark Fund and what impact any delay in finding such alternative strategy may have on the value of the Shares. In addition, any redemption of the Company's shares in the Sark Fund may also involve a termination of the Investment Manager's role as investment manager of the Company.

Changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business, investments and/or performance

The Company, the Sark Fund, the Sark Master Fund and the Investment Manager are each subject to laws and regulations enacted by national and local governments. In particular, the Company is subject to and will continue to be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies which are domiciled in Guernsey. These include compliance with any decision of the Guernsey Financial Services Commission and with certain Dutch legal requirements that are applicable to collective investment schemes that are established outside of The Netherlands. In addition, the Company is subject to the continuing obligations imposed by Euronext Amsterdam on all companies whose shares are listed on the Euronext Amsterdam and the Sark Fund is subject to the applicable rules of the Irish Stock Exchange. Following the London Admission, the Company will also be subject to the continuing obligations imposed by the Listing Rules of the UKLA on all companies whose shares are listed on the Official List.

Furthermore, the regulatory environment for hedge funds and the managers of hedge funds is evolving.

Any change in the laws and regulations affecting the Company or any change in the regulations affecting hedge funds, funds of hedge funds or hedge fund managers generally may have a material effect on the ability of the Company to carry on its business and pursue its investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to government or judicial action which may adversely affect the value of investments held by the Sark Master Fund. Any such change may also adversely affect the value of investments held by the Company, the ability of the Company to invest in assets with maximum liquidity and the ability of the Company to obtain the leverage it might otherwise obtain. In such event, the investment returns of the Company may be materially adversely affected.

For regulatory, tax and other purposes, the Company and the Shares may be treated differently in all jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Shares may be treated as more akin to units in a collective investment scheme. Furthermore, in certain jurisdictions, the status of the Company and/or the Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosures by the Company. The Company may be constrained, or may find it unduly onerous, to disclose any or all such information or to prepare or disclose such information in a form or manner which satisfies certain regulatory, tax or other relevant authorities. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact the Company and investors in those jurisdictions.

Changes in taxation could adversely affect the ability of the Company to meet its investment objective

Any change in the Company's tax status, or in taxation legislation in either Guernsey, The Netherlands or the Cayman Islands could affect the value of the investments held by the Company or the Company's ability to achieve its investment objective or alter the post-tax returns to shareholders. Statements in this prospectus concerning the taxation of shareholders are based upon current Guernsey and Netherlands tax law and practice, which law and practice are, in principle, subject to changes that could adversely affect the ability of the Company to meet its investment objective and/or which could adversely affect the taxation of shareholders.

If the Company or the investment funds in which it directly or indirectly invests become subject to tax on a net income basis in any tax jurisdiction, including France or the United Kingdom, the Company's financial condition and prospects could be materially and adversely affected

The Company intends to conduct its affairs so that it will not be treated as resident for taxation purposes, or as having a permanent establishment or otherwise being engaged in a trade or business, in any country other than Guernsey. The Company therefore intends that it will not be subject to tax on a net income basis in any country,

including Guernsey, where it expects to continue to qualify for an exemption from income tax liability. There can be no assurance, however, that the net income of the Company will not become subject to income tax in one or more countries, including France and the United Kingdom, as a result of unanticipated activities performed by the Company, the Investment Manager or entities within the Investment Manager's group, adverse developments or changes in law, contrary conclusions by the relevant tax authorities or other causes. The imposition of any such unanticipated net income taxes could materially reduce the Company's post-tax returns available for distributions on, and consequently the value of, the Shares. The Sark Fund, the Sark Master Fund and any other investment funds in which the Company directly or indirectly invests generally will be subject to similar risks.

If unanticipated withholding or excise taxes are imposed in respect of distributions or other payments on the Company's direct and indirect investments, the return on those investments could be materially and adversely affected

As a general matter, the Company does not intend that withholding or excise tax will be imposed in respect of distributions or payments made on its direct or indirect investments, including investments made indirectly through other investment funds. Certain of those payments, however, may be subject to withholding or excise tax. Moreover, there can be no assurance that no unanticipated withholding or excise taxes will be imposed on those payments as a result of adverse developments or changes in any applicable law, treaty or regulation, or the adverse application or administration thereof by the relevant tax authorities, or other causes. The recipient of those payments may not be entitled to a gross-up in respect of any such taxes. The imposition of any such unanticipated withholding or excise taxes could materially reduce the value of the affected investments.

Shareholders of Euro Shares may be adversely affected by currency movements

The Company base currency is Euro. The shares of the Sark Fund are denominated in Euro and US Dollar and the base currency of the Sark Fund is Euro. Certain of the assets of the Sark Master Fund may, however, be invested in securities and other investments which are denominated in currencies other than Euro or US Dollar. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency exchange rates. The Investment Manager seeks to hedge the exposure of the Sark Master Fund to currencies other than Euro. In addition, the Investment Manager seeks to hedge the foreign currency exposure of the assets attributable to the Sark Fund's US Dollar shares from Euro into US Dollar. However, the Sark Fund is necessarily subject to foreign exchange risks as hedging techniques may not be completely effective. In addition, shareholders whose assets and liabilities are predominantly in currencies other than Euro or US Dollar should take into account the risk of loss arising from fluctuations in value between the Euro and the US Dollar and such other currencies. To the extent that the Company invests in hedge funds or financial assets denominated in currencies other than Euro, further currency risks would apply to the Company's direct investments, in respect of which any hedging techniques employed by the Investment Manager may not be completely effective.

Shareholders of Sterling Shares may be adversely affected by currency movements

The Sterling Shares are and will be denominated in Sterling. The Company's base currency is Euro and the Company's investments are made in Euro. Accordingly, the value of the Sterling Shares may be affected favourably or unfavourably by fluctuations in currency exchange rates between Euro and Sterling. The Investment Manager will seek to hedge the exposure of the Sterling Shares to Euro. However, the Sterling Shares are necessarily subject to foreign exchange risks as hedging techniques may not be completely effective. The costs/and or benefits of the hedging of the Sterling Shares will be solely for the account of the Sterling Pool. In the event that it is not possible to perfectly hedge the currency risk of the Sterling Shares, it is possible that the currency adjusted returns on the Sterling Shares may not reflect the performance fees payable to the Investment Manager. This could result in the Sterling Shares bearing proportionately more or less performance fee than the currency adjusted returns would otherwise imply.

Disclosure of the portfolio of the Company, the Sark Fund and the Sark Master Fund may be limited

The composition of the Company's, the Sark Fund's and the Sark Master Fund's investment portfolio is subject to confidentiality provisions with the investment manager of the Sark Fund and the Sark Master Fund. The Company believes that disclosure of the composition of these investment portfolios could be disadvantageous to the Company and its shareholders, for instance by increasing competition for limited investment capacity in underlying strategies. Accordingly, as is common with certain hedge funds, the Company intends only to disclose a general performance review, commentaries on and highlights of the performance and of specific strategies, certain sensitivity measures regarding the Company's investment portfolio (referred to herein as "Greeks" and which are further explained in

the section headed "Glossary of Selected Terms"), stress test results and a summary of historical returns, all of which the Company intends to publish on a monthly basis.

The Company is reliant upon the provision of services by third party service providers in order to carry on its business and a failure by one or more service providers could materially disrupt the business of the Company or impact detrimentally on its investment performance

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, Administrator and its delegate and Registrar perform services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to meet its investment objective. There can be no assurance that the termination of the Company's relationship with any third party service provider, and any delay in appointing a replacement for such service provider, will not have an adverse effect on the Company's performance.

Risks relating to the investment strategy

Investments to be made by the Company other than in the Sark Fund have not yet been finalised, selected or arranged and investors in the Offer are unable currently to ascertain the merits or risks of these investments

The Company intends, over time, to invest a proportion of its assets in assets other than shares of the Sark Fund. Since the Investment Manager has not yet selected these specific assets in which the Company will invest, investors in the Offer have no basis to assess the possible merits or risks of such future investments. The Company's financial performance will depend to a significant extent upon the financial performance of such assets and the Investment Manager's ability to manage these investments. To the extent the Company invests in assets other than Sark Fund shares, it may be affected by numerous risks inherent in those investments. Some of the risks detailed below in relation to the Sark Master Fund may also apply to such assets in addition to the Sark Master Fund and some of the risks inherent in such assets may be unknown and outside the control of the Investment Manager. Although the Investment Manager will endeavour to assess the risks inherent in any particular asset, it cannot, at this stage, provide full details of such risks.

Short selling by the Sark Master Fund may subject it to uncapped losses

The Sark Master Fund may engage in a significant amount of short selling. Short selling, which involves selling securities not currently owned (i.e. selling borrowed securities), necessarily involves certain additional risks. These transactions expose the Sark Master Fund to the risk of uncapped losses until a position can be closed out due to the lack of an upper limit on the price to which a security may rise. There is the risk that the securities borrowed by the Sark Master Fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Sark Master Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

The Company is at risk from the failure of the strategy followed by the Sark Master Fund

Currently and immediately after the Admission, it is intended that a significant proportion of the assets of the Company (net of any working capital requirements) will be indirectly invested in the Sark Master Fund and on a going-forward basis a substantial amount of the Company's assets will be indirectly invested in the Sark Master Fund. The performance of the Sark Master Fund, and thus the Company, is subject to strategy risk with respect to the strategy employed at the Sark Master Fund. Strategy risk is associated with the failure or deterioration of an entire strategy such that most or all investment managers employing that strategy suffer losses. Strategy-specific losses may result from excessive concentration by multiple investment managers in the same investment or general economic or other events that adversely affect particular strategies (e.g. the disruption of historical pricing relationships). The strategies employed by the Sark Master Fund may be speculative and involve substantial risk of loss in the event of such failure or deterioration.

Investments held by the Sark Master Fund and the Company (with respect to non-Sark Fund assets) may be illiquid and an inability to realise investments in difficult market conditions may expose the Company to additional losses

Investments held by the Company in assets other than Sark Fund shares and by the Sark Master Fund may themselves be or become illiquid which may affect the ability of the Company or the Sark Master Fund, as applicable, to exit such investments. Limitations on the realisation of investments may adversely impact the returns made by the Company and/or the Sark Master Fund. Such illiquidity may result from various factors, such as the nature of the instrument being traded, the nature and/or maturity of the market in which it is being traded, the size of the position being traded, or because there is no established market for the relevant securities. Even where there is an established market, the price and/or liquidity of instruments in that market may be materially affected by a variety of factors. Securities and commodity exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. It is also possible that a governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded. A suspension could render it difficult for the Company or the Sark Master Fund to liquidate positions and thereby might expose the Company, directly or indirectly, to losses.

The market prices, if any, for such illiquid investments tend to be volatile and may not be readily ascertainable and the Company or the Sark Master Fund, as applicable, may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The size of the relevant positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by the counterparties with which the Company or the Sark Master Fund, as applicable, enters into repurchase/reverse repurchase agreements or derivative transactions to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Company's and/or the Sark Master Fund's portfolio.

The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Company or the Sark Master Fund, as applicable, may not be able readily to dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

The use of leverage may increase the volatility of returns and increase the risk of loss to investors' capital

The Company and the Sark Master Fund are capable of utilising substantial leverage in order to increase their investment exposure with a view to achieving their target returns within certain volatility parameters.

While leverage presents opportunities for increasing total returns, it can also have the opposite effect of increasing losses. If income and capital appreciation on investments made with borrowed funds are less than the costs of the leverage, the net asset value of the Company and/or the Sark Master Fund will decrease. The effect of the use of leverage is to increase the investment exposure, the result of which is that, in a market that moves adversely, the possible resulting loss to investors' capital would be greater than if leverage were not used.

In addition to borrowing, leverage may be generated through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such leveraged investments. As a result of leverage employed by the Company and/or the Sark Master Fund, small changes in the value of the underlying assets may cause a relatively large change in the value of the Company and/or the Sark Master Fund, as applicable. Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

The Company has the ability to borrow up to 100 per cent. of its Net Asset Value at the time of borrowing and, as at 23 June 2008, has borrowed approximately £3 million and €6 million under the Loan Facility.

The Loan Facility has a term of five years. If the Company is unable to refinance the Loan Facility, or find a replacement loan at the end of its term, or is only able to do so on less favourable terms, this may have an adverse effect on the Company's performance.

In certain circumstances, including breach of financial covenants relating to loan to value ratios, the Company's borrowings may be repayable prior to the date on which they would otherwise fall due for repayment. In such

circumstances, assets may have to be sold at depressed prices to repay borrowings and prepayment penalties may be payable.

See "Business-Investment Policy-Gearing" on page 46 for a description of the Company's leverage policies and "Business-Leverage" on page 64 for a description of the Sark Master Fund's leverage policies. Investors should consider carefully the overall leverage profile and policies of the Company and the Sark Master Fund before making an investment into the Shares of the Company.

The Company's investments are subject to market risk

Market risk is risk associated with changes in market prices or rates. While the Sark Master Fund holds a diversified portfolio of investments within its specified investment strategy, there are certain general market conditions in which any investment strategy is unlikely to be profitable. The Investment Manager has no ability to control or predict such market conditions. Although, with respect to market risk, the Investment Manager's investment approach is designed to achieve broad diversification on a global basis across financial markets in an attempt to reduce the Company's exposure to any single market, from time to time, multiple markets could move together against the Company's underlying investments and the Company could suffer losses.

The performance of the Company's investments depends to a great extent on the accuracy of the Investment Manager's assessments of the future course of market price movements. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. All markets can be characterised by adverse volatility conditions and great unpredictability and the investment strategies implemented by the Company and the Sark Master Fund always have some, or in certain cases a significant degree of, market risk and can be negatively affected by movements in such market(s).

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international conflicts or political circumstances, as well as natural circumstances, may affect the price level, volatility and liquidity of securities and result in losses for the Company's investments in assets other than the Sark Fund as well as for the Sark Master Fund.

The Company may suffer loss as a result of the actions of the Investment Manager and its other service providers

The Company does not and will not have any employees and its Directors have all been appointed on a non-executive basis. As a result, the Company's performance is substantially dependent on its service providers' performance and, particularly, the Investment Manager's diligent performance of its duties under the Management Agreement. In the event the Investment Manager or any other service provider commits fraud, is negligent, intentionally or, particularly in the case of the Investment Manager, inadvertently deviates from its investment strategy (including excessive concentration, directional investing outside of pre-defined ranges or, in new markets, excessive leverage and risk-taking) or exercises poor judgment, the Company may suffer losses and its performance may be adversely affected.

The Sark Master Fund is subject to limited supervision and legal conditions may lead to difficulty in protecting and enforcing the rights of the Sark Fund and the Sark Master Fund

A substantial portion of the Company's assets will be indirectly invested in the Sark Master Fund, which, as a Cayman Islands entity, is established in a jurisdiction where limited supervision is exercised over the Sark Master Fund by regulators. The protection offered by such supervision may be less efficient than if full supervision was exercised by a regulator.

The Sark Fund and the Sark Master Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Sark Fund or the Sark Master Fund and their respective operations.

The Sark Master Fund may at certain times hold a few relatively large investments

The Sark Master Fund may at any point in time hold a few relatively large investments. As a result of such a concentration of assets, any significant decline in one large asset, including by reason of default of the relevant issuer, could result in significant losses for the Sark Master Fund and thus the Company.

The Sark Master Fund invests in “special situations” and/or “events”

The Sark Master Fund invests in companies involved in (or which are the target of) acquisition attempts or tender offers or mergers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies, share buybacks and other capital market transactions or “special situations”. There exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, take considerable time, result in an outcome unexpected by the Investment Manager, result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, or takes more time than anticipated, the Sark Master Fund may be required to sell its investment at a loss. As there may be uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by the Sark Master Fund of its entire investment in any such company in which it may invest.

In some special situation or events investments securities may be relatively illiquid, thereby making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. Accordingly, the Sark Master Fund’s ability to respond to market movements may be impaired and consequently the Sark Master Fund may experience adverse price movements upon liquidation of its investments which may in turn affect the Company adversely. Settlement of transactions may be subject to delay and administrative uncertainties.

Special situation or event investments may include securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganisation proceedings. Investments of this type involve substantial financial and business risks that can result in substantial or total losses. Among the challenges involved in investments in troubled issuers is the fact that it frequently may be difficult to obtain information as to the condition of such issuers. The market prices of such securities are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and offer prices of such securities may be greater than normally expected. Such securities are also more likely to be subject to trading restrictions or suspensions. It may take a number of years for the market prices of such securities to reflect their intrinsic value. Some of the portfolio securities held by the Sark Master Fund may not be widely traded, and the Sark Master Fund’s position in such securities may be substantial in relation to the market for those securities.

The use of derivatives by the Sark Master Fund gives rise to a number of specific potential risks

The Sark Master Fund may, as part of its investment policies and/or for hedging purposes, utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract or the underlying securities may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

Furthermore, the use of derivative instruments involves certain special risks, including: (i) dependence on the Investment Manager’s ability to predict movements in the price of underlying securities and movements in interest rates; (ii) when used for hedging purposes there may be an imperfect correlation between the returns on the derivative instruments used for hedging and the returns on the investments or market sectors being hedged; (iii) the fact that the skills needed to use these instruments may be different from those needed to select the Sark Master Fund’s other investments; and (iv) the possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations attributable to the proportion of the Sark Master Fund’s assets segregated to cover its obligations.

Certain derivative instruments are not traded on an exchange or subject to direct government regulation. Rather, these instruments, which may be bilateral and customised as to terms, are traded through an informal network of banks and other dealers, which have no obligation to make markets in these instruments and, in light of the unregulated nature of the agreements evidencing the transactions, can apply (and from time to time change) discretionary margin and credit requirements. Also, some instruments traded off market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalisations and/or that are traded on major stock, commodities, or options exchanges or the market in general. It may therefore be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby

a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of the Sark Master Fund, incorrect collateral calls or delays in collateral recovery. Derivative instruments also carry the risk of failure to perform by the counterparty to the transaction. The Sark Master Fund may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Sark Master Fund could incur an unlimited loss. Since a substantial proportion of the assets of the Company are invested, indirectly, in the Sark Master Fund, such an outcome could lead to a material, or total, loss of asset value in the Company.

Trading in derivatives markets may be unregulated or subject to less regulation than in other markets. Derivatives markets are, in general, relatively new markets and there are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market liquidity or credit distress. The Sark Master Fund could suffer substantial losses from its derivatives holdings in these or other situations.

The Sark Master Fund's investment in options subjects it to the risk of being required to purchase the underlying securities on unfavourable terms in order to satisfy its obligations

The Sark Master Fund may buy and sell options on securities and stock indices, which may include call options as well as put options. The seller (writer) of a covered call option assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the underlying security, less the premium received on the call option. The writer of a covered call option also gives up the opportunity for gain on the short position in the underlying security above the exercise price of the call. The writer of a call option that is not covered assumes the additional risk that it will be required to satisfy its obligation to the buyer of the call option by making an open-market purchase of the underlying securities on unfavourable terms. The buyer of a call option assumes the risk of losing the premium invested in the option.

The Sark Master Fund also may participate in, and there are risks associated with, the purchase and sale of put options. The seller (writer) of a put option which is covered (e.g. the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and, in the event of a decrease in the market price of the underlying security, gives up the opportunity for gain below the exercise price of the option.

If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option, i.e. the premium. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

The Company and the Sark Master Fund are subject to the risk of default of counterparties with respect to their investments in forward foreign exchange contracts

The Company and the Sark Master Fund may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Company and the Sark Master Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Company and/or the Sark Master Fund to cover its commitments for resale or repurchase, if any, at the then current market price and result in the loss of a hedging position that may be costly to re-establish. These events could result in significant losses.

The Company and the Sark Master Fund may trade financial futures, the prices of which can be highly volatile

The Company and the Sark Master Fund may trade financial futures. Futures prices can be highly volatile because of the low margin deposits normally required in futures trading, and because a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. In addition, commodity exchanges may limit fluctuations in commodity futures contract prices during a single day and thus during a single trading day no trades may be executed at prices beyond the "daily limit". Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless market participants are willing to effect trades at or within the limit, which may hinder the ability of the Company or the Sark Master Fund to trade.

The Company and the Sark Master Fund are subject to the risk of counterparty default in and the unenforceability of off-exchange transactions as well as exchange-traded transactions

The Company and the Sark Master Fund may enter into off-exchange transactions, including spot, forward and option contracts. The Company and the Sark Master Fund may also engage in swap transactions, consisting primarily of an exchange of a fixed price for an average floating price of a set quantity of a particular security or commodity or fixed income instrument over an agreed period of time and even purchase cash securities commodities if market conditions are believed to be warranted. Off-exchange contracts are not regulated and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. The counterparties will typically not be required to post collateral to the Sark Master Fund. Off-exchange transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

Investments made by the Sark Master Fund will be sensitive to changes in interest rates and fluctuations in interest rates may expose the Sark Master Fund and the Company to losses

The prices of investments which may be held by the Sark Master Fund tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Sark Master Fund of borrowed securities and leveraged investments or the cost of leverage for the Company.

Furthermore, to the extent that interest rate assumptions underlie the hedging of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Sark Master Fund and consequently the Company to losses.

The Sark Master Fund may invest in non-investment grade or unrated debt securities which are subject to greater risk of loss of principal than higher rated securities

The Sark Master Fund may invest in high yield bonds and preferred securities, which are rated in the non-investment grade categories by the various credit rating agencies (or in comparable non-rated securities categories). Securities in the non-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated securities and may be considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They may also be considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold.

In addition, the Sark Master Fund may invest in debt securities which may be unrated by a recognised credit rating agency which are subject to greater risk of loss of principal and interest than rated debt securities. The Sark Master Fund may invest in debt securities which rank behind other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Sark Master Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Sark Master Fund may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and

illiquid, making it difficult to hedge such risk or to calculate accurately discounting spreads for valuing financial instruments.

The Company, the Sark Fund and/or the Sark Master Fund may not be successful in its hedging strategies

The Investment Manager may utilise financial instruments such as forward contracts, options and interest rate swaps, caps and floors to seek to hedge against declines in the values of its portfolio positions (measured in terms of their base currencies) as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of instruments used for hedging and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of the applicable entity's positions. In addition, certain hedging instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, transactions in certain of these instruments may not be able to be closed out without incurring losses substantially greater than the initial deposit. Although the contemplated use of these instruments should tend to minimise the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain that might result from an increase in the value of such position. The ability of the Investment Manager to hedge successfully will depend on the Investment Manager's ability to predict pertinent market movements, which cannot be assured. There is also a risk that the Investment Manager may over-hedge or under-hedge a particular exposure because it has incomplete information regarding the amount of such exposure to which the applicable entity's investments are subject. The Investment Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-US currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Finally, the daily variation margin deposit requirements applicable to futures contracts, should the Investment Manager choose to use them, would create an ongoing greater potential financial risk than would options transactions, where the exposure is limited to the cost of the initial premium and transaction costs paid.

It may not be possible for the Investment Manager to hedge against a change or event at attractive prices or at a price sufficient to protect the assets of the Company and/or the Sark Master Fund from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain risks at all. The Company, the Sark Fund and the Sark Master Fund are likely to take substantial unhedged positions.

Risk models which are relied upon may prove inaccurate or inadequate

In several cases the assessment of risks assumed in portfolios or instruments of the Company, the Sark Fund or the Sark Master Fund may rely on models provided by third parties, including catastrophe risk modelling firms. The analyses performed through these models cannot be viewed as facts, projections, or forecasts of future losses and cannot be relied upon as an indication of the future return on such investments. In particular, the impacts predicted by such models may prove inaccurate or inadequate in certain unexpected or new situations and result in substantial losses for the Company, the Sark Fund or the Sark Master Fund where the Investment Manager or its affiliates rely on such models.

Substantial redemptions by several investors or a significant investor in the Sark Fund may cause a liquidation of investments at an undesirable rate

Substantial redemptions by several investors or a significant investor in the Sark Fund within a short period of time could require the Sark Master Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Sark Master Fund's assets and/or disrupting the Investment Managers' investment approach. Reduction in the size of the Sark Master Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sark Master Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. Such a substantial redemption by several holders or a large holder, and the potential disruptions caused by such redemptions, may adversely affect the value of the Company's interest in the Sark Fund. As at 30 April 2008, the three, five and ten largest investors in the Sark Fund (excluding the Company) accounted for 18 per cent., 25 per cent. and 34 per cent. of total assets under management respectively, such that the redemption of one or more of such largest investors' shares in the Sark Fund could have the adverse affects described above.

Performance fee arrangements may adversely influence investment management decisions notwithstanding the alignment of interest provided thereby

The Investment Manager receives compensation calculated by reference to the performance of the investments of the Company and the Sark Master Fund. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation is calculated on a basis that includes unrealised appreciation of the Company's and the Sark Master Fund's assets, such performance-based compensation may be greater than if such compensation were based solely on realised gains.

Higher portfolio turnover may result in significant transaction costs

The Sark Master Fund is not restricted in effecting transactions by any limitation with regard to its respective portfolio turnover rates. It is possible that the portfolio turnover rate may be very high, which will result in significant transaction costs for the Sark Master Fund, thereby reducing the investment performance of the Sark Master Fund as well as that of the Company.

Prime brokers and custodians of the Sark Master Fund may hold legal and beneficial title to assets of the Sark Master Fund which will subject the Sark Master Fund to risks of insolvency or fraud on the part of the prime brokers and custodians

Under the arrangements between the Sark Master Fund and its prime brokers and custodians, the prime brokers and custodians have rights to identify as collateral, to rehypothecate or to otherwise use for their own purposes assets held by them for the Sark Master Fund from time to time. Legal and beneficial title to such assets may therefore be transferred to the relevant prime broker and custodian. The Sark Master Fund has only a contractual right to the return of assets equivalent to those of the relevant assets. The Sark Master Fund ranks as one of the unsecured creditors of the relevant prime broker and custodian. In the event of the insolvency of any of the Sark Master Fund's prime brokers and custodians, the Sark Master Fund might not be able to recover such equivalent assets in full or at all. The Sark Master Fund will be subject to the risk of the inability of the prime broker to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of any one prime broker or custodian defaulting on its obligations to the Sark Master Fund, the effects of such a default may have consequential negative effects on other prime brokers with whom the Sark Master Fund deals. The Sark Master Fund and, by extension, the Company may, therefore, be exposed to systemic risk when the Sark Master Fund deals with prime brokers and custodians whose creditworthiness may be interlinked.

Investments by the Sark Master Fund may not be regulated by the rules of any stock exchange or investment exchange and may be subject to increased risk of the counterparty failing to perform its obligations

Investments made by the Sark Master Fund may not be regulated by the rules of any stock exchange or investment exchange or other regulatory body or authority. The counterparties to such investments may have no obligation to make markets in such investments and may have the ability to apply essentially discretionary margin and credit requirements. Furthermore, the Sark Master Fund will be subject to the risk of bankruptcy of, or the inability or refusal to perform with respect to such investments by, the counterparties with which it deals.

Investments by the Sark Master Fund may be affected by changes to international agreements and international laws and failures of authorities to enforce compliance with such laws

The Sark Master Fund may invest in markets that have been created to achieve specific policy objectives and where the connection to policy development carries considerable risks. The value of the Sark Master Fund could be adversely affected by abrogation of international agreements and national laws which have created the market instruments in which the Sark Master Fund will be investing. Failure of the designated national and international authorities to enforce compliance with the same laws and agreements, failure of local, national and international organisations to carry out their duties prescribed to them under the relevant agreements, revisions of these laws and agreements which dilute their effectiveness or conflicting interpretation of provisions of the same laws and agreements may adversely affect the investment performance of the Sark Master Fund.

The Sark Master Fund may also be adversely affected by events resulting from acts of terrorism, international political developments, changes in government policies, taxation, restrictions on foreign investment and currency

repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which it has invested.

Certain income received or gains made by the Company, the Sark Fund and the Sark Master Fund may be subject to irrecoverable tax

Certain income received by the Company, the Sark Fund and the Sark Master Fund may be subject to withholding tax, and income or gains of the Company, the Sark Fund and the Sark Master Fund may also be subject to tax. Such tax may not be recoverable.

The increasing size and maturity of hedge fund markets may reduce opportunities available for investment

The growth in the number of hedge funds and assets managed by such funds, together with the increase in other market participants (such as the proprietary desks of investment banks) may reduce the opportunities available for the Investment Manager to generate returns and/or reduce the quantum of these returns. Similarly the opportunities available for the Company as a result of investing in non-Sark Fund assets may be reduced. Historic opportunities for some or all hedge fund strategies may be eroded over time whilst structural and/or cyclical factors may reduce opportunities for the Investment Manager temporarily or permanently. Such growth may also adversely affect the ability of the Investment Manager to retain and/or recruit employees.

Risks relating to an investment in the Sterling Shares

Shareholders have no right to have their Sterling Shares redeemed by the Company

The Company was established as a listed closed-ended vehicle. Accordingly, shareholders will have no right to have their Sterling Shares redeemed or repurchased by the Company at any time, unlike investors who have invested directly in the Sark Fund. While the Directors retain the right to effect repurchase of Sterling Shares in the manner described in this prospectus, they are under no obligation to use such powers at any time and shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Sterling Shares through Euronext Amsterdam and the London Stock Exchange or negotiated transactions with potential purchasers. Accordingly, shareholders' ability to realise their investment at Net Asset Value or at all is in part dependent on the existence of a market, and the extent of its liquidity in the Sterling Shares.

The existence of a liquid market in the Sterling Shares cannot be guaranteed

There can be no guarantee that a liquid market in the Sterling Shares will develop or continue to develop, as the case may be, or that the Sterling Shares will trade at prices close to their underlying Net Asset Value. Accordingly, shareholders may be unable to realise their investment at Net Asset Value or at all.

The Offer constitutes a facility that is being made available to shareholders to convert Euro Shares into Sterling Shares at the date of Admission in accordance with the Articles of Association. The Company has applied to list the Sterling Shares on Euronext Amsterdam, and expects the Sterling Shares to be quoted on this exchange on or about 28 July 2008. Any delay in the commencement of trading of the Sterling Shares on Euronext Amsterdam would make trading in the Sterling Shares more difficult for shareholders. Shareholders should also note that if they elect to convert Euro Shares to Sterling Shares they will be unable to deal in the Euro Shares in the period between giving notice of conversion and the actual date of conversion which may be up to 30 Business Days.

In addition it is not possible to predict the extent to which an active market for the Sterling Shares will develop or be sustained after the Sterling Shares are listed on Euronext Amsterdam. The number of Sterling Shares to be issued pursuant to the Offer is not yet known, and there may be a limited number of holders of Sterling Shares. Limited numbers and/or holders of Sterling Shares may mean that there is limited liquidity in such Sterling Shares which may affect: (i) an investor's ability to realise some or all of his investment; and/or (ii) the price at which such investor can effect such realisation; and /or (iii) the price at which Sterling Shares trade in the secondary market.

Application has also been made for the admission to the Official List of the UKLA and to trading on the London Stock Exchange of the Shares.

The Euronext Amsterdam trading market is less liquid than other major exchanges, which could affect the price of the Sterling Shares

The principal trading market for the Sterling Shares is currently Euronext Amsterdam, which is less liquid than major markets in the United States and certain other parts of Europe. Because Euronext Amsterdam is less liquid

than major markets in the United States and certain other parts of Europe, holders of Sterling Shares may face difficulty when disposing of their Sterling Shares, especially in large blocks, and the risk described in the previous risk factor with respect to the lack of an active and liquid trading market is higher than if the Sterling Shares were traded on a major market in the United States or certain other parts of Europe. In addition, a disproportionately large percentage of the market capitalisation and trading volume of Euronext Amsterdam is represented by a smaller number of listed companies and conglomerates. Fluctuations in the prices of these companies' securities may have a significant effect on the market price for the securities of other listed companies, including the price of the Sterling Shares.

Euronext Amsterdam may annul all transactions effected in the Sterling Shares in the "as-if-and-when-issued" period if the Sterling Shares are not delivered on the Settlement Date

From the Euronext Listing Date until the Settlement Date, the Sterling Shares will be listed and traded on Euronext Amsterdam on an "as-if-and-when-issued" basis. Euronext may annul all transactions that are effected on an "as-if-and-when-issued" basis by 5.40 pm CET on the business day before the Settlement Date at the latest. Investors wishing to enter into transactions in the Sterling Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the Settlement Date may not take place on or about 31 July 2008, or at all, if certain conditions referred to in the Sponsor Agreement are not satisfied or waived or if certain events occur on or prior to such date.

If completion of the Offer does not take place on the Settlement Date or at all, all applications for the Sterling Shares will be disregarded, any allotments made will be deemed not to have been made, and all transactions in the Sterling Shares on Euronext Amsterdam will be annulled. All dealings in the Sterling Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam is not responsible or liable for any loss or damage incurred by any person as a result of a withdrawal of the Offer and/or (the related) annulment of any transactions on Euronext Amsterdam.

There may be a settlement risk at the time of conversion into the Sterling Shares

From the date of conversion of the Euro Shares until the date on which the Sterling Shares arising on conversion are settled, the Sterling Shares arising on conversion will be listed and traded on Euronext Amsterdam on an "as-if-and-when-issued" basis. Investors wishing to enter into transactions in the Sterling Shares arising on conversion prior to the date of settlement, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that settlement may not take place on a T+3 basis, or at all.

The Sterling Shares in the Company may trade at a discount to Net Asset Value and Shareholders may be unable to realise their investments at Net Asset Value

The Sterling Shares may trade at a discount to Net Asset Value for a variety of reasons, including due to market conditions, liquidity concerns or to the extent investors undervalue the management activities of the Investment Manager. Neither the Company nor the Investment Manager is obliged to attempt to mitigate any such discount and there can be no guarantee that attempts to mitigate any such discount will be successful. The Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

The Company has waived the pre-emption rights contained in the Articles of Association and subsequent issues of shares may have a detrimental effect on the Net Asset Value and market price of the Shares

The Articles of Association contain pre-emption rights in respect of further issues of shares, which have been waived by the shareholders until the next annual general meeting of the Company. In the event that the Directors were to issue further shares in the future, this could have a detrimental effect on the Net Asset Value of existing Shares as well as the Shares' market prices.

Shareholders in countries with currencies other than Sterling may have their investments adversely affected by currency exchange rate fluctuations

The Directors do not expect to declare any dividends but it is noted that the Sterling Shares will be quoted only in Sterling, and any future payments of dividends that are made on the Sterling Shares will be paid in Sterling. Sterling may fluctuate significantly in value against other major world currencies. The Euro, US Dollar or other currency equivalent of any dividends paid on the Sterling Shares could be adversely affected by the depreciation of Sterling against the US Dollar, the Euro or other currencies.

If withholding tax were unexpectedly imposed in respect of distributions or other payments on the Sterling Shares, the value of the Sterling Shares could be materially and adversely affected

In general, no withholding tax currently is imposed in respect of distributions or other payments on the Sterling Shares. There can be no assurance, however, that no withholding tax will be imposed on such payments in the future as a result of any change in any applicable law, treaty or regulation, or the official application or interpretation thereof by the relevant tax authorities, or other causes. The imposition of any such unanticipated withholding tax could materially reduce the value of the Sterling Shares.

The Company has not registered and will not register as an investment company under the Investment Company Act.

The Company will seek to qualify for an exemption from the definition of “investment company” under the Investment Company Act and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Company or its investors. As a result of the Company not registering under the Investment Company Act, persons acquiring Sterling Shares will be required to make certain representations and warranties. See “Selling and Transfer Restrictions” beginning on page 132.

Shareholders participating in the Offer should therefore consider carefully whether is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

EXPECTED TIMETABLE AND ISSUE STATISTICS**Expected timetable for the Offer**

	<u>2008</u>
Annual general meeting	28 May
Circular despatched to Shareholders	29 May
Extraordinary general meeting	17 June
Publication of prospectus	25 June
London Stock Exchange and UK Listing Authority admission hearings	23 July
Allocation/Sterling Shares admitted	28 July
Results of the Offer announced	28 July
Settlement and closing	31 July

Issue statistics

Maximum number of Sterling Shares available under the Offer	65,000,000
Issue Price	£10

NOTICE TO INVESTORS

About this prospectus

This prospectus has been produced for the purpose of the Offer, the listing of the Sterling Shares on Euronext Amsterdam and the listing of the Shares on the Official List of the UKLA. In making an investment decision regarding the securities offered hereby, shareholders must rely on their own examination of the Company, including the merits and risks involved in an application for Sterling Shares made pursuant to the Offer. The Offer is being made solely on the basis of this prospectus. The Sponsor makes no representation or warranty, express or implied, as to the accuracy or completeness of the information in this prospectus, and nothing in this prospectus is, or shall be relied upon as, a promise or representation by the listing agent or the Sponsor.

This prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council (the “**Prospectus Directive**”) and has been prepared in accordance with Article 5:2 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), as amended, and the rules promulgated thereunder. This prospectus has been approved by and filed with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).

The Company accepts responsibility for the information contained in this prospectus. To the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Shareholders participating in the Offer should rely only on the information contained in this prospectus. The Company has not, the listing agent and the Sponsor has not, authorised any other person to provide prospective investors with different information. No reliance should be placed on any different or inconsistent information provided by any person. Prospective investors should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any offer or sale of Sterling Shares. The business, financial condition, results of operations and prospects of the Company, the Sark Fund and the Sark Master Fund could have changed since that date. The Company expressly disclaims any duty to update this prospectus except as required by applicable law.

Commodity Exchange Act

The Company, through its investment in the Sark Fund and non-Sark Fund assets, may trade in futures and options on futures (collectively, “**futures**”) as part of its investment approach. The Company may therefore be deemed to be a commodity pool under the US Commodity Exchange Act (“**CEA**”), the operator of which must comply with regulations applicable to a commodity pool operator (“**CPO**”) registered with the US Commodity Futures Trading Commission (“**CFTC**”) or qualify for an exemption from such regulation. The Investment Manager is relying on an exemption from regulation as a CPO with respect to the Company under CFTC Rule 4.13(a)(4) based on the qualifications of the Company’s shareholders. Rule 4.13(a)(4) does not limit the amount of futures trading in which the Company is permitted to engage. As a result of claiming the exemption, the Investment Manager is not required to comply with the disclosure, reporting and record keeping requirements generally applicable to registered CPOs, including delivery to shareholders of a disclosure document and a certified annual report designed to meet CFTC requirements. This prospectus has not been, and is not required to be filed with the CFTC, and the CFTC has not reviewed or approved this prospectus or the Offer contained in this prospectus.

Restrictions on Distribution and Sale

The distribution of this prospectus and the offering and sale of the securities offered hereby may be restricted by law in certain jurisdictions. Persons in possession of this prospectus are required to inform themselves about and to observe any such restrictions. This prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or a solicitation to purchase, any such securities in any jurisdiction in which such an offer or solicitation would be unlawful. See “Selling and Transfer Restrictions” beginning on page 132.

Forward-Looking Statements

This prospectus contains certain forward-looking statements based on the Company’s beliefs, assumptions and expectations of its future performance, taking into account all information currently available to it.

These beliefs, assumptions and expectations can change as a result of many possible events or factors, in which case the Company’s business, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. See “Special Note Regarding Forward-Looking Statements” beginning on page 43.

Presentation of Financial Information

Pursuant to the Dutch Financial Markets Supervision Act and the rules promulgated thereunder, the Company is required to prepare its accounts under International Financial Reporting Standards as adopted by the European Union (“IFRS”). In addition the financial statements of the Company will be prepared in accordance with the Companies Law. The Sark Fund and the Sark Master Fund, on the other hand, prepare their accounts in accordance with US generally accepted accounting principles (“US GAAP”). The Company has not quantified the impact of the differences between IFRS and US GAAP. In making an investment decision, shareholders must rely on their own examination of the Company, the terms of this Offer and the financial information in this prospectus. Prospective investors should consult their own professional advisers for an understanding of the difference between IFRS and US GAAP.

If, as a result of ongoing work by international regulators in relation to convergence of accountancy standards, it becomes permissible for the Company to prepare its accounts in accordance with US GAAP, then the Company may elect to do so.

References to Defined Terms

Certain terms used in this prospectus, including capitalised terms and certain technical and other terms are explained in the section entitled “Glossary of Selected Terms” beginning on page 174.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains forward looking statements, including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to:

- the Company’s ability to achieve its investment objective, its targeted returns and its targeted volatility;
- the ability of the Investment Manager to execute successfully the investment policy of the Company, the Sark Fund and/or the Sark Master Fund, including its efforts to appropriately diversify exposure to risk;
- the Company’s limited operating history and the investment returns of the Sark Fund and the Sark Master Fund not being indicative of the Company’s future performance;
- the Investment Manager’s lack of experience in making investments similar to those that the Company may make in assets other than Sark Fund shares;
- unrealized values of investments presented in this prospectus being materially different to the values ultimately realized upon disposal of the investments;
- the continuation of the Investment Manager as the investment manager of the Company, the Sark Fund and/or the Sark Master Fund and the continued affiliation of the Investment Manager and its partners and key investment professionals;
- the Company’s financial condition and liquidity and the financial condition and liquidity of the Sark Fund and/or the Sark Master Fund;
- changes in the values or returns of investments that the Company, the Sark Fund and/or the Sark Master Fund make;
- changes in financial markets, interest rates or industry, general economic, political or other conditions; and
- the general volatility of the markets in which the Company and the Sark Master Fund will invest and the market price of the Shares.

Additional factors that could affect the Company’s ability to achieve its investment objective and could cause actual results to differ materially from those expressed or implied in forward-looking statements include, but are not limited to, those discussed in “Risk Factors” section beginning on page 17.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward-looking statements speak only as at the date of this prospectus. Subject to its

legal and regulatory obligations (including under the Prospectus Directive and the rules promulgated thereunder), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

BUSINESS

The Company

Boussard & Gavaudan Holding Limited is a closed-ended investment company that was registered and incorporated in Guernsey on 3 October 2006 with an unlimited life. The Company invests its assets in order to deliver an exposure to multiple alternative investment strategies managed by Boussard & Gavaudan Asset Management, LP.

The Company raised €440 million in November 2006 through its initial public offering of ordinary shares of €0.0001 in the capital of the Company and has raised a further €534 million in July 2007 through its offering of C Shares of €0.0001 in the capital of the Company which have now been converted to ordinary shares in accordance with their terms. Since admission of the Euro Shares to Euronext Amsterdam, the Company's Net Asset Value has increased 6.96 per cent. to an unaudited estimated 10.69 per Euro Share, as at 30 April 2008. As at 30 April 2008, the unaudited total net assets of the Company were approximately €959 million, substantially all of which were invested in Sark Fund Limited. To date, the Company has made one private equity investment for a consideration of approximately £12 million.

The Company has invested in a separate class of Euro denominated shares of the Sark Fund which are not 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 benefits from exposure to the multiple strategies offered by the Sark Fund but with no multiple layering of fees.

Investment in the Company is only suitable for investors seeking long-term capital appreciation who understand the risks involved in the Company, including the risk of loss of capital.

Investment objective

The Company's investment objective is to seek to produce long term appreciation of its assets.

Investment policy

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" below and subject to the limit on the leverage set out under the heading "Gearing" below, provided that, where such hedge funds are managed by the Investment Manager, the Company will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund.

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

With the possible application of leverage and when taken with the returns achieved from the 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.

The Company intends to hedge substantially all of the currency exposure in respect of each of its investments.

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.

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 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.

Diversification

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

General

The Company will comply with certain investment restrictions for so long as they remain requirements of the UK Listing Authority. The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of shareholders.

Historical performance

As announced on 23 May 2007, to date the Company has made one private equity investment in the shares in Castle HoldCo 1, Ltd and the debt securities of Castle HoldCo 2, Ltd for an aggregate consideration of approximately £12 million. The shares in Castle HoldCo 1, Ltd and the debt securities of Castle HoldCo 2, Ltd were acquired by the Sark Master Fund and Channel Bridge Special Situations Master Fund Limited on 23 May 2007 and were sold to the Company on an arm's length basis at acquisition cost on the same day, as the profile of such a private equity investment is inconsistent with that of the Sark Master Fund and Channel Bridge Special Situations Master

Fund Limited. This private equity investment represents 0.40 per cent. of the Company's Net Asset Value as at 4 June 2008.

From its inception in March 2003 to 30 April 2008, the current Euro denominated share class of the Sark Fund has produced an annualised return of 8.19 per cent. The Company aims to generate a target annualised return in excess of 10 per cent. (net of all fees) by investing in the Sark Fund as well as other assets in the future while utilising its ability to leverage such non-Sark Fund investments. Return targets are targets only and are based over the long-term on the performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. **There is no guarantee that any target return can be achieved. Shareholders participating in the Offer should not place any reliance on such target return in deciding whether to participate in the Offer.**

Advantages of investing in hedge funds

The advantages of an investment in a hedge fund may be summarised as follows:

- Hedge funds are focused on the delivery of absolute returns which are typically intended to have little correlation to equity or bond markets;
- Hedge funds seek to provide higher returns on a risk-adjusted basis than other investments in the financial markets;
- Hedge funds generally have limited restrictions on their ability to make investments, thus enabling investors to benefit from diversification of the underlying assets, the strategies implemented and the investment instruments used;
- Investors in hedge funds can benefit from financial innovations used by sophisticated investment managers; and
- The fee structure in hedge funds is often performance based, thereby aligning the interests of the investment manager and investors.

Investing in a hedge fund listed on a regulated market will generate the following advantages:

Daily liquidity

Public listing provides an opportunity for investors to dispose of Shares on a daily basis. This is in contrast to an investment in a private hedge fund, which may be subject to a lock-up period and/or require advance notice of redemption of more than a month. The existence of different classes of Shares is not expected to reduce liquidity, because shareholders of any one class of Shares will be able to convert all or part of their holding into any other class of Shares which are in issue at the relevant date on a quarterly basis.

Greater investor access

Public listing enables access to the hedge fund sector for certain investors who would not otherwise have the opportunity to invest in non-listed funds. For example, the minimum investment size is generally lower than in non-listed funds. Traditional equity investors who are restricted from investing in unlisted equity may consider an investment in a listed hedge fund.

Permanent capital

A public listing provides the Company with permanent capital, which is not subject to periodic redemption. This better enables the Company to invest in attractive long-term opportunities.

Strengths of the Company

In addition to the benefits of the hedge fund industry generally, investors in the Company will benefit from its main competitive strengths:

High profile and experienced investment professionals

The Investment Manager is an asset management company focused on achieving the investment objectives of all its funds by relying on a combination of fundamental analysis and trading expertise, particularly in relation to derivatives. Total assets under management across all funds managed by the Investment Manager were approximately €2.2 billion as of 1 May 2008.

Alongside the Company, the Investment Manager's group currently manages six funds: Sark Fund, Channel Bridge Special Situations Fund, BG Explorer Fund, BG Eonia Arbitrage, BG Long Term & Alternative and BG Long Term Value. In addition, the group also manages two discretionary accounts.

The Investment Manager's group employs a team of experienced professionals. The team operates using a rigorous and collegiate investment process and carefully monitors risks. The interests of the Investment Manager and investors in the Company will continue to be aligned through an incentivising performance fee structure, an investment by the Investment Manager, its partners and its group's employees and the Directors in the Company as part of the secondary fund raising in July 2007 (of approximately €20 million in total) with a 12-month lock-up, together with a policy of investment by the Investment Manager on behalf of its group employees of an amount equal to the annual cash bonuses of such employees with an 18-month lock-up.

Further details of the Investment Manager and the key individuals currently employed by the Investment Manager are set out in the section headed "Investment Manager" beginning on page 105.

Access to a diversified investment strategy with no double layering of fees

Through the Company's investment in the Sark Fund, investors will gain exposure to Europe-focused diversified investment strategies including volatility strategies, equity strategies and credit strategies. This will enable investors to benefit from diversified strategies and risks without paying multiple layers of fees as with a fund of hedge funds.

The Investment Manager focuses on implementing strategies combining derivative expertise and fundamental analysis. This expertise is built around a strongly integrated team of financial analysts and traders who find, research and decide on investment opportunities on a collegiate basis. The Investment Manager does not expect to be faced with a lack of opportunities or with capacity issues in the medium-term.

Award-winning performance track-record with Sharpe Ratio and historically low volatility

Since admission of the Euro Shares to Euronext Amsterdam, the Company's Net Asset Value has increased by 6.96 per cent. to an unaudited €10.69 per Euro Share as at 30 April 2008, whilst the share price has decreased by 8.50 per cent. to €9.15, which represents a discount to Net Asset Value of 14.46 per cent. (average discount to Net Asset Value since admission was 3.12 per cent.). During the same period, the Dow Jones Stoxx 600 Index has decreased 8.89 per cent.

During the market turmoil of the first quarter of 2007 (from 26 February to 5 March), the Company's share price performance was flat with a share price at €11.00, whilst the Dow Jones Stoxx 600 index dropped by 6.74 per cent.

From 31 December 2007 until 30 April 2008, the Company's Net Asset Value has decreased by 3.63 per cent. to an unaudited €10.69 per Euro Share, whilst the share price has decreased by 17.49 per cent. to €9.15, which represents a discount to Net Asset Value of 14.46 per cent.

Launched in March 2003, the Sark Fund, in which substantially all the Company's assets are invested, has had (net of any fees) an annualised return from inception to 30 April 2008 of 8.19 and 8.61 per cent. for the Euro and US Dollar share classes respectively, coupled with low volatility (4.56 and 4.68 per cent. for the Euro and US Dollar share classes respectively). As of 30 April 2008, the Sark Fund's annualised Sharpe Ratio, which is a measure of risk-adjusted performance and is further defined in the section headed "Glossary of Selected Terms" beginning on page 174 of this prospectus, was 1.15 and 1.09 for the Euro and US Dollar share classes respectively. The Investment Manager believes that the Sark Fund's historical returns and Sharpe Ratio demonstrate its ability to generate positive performance on a risk-adjusted basis in comparison to equity and bond market indices and, in particular, versus its hedge fund peers in the convertible and equity arbitrage space (which may have suffered from difficult market conditions in recent years).

The Sark Fund received the 2005 and 2006 EuroHedge Awards for Best Convertibles and Equity Arbitrage Fund.

As of 31 December 2005, 31 December 2006 and 31 December 2007 the Sark Fund had assets under management of approximately €956 million, €1.33 billion and €2 billion respectively. As of 1 May 2008, the Sark Fund had assets under management of approximately €1.85 billion.

Diversified and committed investor base

The Investment Manager's performance is widely acknowledged in the hedge fund investor community and reflected in its high quality investor base which shows diversity in origin and type. In the Sark Fund, as of 30 April 2008, most investors are funds of funds (32.7 per cent. of total assets), followed by banks (7.4 per cent.) and private individuals and families (1.8 per cent.). Permanent capital from the Company represents 52.6 per cent. of the total

assets under management of the Sark Fund. Geographically, Continental Europe (including the Company) is the most important origin of funds (66.9 per cent.), followed by the UK (17.7 per cent.), the United States and Canada (13.1 per cent.) and then Asia and the Middle East (2.4 per cent.). Since inception, the Sark Fund has seen an increase in total assets every year until 2007 (inclusive) and the strong commitment of the majority of investors in the Sark Fund to the Investment Manager is underlined by a two-year rolling lock-up agreement. As at 30 April 2008, the three, five and ten largest investors in the Sark Fund account for 18 per cent., 25 per cent. and 34 per cent. of total assets under management respectively.

Table: Breakdown of total assets under management of the Sark Fund as of 30 April 2008 by investor type and geographical location.

<u>% by Investor Type</u>	<u>% by Geographic location of Investors</u>		
Funds of Funds	32.7	Continental Europe (including permanent capital)	66.9
Permanent Capital	52.6	UK	17.7
Banks	7.4	US and Canada	13.1
Family Offices	1.8	Asia and Middle East	2.4
Pension Funds	4.5		
Corporates	0.4		
Insurance Companies	0.6		

Source: Investment Manager.

Benefits of listing and admission to trading in London

Application has also been made by the Company for admission of the Sterling Shares and the Euro Shares to the Official List of the UKLA and to trading on the London Stock Exchange. The Company believes that the dual primary listing of the Shares in Amsterdam and London may increase the liquidity of the Shares. In addition, the London Admission may encourage the broadening of the Company's investor base to allow for more UK based investors in the Company going forward.

Investment Process and Risk Management

THOROUGH INVESTMENT PROCESS

Sourcing of ideas

The Investment Manager relies on a fundamentals-driven bottom-up research and analysis approach for sourcing and finding new investment opportunities. The Investment Manager's group employs a team of seven financial analysts dedicated to developing new, and monitoring existing and potential, trade ideas.

The actual sourcing of ideas is based on a combination of:

- extensive knowledge of many industrial sectors and continuous screening and monitoring of valuation metrics;
- access to an extensive network of entrepreneurs, top executives from both private and listed companies, regulators, and journalists with whom the Investment Manager's analysts can exchange views;
- regular discussions with other hedge fund managers, proprietary and flow traders at large investment banks, and sell-side research analysts;
- on an ongoing basis, the Investment Manager's analysts exchange views with private equity professionals on specific situations from their respective perspectives;
- regular meetings with senior management and investor relations managers of numerous companies in addition to participation in roadshows and investor conferences; and
- access to a wide range of research reports from global investment banks and local brokers, electronic information databases (e.g. Reuters, Bloomberg), and media information sources (e.g. newspapers, specialist magazines, newsletters) from across the world.

Research process

The philosophy behind the research and analysis process is that of a team effort whereby decisions are taken in a collegiate fashion. The Investment Manager does not allocate capital to an individual trader or analyst, acting autonomously, but relies on teamwork and consensus on the investment decision.

Every investment idea is analysed in detail by the most appropriate analyst or trader who, in turn, becomes the “lead manager” for the trade. Depending on the nature and complexity of the trade, the lead manager may be assisted by one or more team members with specific technical skills, sector knowledge or country understanding. Throughout the research process, Emmanuel Boussard, the Investment Manager’s Chief Investment Officer, and other members of the Investment Committee of the Investment Manager, challenge the dedicated team in order to improve the depth and breadth of the analysis. Depending on the time required for thorough research, from the idea being generated to a trade being implemented, the team may spend from a few days up to eight weeks (the latter being usually when the Investment Manager seeks external legal or expert advice) on each investment, with the average being two weeks.

Decision process

The Investment Manager uses a four-step approach to come to a conclusion on an investment opportunity:

Step 1: Identification of mispricing or investment opportunity

Based on the research and analysis process, the Investment Manager identifies the existence of a security’s “mispricing” that may be arbitrated or of an investment opportunity *per se*. This step is based on fundamental and quantitative analysis. The quantitative aspects are performed by the Investment Manager’s quantitative analysts. These analysts are dedicated to pricing the most complex instruments (with valuation models developed in-house), understanding liquidity issues and using the derivatives market to offset non-linear risk.

Step 2: Explanation of the causes of the mispricing

The Investment Manager will seek to understand the specific risks of the investment and the drivers of the convergence/divergence to the fair value by determining the causes of the perceived mispricing. These may be related to liquidity, complexity, or to the fundamentals of the underlying instruments.

Step 3: Identification of a catalyst for the convergence

The Investment Manager will then try to identify the catalyst for the convergence of the security’s price towards its fair value. The strength and expected timing of the catalyst will determine the expected maturity of the trade and contribute to a better understanding of the risk. In the absence of such a trigger, the Investment Manager may consider the trade as a “value” investment opportunity with a significant fundamentals-backed valuation upside potential.

Step 4: Identification of potential scenarios and assignment of probabilities to those scenarios

This step allows the Investment Manager to assess the idiosyncratic risks associated with an investment opportunity, particularly in cases of complex corporate events. During this step, the Investment Committee of the Investment Manager (described further in the section headed “Investment Manager” beginning on page 105 of this prospectus) aims to quantify the risk-reward under various scenarios and to minimise any emotional bias of the lead manager regarding the investment opportunity. Furthermore, it also helps to quantify risks that are not captured by traditional risk systems (e.g. liquidity risk). Given the expected returns and assigned probabilities under each scenario, the Investment Manager calculates an expected Sharpe Ratio: for the trade to be considered further, this will generally have to be above 1.

Trade size decisions

Once a trade has passed the scrutiny of the four-step decision process, the Investment Committee of the Investment Manager takes a final decision on the optimal size of the trade based on a multi-criteria approach that takes into consideration the risk-reward profile (both absolute and relative to other trades), the liquidity of the underlying instrument(s), the estimated holding period, the contribution of each new trade to the fund’s overall risk profile, and the saturation of each risk constraint (e.g. stress tests and limits on Greeks). Following the calculation of the expected Sharpe Ratio, the Investment Manager calculates the maximum acceptable size of the position depending on the idiosyncratic worst case scenario, crowdedness issues and marginal contribution to each risk bucket. Once

this assessment process is completed, the Investment Manager, mostly through its in-house team of traders, will execute the trade in an opportunistic fashion aiming to minimize any market impact.

RIGOROUS RISK MANAGEMENT

Throughout the investment process, the Investment Manager identifies and carefully monitors both idiosyncratic risks affecting only a specific trade and global risks affecting multiple trades. Global risks can be broken down into “catastrophic” and “unmeasurable” risks.

- Idiosyncratic risks are risks specific to a particular issuer which is the subject of an investment or trade and can include, for example, bankruptcy, credit events, cash takeovers, bond offers or credit rating changes.
- Catastrophic risks are risks often related to geopolitical and macroeconomic uncertainty or to a general breakdown of financial markets (e.g. equity market crashes) that have a wide-ranging effect on several positions.
- Unmeasurable risks may include liquidity of the underlying financial instrument(s), the crowdedness of a specific trade (hedge fund liquidation risk) or liquidation risk, i.e. the ability to unwind a specific trade in a reasonable timeframe.

All risks are monitored by the Risk Management Committee of the Investment Manager comprising at least two of Emmanuel Boussard (Chief Investment Officer), Etienne Becker (Head Trader for Volatility and Equity Strategies), and Christophe Tardieu (Head of Quantitative Risk Management) and at least one of Emmanuel Gavaudan (Chief Executive Officer) and Francois Cornu (Chief Operations Officer and Head of Qualitative Risk Management). On a weekly basis, the Risk Management Committee reviews the entire portfolio of each fund for compliance with all of the Investment Manager’s risk management rules.

Idiosyncratic risks are identified in the research and decision-making phases of the investment process, when possible scenarios regarding a specific trade are quantitatively and qualitatively analysed. Thereafter, analyses of such scenarios are continuously performed and updated.

The review of liquidity risk is based upon the monitoring of the relevant market for each security (e.g. electronic markets for shares, futures and listed options, over-the-counter markets for over-the-counter options, credit default swaps, inter-dealer markets for corporate warrants and convertible bonds).

Crowdedness and liquidation risks are analysed particularly rigorously in non-linear arbitrage situations by attempting to assess the open interest on related and similar derivatives, the marketing of the trade by brokers and an ongoing monitoring of the evolution of the discount to fair value.

Furthermore, the portfolio is proactively and continuously monitored with the risk system provided by Sophis SA (“**Sophis**”), which allows the measurement of risk through the calculation of the Greeks and scenario analysis through stress testing. Within the stress testing analysis, simulations are run in order to assess the impact on net asset value of multiple scenarios including a market crash, equity-credit decorrelation, market rally and inflationary pressures. The risk constraints are set so that the relevant fund does not lose more than five per cent. of net asset value for any stress scenario or any idiosyncratic scenario.

Through Sophis, all the risk managers have a real time overview of the portfolio through the Greeks and seek to ensure it remains within the set risk limits. In addition, they will monitor the real-time net asset value calculated by Sophis. The risk managers and the middle office will carry independent daily calculations to ensure that the relevant fund remains within its limits. The Greeks position at the end of each day will also be checked versus the profit and loss account to explain the contribution on a trade-by-trade basis. Based on the above rules and procedures, the weekly Risk Management Committee meeting will review the overall performance of the week as well as the relative performance of each strategy compared to its initial expected return, discuss all breaches of limits during the week and the measures taken to reduce exposure, and analyse the proposals for implementing new strategies and the specific scenario calculation to be applied to the approved strategies.

GlobeOp Financial Services LLC (“**GlobeOp**”) is responsible directly or, in the case of the Company, by delegation from the Administrator, for the back and middle office as well as the administration of all of the Investment Manager’s funds. Hence, all funds’ accounting and net asset value calculations are outsourced to an independent third party. These are cross-checked by the Investment Manager’s middle office.

Monthly stress test results for the Sark Master Fund

The process of stress testing involves applying a combination of variables to the portfolio in order to show how the portfolio might perform. **The scenarios used by the Investment Manager in the monthly stress tests are those**

that the Investment Manager believes are useful in structuring, and judging the risk of, the investments made by the Sark Master Fund and, therefore, ultimately of the investment of the Sark Fund in the Sark Master Fund. These scenarios, which are explained in the Appendix to this prospectus, do not represent all of the possible scenarios that may adversely impact the performance of the Sark Master Fund or the Sark Fund, and thus the value of the shares of the Sark Fund. The scenarios used, and the results of the stress tests, are based on assumptions and projections made by the Investment Manager. The impact to the Sark Master Fund of the occurrence of any particular scenario is dependent on its portfolio of investments at any one time and thus may differ significantly from time to time.

Investment strategies of the Sark Master Fund

The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. It uses a variety of instruments at its disposal for the implementation of a number of investment strategies in seeking to meet its investment objective. Set out below are summaries of the key features of the principal strategies used.

Volatility strategies

Convertible bond arbitrage

Convertible bond arbitrage involves purchasing a convertible bond, which is a security issued by a company that may be converted from debt to equity at various prices and stages in the lifecycle of the contract. There are many types of convertible bonds, including mandatory convertible bonds which have predetermined and fixed conversion or redemption features. The hybrid nature of convertibles, combining both fixed income and equity characteristics, can be exploited through an arbitrage when the price of the convertible bond differs from the sum of the value of each of its components. Managers will purchase (or sell) the convertible bond at discount (or premium) to its fair value and hedge one or more of its components: in general, arbitrage opportunities arise when the equity option embedded in the convertible bond is, for a variety of reasons, priced differently to those of the equivalent pure options that may exist in the market. Hence, the equity component is often hedged by selling short the underlying common stock, while managers sometimes also seek to hedge interest rate or credit exposures.

Volatility arbitrage

Volatility arbitrage is an investment approach that seeks to exploit volatility pricing discrepancies across related instruments. For instance, it is quite common for arbitrage opportunities to exist between warrants issued by a company to its shareholders and the corresponding equivalent options available in the market. This is capitalised upon by buying the warrant and selling the corresponding equivalent option. This particular strategy is referred to as corporate warrant arbitrage. Generally, managers focusing on volatility arbitrage tend to maintain market neutral portfolios that can profit from volatility mean-reverting tendencies.

Gamma trading

Gamma trading is an investment approach that seeks, through the trading of options and other derivative instruments, to take advantage of anticipated or unanticipated significant dislocations in financial markets, such as market crashes. To determine a gamma trading opportunity, the managers will compare the implied volatility embedded in an option with recent realised volatility in order to find a significant implied volatility discount and then, through an element of fundamental analysis, determine motives for this discount and potential catalysts for a significant change in volatility.

Equity strategies

Special situations strategies

A special situations strategy involves the trading of the securities of a company involved in a significant anticipated capital market relevant corporate event or "special situation". Examples include spin-offs, divestitures, re-organisations, liquidations, restructurings, and share buybacks. Through scenario analyses, the managers assess the expected value of the securities upon completion of the transaction, the time likely to be involved before completion and the possibility that the transaction will not be completed at all. The uncertainty around the outcome of these special situations creates investment opportunities for the managers who attempt to anticipate correctly their outcomes. They seek to profit by purchasing the securities at a discount to the value at which they will be realised upon completion of the transaction. The primary determinant of the profitability of the investment is the successful conclusion of the transaction within the anticipated time period.

Merger arbitrage strategies

A merger arbitrage strategy is a type of special situations strategy centred specifically on announced merger and takeover transactions. Trades will generally involve taking a long position in the target company's stock and, in some instances depending on whether the transaction is a cash or share offer, a corresponding short position in the acquirer's stock. The managers assess the probability of various scenarios and time-frame of completion and seek to capture the "merger spread" to the value that will be realised upon completion of the merger.

Catalyst driven equity long/short strategies

An equity long/short strategy involves the construction of a portfolio of long and short equity positions, sometimes supplemented with derivatives. Managers attempt to add value primarily through stock selection and the determination of corporate events acting as catalysts for changes in valuation. Stock selection is based primarily on fundamental analysis of companies. Stocks perceived to be undervalued are bought and stocks perceived to be overvalued are sold short. Managers will also sometimes seek to take activist roles on corporate governance and vis-à-vis management in an attempt to trigger catalysts.

Value strategies

Value investment is an investment approach that seeks to purchase equity of companies that are perceived to be significantly undervalued versus their intrinsic fair value. When applying this approach, managers are often unable to determine an immediate catalyst that may trigger the convergence of the stock price to its fair value. However, their fundamental analysis suggests a significant undervaluation that should be eliminated in the long-run by an appreciation of the stock price. Value investments often apply to companies operating in mature sectors with strong cash flow generation or to small cap companies.

Credit strategies

Capital structure arbitrage strategies

A capital structure arbitrage strategy is based on inefficiencies of pricing among various components within the capital structure of the same company or a related company. Such inefficiencies of pricing present relative value opportunities either within the debt structure or across equity and debt securities of the company. Managers applying this strategy seek to take advantage of valuation discrepancies within a company's capital structure by taking a long position in the underpriced security and a short position in the overpriced security.

Credit long/short strategies

Credit long/short strategies involve identifying relative value opportunities between corporate securities of companies in similar industries or sectors. The opportunities are not driven by the consummation of an event and do not involve the securities of companies that are or likely to be in distress. These relative value opportunities are identified on the back of extensive fundamental credit research whereby managers seek to capture either the divergence or convergence of credit spreads between corporate securities of companies in similar industries.

Restructuring/distressed securities strategies

Restructuring or distressed securities strategies involve buying securities, often debt instruments, of companies that are or are likely to be in distress and therefore trade at a significant discount to their redemption or fair value. The managers will determine, on the basis of fundamental research, a scenario and risk analysis, a clear understanding of the legal framework surrounding the specific company's distress and whether the securities' prices fail to reflect the company's intrinsic value. Restructurings will often be very lengthy processes and involve a proactive involvement in the financial and operational running of the company and may also involve significant legal proceedings to enhance and crystallise the underlying value.

Diversification

As at 30 April 2008, the Sark Master Fund has its equity allocated between the following main strategies:

- 60 per cent. to volatility strategies,
- 30 per cent. to equity strategies,
- 10 per cent. to credit strategies.

Volatility strategies include:

- Convertible bond arbitrage
- Volatility arbitrage
- Gamma trading

Equity strategies include:

- Special situations strategies
- Merger arbitrage strategies
- Catalyst driven equity long/short strategies
- Value strategies

Credit strategies include:

- Capital structure arbitrage strategies
- Credit long/short strategies
- Restructuring/distressed securities strategies

Each of the strategies described above include several trades (or accounts). As at 30 April 2008, Sark Master Fund had 189 trades split as follows: 75 allocated to volatility strategies, 88 to equities strategies and 26 to credit strategies. In most cases, each trade in the Sark Master Fund is made of several positions. The Investment Manager carefully monitors the diversification of the Sark Master Fund through its risk management process.

Attractive risk-adjusted returns of the Sark Fund

The Sark Fund has enjoyed attractive historical risk-adjusted returns, which have led to it receiving the 2005 and 2006 EuroHedge Awards for Best Convertibles and Equity Arbitrage Fund of the year. Also, in its first year of launch, the Sark Fund was nominated for the 2003 EuroHedge Award for best New Fund of the Year.

Launched on 3 March 2003, the Sark Fund has an established track record and has enjoyed attractive risk-adjusted performance (net of any fees). The table below shows the historic performance of the Sark Fund up to 30 April 2008, together with other relevant comparators.

	Total return						Performance Annualised	Volatility ⁽²⁾ Annualised	Sharpe ratio ^(3,4) Annualised	Beta to Equity Index	Beta to Bond Index	Nb of positive mths/ total of mths Since inception	Max Drawdown ⁽⁵⁾
	10m 2003	2004	2005	2006 ⁽¹⁾	2007	2008							
SARK FUND EUR	9.69%	2.81%	8.70%	18.99%	5.85%	-3.34%	8.19%	4.56%	1.15	0.20	-0.18	44/62	-9.55%
SARK FUND USD	9.00%	2.08%	9.45%	21.29%	6.97%	-3.73%	8.61%	4.68%	1.09	0.20	-0.18	44/62	-9.36%
BGHL NAV	—	—	—	5.15%	5.56%	-3.63%	4.86%	7.19%	0.26	0.47	-0.39	10/18	-9.75%
BGHL SHARE PRICE	—	—	—	6.40%	4.23%	-17.49%	-6.07%	12.56%	-0.72	0.82	-0.84	9/18	-22.78%
All Strategies													
CS/Tremont Hedge													
Fund Index	13.23%	9.64%	7.60%	13.86%	12.58%	-1.45%	10.85%	4.18%	1.75	0.22	0.14	49/62	-2.74%
Greenwich-Van Global Hedge													
Fund Index	17.96%	7.68%	8.63%	12.12%	11.13%	-1.38%	10.95%	4.73%	1.57	0.29	0.06	48/62	-4.08%
HFRI Fund Weighted													
Composite Index	18.75%	9.03%	9.30%	12.89%	9.96%	-1.81%	11.32%	4.88%	1.60	0.30	0.07	48/62	-5.03%
EuroHedge Composite													
Index	—	6.26%	8.60%	9.52%	7.00%	0.00%	6.12%	2.95%	0.89	0.15	-0.07	50/62	-2.03%
Convertible & Equity													
Arbitrage													
CS/Tremont Conv. Arbitrage													
Index	8.07%	1.98%	-2.55%	14.30%	5.19%	-6.61%	3.75%	4.72%	0.05	0.16	0.03	40/62	-9.37%
Greenwich-Van Global Conv.													
Index	6.75%	0.97%	-1.81%	13.08%	2.46%	-2.79%	3.52%	3.99%	0.00	0.13	0.05	42/62	-8.52%
HFRI RV: Fixed Income-													
Convertible Arbitrage													
Index	5.89%	1.18%	-1.86%	12.17%	5.33%	-5.30%	3.25%	4.00%	-0.07	0.15	0.01	42/62	-8.05%
EuroHedge Conv. & Equity													
Arbitrage Index	—	0.61%	4.37%	11.78%	8.49%	-2.98%	4.25%	3.84%	0.19	0.11	-0.07	46/62	-5.90%
Multi-Strategy													
CS/Tremont Multi-Strategy													
Index	13.24%	7.54%	7.53%	14.48%	16.82%	-3.24%	10.94%	4.52%	1.64	0.21	0.03	52/62	-5.28%
Greenwich-Van Global Multi-													
Strat. Index	15.51%	5.90%	7.99%	12.23%	14.69%	-0.27%	10.95%	4.50%	1.65	0.24	0.11	45/62	-2.84%
EuroHedge Mixed Arb. &													
Multi-Strat. Index	—	3.06%	8.59%	8.32%	8.98%	-0.23%	5.58%	3.27%	0.63	0.15	-0.06	49/62	-2.62%
Equity strategy													
HFRI Equity Hedge (Total)													
Index	21.49%	7.68%	10.60%	11.71%	10.48%	-3.46%	11.31%	6.22%	1.25	0.40	-0.02	46/62	-8.14%
EuroHedge Global Equity													
Index	—	8.97%	15.07%	16.24%	12.58%	-2.58%	9.67%	5.38%	1.14	0.27	-0.05	49/62	-5.50%
Fund of hedge funds													
HFRI Fund of Funds													
Composite Index	10.30%	6.86%	7.49%	10.39%	10.25%	-3.15%	8.21%	4.47%	1.05	0.25	0.06	45/62	-5.18%
Traditional indices													
DJ Stoxx 600	25.94%	9.51%	23.47%	17.81%	-0.17%	-11.39%	11.95%	11.37%	0.79	1.00	-0.80	41/62	-22.88%
S&P 500 EUR	14.53%	1.14%	18.69%	1.63%	-6.62%	-11.39%	2.90%	11.09%	-0.06	0.78	-1.24	32/62	-26.61%
Lehman Brothers Global													
Aggregate Bond	9.84%	9.27%	-4.49%	6.64%	9.48%	4.59%	6.84%	5.52%	0.60	-0.19	1.00	38/62	-5.42%

Sources: Sark Fund Ltd Annual Report, Sark Fund Monthly Reviews, Credit Suisse/Tremont, Greenwich-Van, Hedge Fund Intelligence — EuroHedge, Hedge Fund Research, Inc., Lehman Brothers, Inc. and Datastream

Sources: Sark Fund Ltd Annual Report, Sark Fund Monthly Reviews, Bloomberg, Hedge Fund Intelligence — EuroHedge, Lehman Brothers, Inc. and Datastream

The value of your investment may fluctuate. Results achieved in the past are no guarantee of future results

(1) From October to December 2007 for BGHL NAV & BGHL Share Price

(2) Annualised volatility is calculated from monthly volatility (standard deviation of reported monthly performance) as: Monthly volatility*12^{0.5}

(3) Annualised Sharpe ratio is calculated as: (Annualised total return — Annualised risk free rate return) / Annualised volatility

(4) Sark Fund EUR and DJ Stoxx 600 Sharpe ratios are calculated using Euribor 1M risk free rate. Sark Fund USD and other indices are calculated using US Libor 1M risk free rate

(5) Maximum drawdown represents the largest drop from a peak to a trough since inception

The Company's and Sark Fund's performance since inception

Set out below are the unaudited monthly return statistics relating to the Net Asset Value of the Company since inception.

Boussard & Gavaudan Holding Limited ordinary share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
2006 . . .											2.27	2.82	5.15	5.15
2007 . . .	3.13	1.45	4.68	0.73	1.38	-2.27	0.85	-2.21	-0.32	1.82	-2.16	-1.38	5.56	11.00
2008 . . .	-2.10	-0.01	-2.32	0.78									-3.63	6.97

Set out below are the monthly return statistics for the Sark Fund since inception. 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.

Sark Fund-Euro share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
2003	—	—	0.75	0.76	0.82	1.04	0.93	1.06	1.18	1.55	1.05	0.17	9.69	9.69
2004	1.07	-0.12	1.03	0.22	0.14	-0.29	-0.42	-0.42	-0.19	-0.49	1.18	1.07	2.81	12.77
2005	1.70	1.06	1.09	-0.69	0.27	1.27	1.16	0.50	1.00	-0.44	0.71	0.77	8.70	22.58
2006	-0.18	1.56	1.64	0.86	-0.47	1.35	0.40	1.56	2.73	2.90	2.34	2.91	18.99	45.85
2007	3.14	1.46	4.67	0.74	1.39	-2.24	0.87	-2.20	-0.31	1.83	-2.15	-1.24	5.85	54.38
2008	-2.08	-0.01	-2.35	1.1									-3.34	49.22

Sark Fund-US Dollar share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
2003	—	—	0.67	0.70	0.77	0.94	0.84	0.97	1.15	1.46	1.01	0.15	9.00	9.00
2004	1.00	-0.17	0.96	0.13	0.07	-0.35	-0.47	-0.47	-0.24	-0.59	1.16	1.06	2.08	11.27
2005	1.66	1.08	1.09	-0.64	0.31	1.30	1.22	0.62	1.06	-0.32	0.81	0.89	9.45	21.79
2006	-0.01	1.64	1.78	1.08	-0.29	1.49	0.56	1.74	2.83	3.06	2.64	3.01	21.29	47.72
2007	3.19	1.58	4.82	0.89	1.45	-2.15	0.97	-2.12	-0.22	1.92	-2.13	-1.17	6.97	58.02
2008	-2.12	-0.07	-2.57	1.02									-3.73	52.12

Source: Sark Fund.

(1) YTD = Aggregate return for the year to date.

(2) ITD = Aggregate return from inception to date.

Performance during 2003

From inception until 31 December 2003, the Sark Fund's performance, net of any fees, was 9.69 per cent. and 9.00 per cent. for the Euro and US Dollar share classes respectively: performance was quite evenly distributed throughout the year with the best month being October (1.55 per cent. and 1.46 per cent. for the Euro and US Dollar share classes respectively) and the worst being December (0.17 per cent. and 0.15 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2003, the Sark Fund had assets under management of €416.4 million.

While all strategies had positive performance, the most significant contributors to the Sark Master Fund's performance were convertible bonds and warrant arbitrage. In a market characterised by tightening credit spreads and decreasing volatilities, the months in the middle of the year witnessed an unusually high level of new issuance of convertible bonds. The Sark Master Fund was particularly active in newly issued mandatory convertibles, contingent value rights and convertibles. Market conditions improved significantly after the summer, as credit spreads tightened further and volatilities picked up selectively, and the Sark Master Fund implemented a three-pronged strategy: trading convertibles with high volatility and low credit spreads, selling those where spread tightening had led to lower volatilities and, finally, increasing exposure to specific names. Both capital structure arbitrage and special situations contributed positively, as corporate restructurings in Europe benefited from positive newsflow and from the rebound of deep value opportunities. The Sark Master Fund initiated some long CDS-long stock trades to arbitrage the relative expensiveness of bonds versus equity, subscribed to new issuances and was involved in a variety of special situations. Gamma trading contributed positively to the Sark Master Fund's overall performance, despite an unfavourable environment characterised by significant and continuing decreases in implied and realised volatilities. The Sark Fund's performance in 2003 was recognised by it being nominated for the 2003 EuroHedge Award for best New Fund of the Year.

Performance during 2004

In 2004, the Sark Fund's performance, net of any fees, equalled 2.81 per cent. and 2.08 per cent. for the Euro and US Dollar share classes respectively: performance was hampered by particularly difficult conditions for the Sark Master Fund, with the best month being November (1.18 per cent. and 1.16 per cent. for the Euro and US Dollar share classes respectively) and the worst being October (-0.49 per cent. and -0.59 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2004, the Sark Fund had assets under management of €715.0 million.

Equity related strategies contributed positively in 2004: the Sark Master Fund benefited from a pick up in corporate events, particularly mergers and acquisitions, after years of corporate restructuring and depressed valuations, and was involved in a variety of special situations. Positive performance was also generated in the credit strategies, where the Sark Master Fund bought, amongst other investments, high-yielding corporate bonds based on fundamental analysis and the understanding of some special situations, including restructurings. Capital structure arbitrage benefited from short volatility trades, particularly long bond-short equity, in the high yield space, while it

suffered from long volatility positions as corporate de-leveraging continued and the CDS spreads tightened faster than the corresponding decline in volatilities. The convertible bond and gamma trading strategies contributed negatively to the Sark Master Fund's performance in 2004, as volatilities collapsed throughout the year and a specific arbitrage situation was significantly unprofitable following a mis-interpretation of the legal context. Deteriorating market conditions and the issuance volume of new convertibles significantly below the previous year and at unattractive valuation, lead to significant reduction by year-end in exposure to this asset class. The Sark Master Fund had a marginally positive contribution from mandatory convertible strategies.

Performance during 2005

In 2005, the Sark Fund's performance, net of any fees, equalled 8.70 per cent. and 9.45 per cent. for the Euro and US Dollar share classes respectively: except for two months, monthly performance was positive throughout the year, with the best month being January (1.70 per cent. and 1.66 per cent. for the Euro and US Dollar share classes respectively) and the worst being April (-0.69 per cent. and -0.64 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2005, the Sark Fund had assets under management of €956 million.

The environment for convertible bonds and gamma trading continued to be very difficult in 2005, particularly in the first half of the year, as volatilities dropped and stayed at very low levels and there were few new issuances. Nevertheless, the Sark Master Fund recorded a positive performance in these strategies by reducing exposure and focussing particularly on situations with a credit angle. Credit strategies performed very well as the Sark Master Fund continued to focus on restructurings and fundamental investments. Also, the Sark Master Fund implemented some capital structure arbitrage trades, including bond versus equity and volatility trades. 2005 was characterised by a sharp rise in special situations. In particular, corporate deals reached levels unseen in previous years: equities strategies significantly profited from mergers, acquisitions, minority buy-outs and spin-offs. Also fundamental and value investment contributed positively, though the Sark Master Fund suffered from its exposure to telecommunications stocks, which heavily underperformed other equities on rising concerns of competition from alternative technologies. The Sark Fund's performance in 2005 was recognised by being awarded the 2005 EuroHedge Award for Best Convertibles and Equity Arbitrage Fund.

Performance during 2006

In 2006, the Sark Fund's performance, net of any fees, equalled 18.99 per cent. and 21.29 per cent. for the Euro and US Dollar share classes respectively, with the best month being December (2.91 per cent. and 3.01 per cent. for the Euro and US Dollar share classes respectively) and the worst being May (-0.47 per cent. and -0.29 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2006, the Sark Fund had assets under management of approximately €1.33 billion.

Equities strategies drove the performance of the Sark Master Fund in 2006 as corporate events continued to be very active, driven by the need for consolidation in many industries and increasing private equity activity. These strategies posted a positive performance ten months out of twelve. Value and risk arbitrage trades performed particularly well. In a tightening market characterised by high levels of liquidity, record of low default rates in Europe and a significant increase in leveraged transactions leading to sustained new issuances, both on leverage loans and on high yield markets, credit strategies contributed positively to the Sark Master Fund's performance. Convertible bond strategies posted a positive performance to the Sark Master Fund in 2006. The Sark Master Fund benefited from overall higher valuations in the convertible bond market as well as from some specific special situations trades. Mandatory convertible bond arbitrage also posted a positive performance in 2006. Gamma trading is the strategy which posted a negative performance in 2006. The book suffered from the persistently low volatility environment. Despite increased volatility in the market in May, this move did not carry on during the following months. For the second year running, the Sark Fund's performance was recognised by being awarded the 2006 EuroHedge Award for Best Convertibles and Equity Arbitrage Fund.

Performance during 2007

In 2007, the Sark Fund's performance, net of fees, equalled 5.85 per cent. and 6.97 per cent. for the Euro and US Dollar share classes respectively. As of 31 December 2007, the Sark Fund had assets under management of approximately €2 billion.

The performance of the Sark Fund can be split into two periods:

- From 29 December 2006 to 31 May 2007, the Sark Fund enjoyed a favourable environment, in particular, in the equities strategies. During this period, the Sark Fund posted five positive returns in a row bringing its performance to 11.88 per cent. and 12.46 per cent. respectively for the Euro and the US Dollar share classes.

- Starting 31 May 2007, the Sark Fund met more difficulties in performing as market conditions became tougher. From 31 May to 31 December 2007, the performance of the Sark Fund has been negative at -5.40 per cent. and -4.88 per cent. respectively for the Euro and the US Dollar share classes.

During the first period described above, positive performances of the Sark Master Fund were mostly driven by equities strategies and to a lesser extent by credit strategies. In particular, March performance was due to numerous equity special situations that the Sark Master Fund had anticipated whilst May performance mostly came from merger and acquisition activity.

June was a turning point. The negative return of that month can be explained by the general widening of the risk premium in all equity special situations trades. The Sark Master Fund also experienced losses in companies sensitive to concerns on real interest rates such as in the real-estate and the concession sectors.

In August, the Sark Master Fund was significantly impacted by concerns on liquidity and on the ability to finance announced deals. Some of the Fund's investments, particularly in risk arbitrage, performed poorly also as a result of their crowdedness. This risk was monitored very closely and certain investments were increased very selectively while decreasing the duration of the catalysts, as value ceased to become a relevant parameter. In the meantime, with some hedge funds aggressively chasing short-term liquidity, mandatory convertible bonds were sold off in blocks. Large positions were built up at a cheap price: over the month, the global mandatory convertible bonds exposure doubled.

In September, the Sark Master Fund suffered from some mid and small caps names which significantly underperformed. On the mandatory convertible bond side, some positions continued to be increased.

The positive return in October came from some risk arbitrage trades. To a lesser extent, mandatory convertible bond arbitrage also contributed positively to the performance of the Sark Master Fund.

In November, the Sark Master Fund suffered notably: small caps and perceived private equity targets continued to underperform in volatile markets impacted by liquidity concerns and increased risk aversion. Although the Sark Master Fund's exposure to these themes has been substantially reduced, a limited number of high conviction positions, which were maintained, suffered.

December negative performance was due to some high conviction names in equities strategies and to a lesser extent to mandatory convertible bond arbitrage because of the general lack of liquidity. Some of those positions were hence further increased.

Performance during 2008

From 31 December 2007 to 30 April 2008, the Sark Fund's performance, net of fees, equalled -3.34 per cent. and -3.73 per cent. for the Euro and US Dollar share classes respectively. As of 1 May 2008, the Sark Fund had assets under management of approximately €1.85 billion.

During the first quarter of 2008, the Sark Master Fund faced tougher market conditions. Tensions in the market cooled down in April. During this period, all strategies contributed negatively to the performance, except for gamma trading which played its role in this more volatile environment.

Equities strategies were the main contributor to the negative performance of the Sark Master Fund. Increased risks of recession were sharply priced in and the implications of the subprime and liquidity difficulties continued to worry investors. Positions in the equity book continued to be reduced. However, few high conviction investments were kept which penalised Sark Master Fund significantly during this period.

Convertible bond arbitrage also performed negatively. Losses mainly came from investments in some European credit sensitive and financials names which suffered from the negative market environment. Overall Sark Master Fund sold convertible bonds considered as the most vulnerable to that environment and concentrated on higher delta, shorter dated instruments in order to take advantage of the current market dynamics.

Mandatories' valuations also suffered from the widening of the skew experienced in a context of extremely volatile equity markets, reduced risk appetite, flight-to-quality, and widening credit markets. Mandatories were under even more pressure as most of the liquid European mandatory convertible bonds currently have a negative gamma profile. However some good profits since inception were booked on positions which were closed during this quarter. Despite a difficult backdrop driven by liquidity and investor sentiment, the European mandatories market offers very attractive arbitrage opportunities. Sark Master Fund will continue to look at increasing such positions in these bonds going forward.

The credit book also suffered as credit markets faced waves of liquidation and deleveraging. In that context, the Sark Master Fund remained extremely credit specific and started exploring capital structure arbitrage opportunities and looking at stressed/distressed potential investments.

Last but not least, the long gamma profile of the Sark Master Fund has been very profitable this quarter. Equity markets witnessed sustained volatility on concerns over bank liquidity and fears of a deepening recession supported high volatilities in the market. This was further fuelled by the demise of Bear Stearns and the need for the exceptional Federal Reserve/JP Morgan intervention to rescue it. This trend was offset at the end of the quarter with a slight recovery of the market as well as eased concerns that the worst may be over.

From inception in March 2003 to March 2008, the Sark Fund has delivered a monthly gain in 44 months out of 62. The maximum monthly gain was 4.67 per cent. and 4.82 per cent. for the Euro and US Dollar share classes respectively in March 2007. The maximum monthly loss was -2.35 per cent. and -2.57 per cent. For the Euro and US Dollar share classes respectively in March 2008, and the maximum drawdown (defined as the largest drop from a peak to a trough in a certain time period) was -9.55 per cent. and -9.36 per cent. for the Euro and US Dollar share classes respectively between May 2007 and March 2008.

The Sark Fund currently demonstrates a low correlation to traditional comparable markets: the Beta of the Sark Fund with the DJ Stoxx 600 being 0.20 for both the Euro and US Dollar share classes and with the Lehman Brothers Global Aggregate Bond being both -0.18 for both the Euro and US

Dollar share classes (all Betas are calculated on a monthly basis from inception to 30 April 2008). For indicative purposes, a Beta of 0.0 means that there is no correlation between two return series whilst a Beta of 1.0 means that two return series evolve almost identically and a Beta of -1.0 means that two return series evolve almost identically opposite. A Beta of 2.0 implies that the analysed return series is almost twice as volatile as the relative index.

Leverage

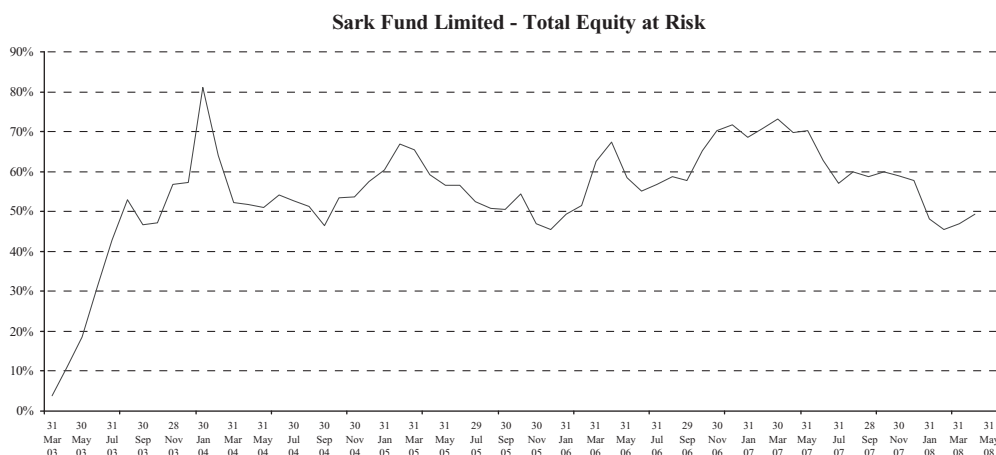
In the Sark Fund and the Sark Master Fund

No leverage is used in the Sark Fund.

The leverage in the Sark Master Fund mainly consists of short positions and is provided by prime brokers who impose limits on the level of leverage used. The Sark Master Fund also adds leverage by entering into over the counter derivatives contracts with several financial institutions. In addition, and to a much lesser extent, the Sark Master Fund uses cash facilities. The Investment Manager monitors the risk of the Sark Master Fund according to the limits defined by its prime brokers and custodians. A model named "equity at risk" has been defined internally whereby a minimum amount of equity, considered to be at risk, should be allocated to a specific asset class: the "equity at risk". This model tends to replicate prime brokers calculations knowing that each prime broker has its specificities and own risk measures. An equity at risk also allows the Investment Manager to estimate the potential for additional leverage the Sark Master Fund has with its prime brokers and custodians. An equity at risk at 50 per cent. means Sark Master Fund can double all positions without having to raise further cash. The 50 per cent. of equity which are "not at risk" can be compared to prime brokers "excess margin" or "unencumbered cash".

We believe that prime brokers "unencumbered cash" figures are conservative as the Investment Manager only optimises positions across all its prime brokers when needed (i.e. matching automatically a position and its hedge at the same prime broker). This is not often as the Sark Master Fund is seldom at its maximum leverage. Real exposure is somewhere between the internal measure of the "equity at risk" by the Investment Manager and the prime broker "unencumbered cash".

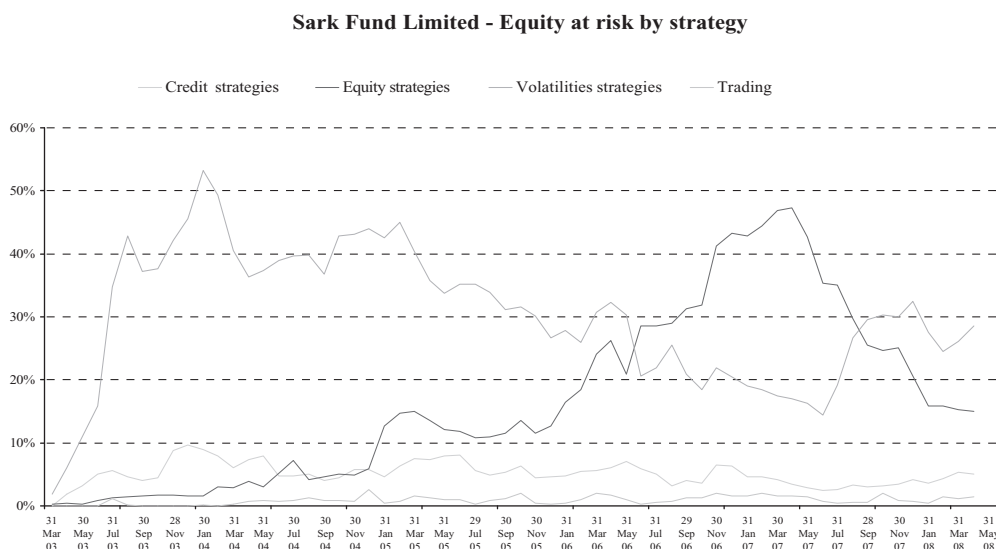
The historic equity at risk of the Sark Fund is shown on the chart below. As of 30 April 2008, the Sark Fund had a 50.1 per cent. equity at risk and, except for a peak of 72 per cent. in November and December 2006, the Sark Fund's equity at risk ratio has been below 70 per cent. since inception.



Source: Investment Manager.

Difficult market conditions in the second half of 2007 have led the Investment Manager to reduce the leverage by cutting the equity at risk from approximately 70 per cent. to 50 per cent.. At the same time the strategies allocation in terms of equity at risk has significantly changed. Equity at risk has decreased from almost 50 per cent. to 15 per cent. for Equities strategies whilst it has significantly increased for Volatilities strategies (from 15 per cent. to 30 per cent.) and particularly for convertibles and mandatories arbitrage strategies.

The following chart shows the allocation of equity at risk between the investment strategies of the Sark Fund since inception.



Source: Investment Manager.

In the Company

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 and, as at 23 June 2008, has borrowed approximately £3 million and €6 million under the Loan Facility, a summary of which is set out in the paragraph headed "Material Contracts" beginning on page 148 of this prospectus.

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.

Administrator

Close Fund Services Limited has been appointed as Administrator of the Company pursuant to the Administration Agreement (further details of which are set out on page 151 of this prospectus). The Administrator has primary responsibility for the Company's general administrative functions such as the calculation and publications of the Net Asset Value and maintenance of the Company's accounting and statutory records. The Administrator delegates certain functions relating to the calculation and publications of the Net Asset Value and the accounting to GlobeOp.

The Administrator is required to give written notice forthwith to the Guernsey Financial Services Commission in respect of: (a) a proposed material change to the Company's Articles of Association or this prospectus; (b) a proposed change of any of the Company's directors, secretary, Guernsey administrator, service provider, registrar or independent auditors; (c) a proposed material delegation of the duties of any of the parties listed in (b) above; (d) any change in the name or of the ultimate or intermediate beneficial ownership of any of the parties listed in (b) above; (e) any alteration to the Management Agreement; (f) any proposed alteration to the Company, including the Company's name and the Company's investment, borrowing and hedging powers; and (g) any proposal to reconstruct, to amalgamate or prematurely to terminate the life of the Company.

The Administrator will not provide any investment advice to investors in relation to the Sterling Shares.

Net Asset Value publication

The Net Asset Value, Net Asset Value per Euro Share and Net Asset Value per Sterling Share will be calculated by GlobeOp on behalf of the Administrator (or such other person as the Directors may appoint for such purpose from time to time) as at the last day of each calendar month or such other date as the Directors may, in their absolute discretion, determine (the "**NAV Calculation Date**") based primarily upon information obtained by the Administrator from the administrator of the Sark Fund. It is anticipated that the Administrator will receive the Sark Fund's net asset value (calculated as at each NAV Calculation Date) approximately seven to ten Business Days after each NAV Calculation Date and that the Company's Net Asset Value, Net Asset Value per Euro Share and Net Asset Value per Sterling Share will be published on the Company's website and on a regulatory information service of Euronext shortly thereafter. Following the London Admission, the Company's Net Asset Value, Net Asset Value per Euro Share and Net Asset Value per Sterling Share will be published on the regulatory news service of the London Stock Exchange plc.

The Directors may temporarily suspend the calculation of the Net Asset Value, Net Asset Value per Euro Share and/or the Net Asset Value per Sterling Share during any period in which the calculation of the Net Asset Value of the Sark Fund is suspended (for a further explanation of the circumstances in which such a suspension may be made please refer to the section headed

"Temporary suspension of net asset value calculations of the Sark Fund's and the Sark Master Fund's shares" beginning on page 160 of this prospectus). Any suspension will be notified to a regulatory information service of Euronext.

The Investment Manager will estimate the Net Asset Value, Net Asset Value per Euro Share and Net Asset Value per Sterling Share of each class on a daily basis based upon the information it records in its role as investment manager of the Sark Fund and the Sark Master Fund. Such estimates will be published on a regulatory information service provider and on the Company's website.

In addition, the Net Asset Value and the Net Asset Value per Share of each class will be audited yearly and reviewed half-yearly and published in annual and interim reports.

Discount management provisions

The Directors have shareholder authority to purchase in the market up to 14.99 per cent. of the aggregate number of Shares in issue from time to time on behalf of the Company and intend to seek annual renewal of this authority from shareholders. The Company may purchase Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply and demand for Shares and to increase the Net Asset Value per Share. Any Shares bought back will be subsequently cancelled by the Company, except for those held in treasury and used for the compensation of the Investment Manager's employees as described below.

Any share purchases will be made in accordance with the Companies Laws and relevant securities laws including market abuse rules and within guidelines established from time to time by the Board. For these purposes the Company has entered into a liquidity enhancement agreement (the "**Liquidity Enhancement Agreement**") with the Investment Manager on 16 January 2008, which provides the parameters and requirements for the Company's liquidity enhancement policy, of which share buy-backs form part. Under the Liquidity Enhancement Agreement,

the Investment Manager has sole discretion, in the name of the Company and subject to all applicable legal and regulatory requirements, to instruct brokers to effect share buy-backs on Euronext Amsterdam within the parameters set out in the Liquidity Enhancement Agreement and summarised below.

Share buy-backs may take place whenever the share price of the relevant class is lower than 97 per cent. of the Net Asset Value per share of the relevant class. Subject to any limits to the authority granted to the Company by its shareholders to effect share buy-backs, there will be no limit to the number of shares which may be repurchased, provided that the Company shall not hold more than 10 per cent. of its issued share capital in treasury.

The maximum price which may be paid for a share is an amount equal to the higher of (a) the price of the last independent trade and (b) the highest current independent bid price for shares on the relevant market.

In addition to the liquidity enhancement described above, following the London Admission the Company and the Investment Manager will be able to buy back Shares at any time the Shares trade at a discount to Net Asset Value. Any share purchases will be made in accordance with the Companies Laws and relevant securities laws including market abuse rules and within guidelines established from time to time by the Board.

Compensation policy for the employees of the Investment Manager

The Investment Manager's existing compensation policy for its employees is that an amount equivalent to every individual's annual cash bonus will be invested into the Company and held by the relevant employee's employer within the Investment Manager's group. Each such invested tranche shall be subject to an 18-month lock-up period during which the shares in the Company relating thereto may not be transferred and will only be paid out to the employee if they are still employed within the Investment Manager's group at an agreed date following the expiry of the lock-up. The Directors intend to exercise their discretion in deciding whether this reinvestment into the Company should occur through the issuance of new shares or by acquisition of Shares in the market. For further explanation, see the section headed "Investment in the Company by principals and employees of the Investment Manager" on page 122.

Conversion between classes of Shares

The Articles of Association incorporate provisions to enable shareholders of any one class of Shares to convert all or part of their holding into any other class of Shares which are in issue at the relevant date on a quarterly basis, in accordance with the detailed provisions of the Articles of Association. It is anticipated that the first date on which conversion will be available, pursuant to the Offer, would coincide with the admission of the Sterling Shares to the Official List of the UKLA and to trading on the London Stock Exchange and Euronext Amsterdam. Thereafter, conversion between classes of Shares will take place quarterly in accordance with the detailed provisions of the Articles of Association. See "General Information" on 142 for a summary of the Articles of Association.

Further issues of shares

Under the Articles of Association, the Directors will have to issue further shares on a pre-emptive basis. However, this requirement has been waived by the shareholders until the next annual general meeting of the Company. The Directors will consider issuing further shares at not less than the then-prevailing estimated Net Asset Value per Share of the relevant class.

Where possible and appropriate, the Investment Manager will seek to invest the proceeds of any further issues of shares so as to minimise any dilution of existing shareholders' exposure to the prevailing composition of the Company's portfolio. However, there can be no assurance that further additions to existing holdings can be achieved.

Whilst the Investment Manager will have regard to the Company's investment objective and investment policy in respect of the Company, there can be no assurance that further additions to existing holdings can be achieved.

The Company has undertaken not to issue any further securities for a period of 180 days following the date of Admission, save for issues of shares to meet investments by principals and employees of the Investment Manager as further described in the section headed "Investment in the Company by principals and employees of the Investment Manager" beginning on page 122 of this prospectus.

Expenses

The costs and expenses incurred in connection with the Offer (including all fees, commission and expenses payable to the Sponsor) will be borne by the Company. The costs and expenses of the Offer are not expected to exceed £1.2 million.

Ongoing, annual expenses

The Company also incurs ongoing annual expenses. These expenses include the following:

Investment Manager

Under the Management Agreement, the Investment Manager will be paid a management fee of 1.5 per cent. per annum of the Net Asset Value. In addition, subject to a performance threshold, the Investment Manager will be paid a performance fee which will be equal to the sum of 20 per cent. of the appreciation in the Net Asset Value per Share and 20 per cent. of the appreciation in the Net Asset Value during the relevant period. These fees are more fully described in the section headed "Management Agreement" beginning on page 89.

The Company's accounting period will be from 1 January until 31 December in each calendar year.

Administration

The Administrator is entitled to a fee of £85,000 per annum. In addition the Company will pay GlobeOp €20,000 per annum.

Directors

Each Director is paid a fee of €30,000 per annum (€50,000 per annum for the Chairman).

Audit Committee

The chairman of the audit committee receives an additional €7,500 per annum for his services in this role.

Other operational expenses

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company are borne by the Company including travel, accommodation, printing, audit and legal fees. These expenses are deducted from the assets of the Company and are estimated to be in the region of €400,000 per annum. All out of pocket expenses of the Investment Manager, the Administrator, the Registrar, the Custodian and the Directors relating to the Company are borne by the Company.

Taxation

Information concerning the tax status of the Company is set out in the section headed "Certain Tax Considerations" beginning on page 125. **If any potential investor is in any doubt about the taxation consequences of acquiring, holding or disposing of Sterling Shares, he should seek advice from his own independent professional adviser.**

Litigation

The Company is not, nor since its incorporation has it been, involved in any governmental, legal or arbitration proceedings nor, so far as the Directors are aware, are there any governmental, legal or arbitration proceedings pending or threatened by or against the Company which may have, or have since incorporation had, a significant effect on the Company's financial position or profitability.

Investment Institutions

Pursuant to Article 2:65 of the Dutch Financial Markets Supervision Act, it is prohibited to, in The Netherlands, directly or indirectly, solicit or obtain monies or other assets for shares in an investment institution or to offer shares in an investment institution, such as the Company, if the manager (or, if the investment institution does not have a manager, the investment institution itself) does not have a license, unless an exception, exemption or individual dispensation applies. Pursuant to Article 2:66 of the Dutch Financial Markets Supervision Act, foreign investment institutions like the Company are excepted from the offering prohibition if the institution is actually subject to supervision in the country where it has its seat and the level of supervision of that country is considered adequate by the Dutch Minister of Finance. To be eligible for the exception the institution has to notify the Authority for the Financial Markets (*Autoriteit Financiële Markten*) ("AFM") that it intends to offer its shares in The Netherlands and has to submit a declaration of supervision from the supervisory authority of the country where it has its seat. In such cases, the Dutch Minister of Finance relies upon the supervision exercised in the country where the investment institution has its seat. By Ministerial Decree of November 13, 2006, as amended December 4, 2006, in respect of the accreditation of states as referred to in Article 2:66 of the Dutch Financial Markets Supervision Act, Guernsey

was accredited by the Minister of Finance to have such adequate supervision, as far as the supervision of "Class A" and "Class B" open-ended investment institutions and closed ended investment institutions is concerned.

The Company notified the AFM that it intended to offer its Euro Shares in The Netherlands in September 2006 and submitted a declaration of supervision from the Guernsey Financial Services Commission issued on 17 October 2006 and has consequently been excepted from the offering prohibition. Irrespective of the exception set forth above, the Company will remain subject to certain ongoing requirements under, *inter alia*, the Dutch Financial Markets Supervision Act and the rules and regulations further promulgated thereunder relating to the disclosure of certain information to investors, including the publication of its financial statements. The Company is registered with the AFM under Article 1:107 of the Dutch Financial Markets Supervision Act.

Obligations of Shareholders to Make a Public Offer

Dutch Takeover Act

On 28 October 2007 the Dutch act implementing the Takeover Directive 2004/25/EC of April 2004 relating to public takeover bids (the "Dutch Takeover Act") came into force. The provisions of the Dutch Takeover Act are included in the Dutch Financial Markets Supervision Act and the Decree on Public Takeovers (*Besluit openbare biedingen Wft*). Under the Dutch Takeover Act, it is prohibited to make a public bid for securities that are admitted to trading on a regulated market in The Netherlands, unless an offering memorandum that has been approved by the AFM or the regulatory authority of another EU member state, is made publicly available. These public offer rules are intended to ensure that in the event of such a public offer sufficient information will be made available to investors, that investors will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period. The provisions in the Dutch Takeover Act regarding mandatory takeover bids do not apply to the Company.

City Code on Takeovers and Mergers

The City Code applies to the Company. Under the City Code, if an acquisition of an interest in shares (as defined in the City Code) of the Company were to result in the acquirer and any parties acting in concert with it having an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any), would be required (except with the consent of the Panel on Takeovers and Mergers in the United Kingdom) to make a cash offer for the Shares, or an offer accompanied by a cash alternative, at not less than the highest price paid by the acquirer or its concert parties (if any) for an interest in shares during the period of 12 months prior to the announcement of that offer. A similar obligation to make a mandatory cash offer would also arise on the acquisition of an interest in the shares by a person holding (together with its concert parties, if any) an interest in shares carrying not less than 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of shares carrying voting rights in which it (together with its concert parties, if any) is interested.

Corporate Governance

The Directors of the Company are Christopher Fish, Sameer Sain and Nicolas Wirz, each of whom is independent of the Investment Manager. The Company complies with the corporate governance obligations that are applicable to it under Guernsey law.

As a Guernsey registered company, the Company is not required to comply with the Combined Code. Nevertheless, the Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies with the Combined Code to the extent that they consider appropriate, given the Company's size, stage of development and resources.

As a Guernsey registered company, the Company is not required to comply with the Dutch Corporate Governance Code.

Obligations of Shareholders to disclose holdings

Pursuant to the Dutch Financial Markets Supervision Act, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights in the Company must immediately give written notice to the AFM by means of a standard form or electronically, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the Company falls on or crosses (whether by exceeding or falling below) the following thresholds: 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 40 per cent., 50 per cent., 60 per cent., 75 per cent. and 95 per cent.

This notification requirement also applies if a person's capital interest or voting right meets or passes the abovementioned thresholds as a result of a change in the Company's total share capital or voting rights. The notification has to be made no later than the fourth trading day after the AFM has published the Company's notification as described below. The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its share capital or voting rights change by 1.0 per cent. or more subsequent to the Company's previous notification. The AFM will publish such notification in a public register.

In addition, once in every calendar year, every holder of 5 per cent. or more of the Company's share capital or voting rights whose interest has, in the period after their most recent notification to the AFM, changed as a result of certain acts (including but not limited to the exchange of shares for depositary receipts and the exercise of a right to acquire shares) must notify the AFM within 4 weeks from December 31 at midnight.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares (or depositary receipts for shares) directly held (or acquired or disposed of) by any person; (ii) shares (or depositary receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; and (iii) shares (or depositary receipts for shares) which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of, including, but not limited to, on the basis of convertible bonds). Special rules apply to the attribution of shares (or depositary receipts for shares) which are part of the property of a partnership or other community of property. A holder of a pledge or a right of usufruct in respect of shares (or depositary receipts for shares) can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. If a pledgee or a person with encumbrance rights acquires such (conditional) voting rights, this may trigger the reporting obligations for the holder of the shares (or depositary receipts for the shares).

The AFM keeps a public register of all notifications made pursuant to the Dutch Act on Disclosure.

The Company will also comply with any disclosure obligations imposed on it under the Listing Rules.

SELECTED FINANCIAL INFORMATION

With respect to each of the last three completed financial periods of the Sark Fund, the net assets of the Sark Fund and the movement in its net asset value per share were as follows:

<u>The Sark Fund</u>	Year ended 31 December 2005		Year ended 31 December 2006		Year ended 31 December 2007			
	<u>Euro shares</u> (€)	<u>US Dollar shares</u> (US\$)	<u>Euro A shares</u> (€)	<u>US Dollar shares</u> (US\$)	<u>Euro B shares</u> (€)	<u>Euro A shares</u> (€)	<u>US Dollar shares</u> (US\$)	<u>Euro B shares</u> (€)
Net assets (€)			956,201,132		1,326,054,594		1,993,766,218	
Net asset value per share	122.58	121.79	145.85	147.72	147.80	154.38	158.02	161.01
% increase in net asset value per share by reference to the last completed financial period	8.70	9.45	18.99	21.29	N/A	5.85	6.97	8.94

With respect to each of the last three completed financial periods of the Sark Master Fund, the net assets of the Sark Master Fund and the movement in its net asset value per share were as follows:

<u>The Sark Master Fund</u>	Year ended 31 December 2005		Year ended 31 December 2006		Year ended 31 December 2007	
	<u>Euro shares</u> (€)	<u>US Dollar shares</u> (US\$)	<u>Euro shares</u> (€)	<u>US Dollar shares</u> (US\$)	<u>Euro shares</u> (€)	<u>US Dollar shares</u> (US\$)
Net assets (€)			977,613,732		1,363,008,302	2,009,434,507
Net asset value per share	133.39	133.68	167.82	171.58	182.81	189.35
% increase in net asset value per share by reference to the last completed financial period	12.46	13.56	25.81	28.35	8.93	10.36

The information in the above tables has been extracted from the audited financial statements of the Sark Fund and should be read in conjunction with such financial statements, and the notes thereto, which are incorporated by reference in this prospectus. The financial statements of the Sark Fund have been prepared in accordance with US GAAP.

OPERATING AND FINANCIAL REVIEW

The following discussion of the Company's, the Sark Fund's and the Sark Master Fund's financial condition and results of operations should be read in conjunction with the rest of this document, including the financial statements and the related notes thereto set out in the section entitled "Financial Information" and incorporated by reference therein.

This section contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this document, particularly under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors" beginning on pages 43 and 17 respectively.

Overview

The Company was formed on 3 October 2006 as a closed-ended investment company registered and incorporated in Guernsey. The Company's investment objective is to seek long-term appreciation of its assets. The Company has used the proceeds received from the initial public offering of Euro Shares and from the secondary offering of C Shares to make an investment in shares of the Sark Fund (which in turn makes investments in the Sark Master Fund) and to subsequently acquire non-Sark Fund assets. The Sark Fund is a feeder fund which invests its assets (to the extent not retained in cash) exclusively in the Sark Master Fund. The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which primarily aims at arbitraging instruments with non-linear pay-offs in special situations. See "Business" for a more detailed description of the Sark Fund and the Sark Master Fund.

In addition to its investment in the Sark Fund, the Company intends from time to time to make investments outside of the Sark Fund that are identified by the Investment Manager. In order to fund these investments the Company may dispose of an appropriate number of shares of the Sark Fund, incur indebtedness or raise additional capital. These investments outside of the Sark Fund will be made in other hedge funds and/or other financial assets selected by the Investment Manager.

Future investment performance

The Company is a recently-formed investment company that only recently commenced operations. The Company has audited financial statements for the period from incorporation to 31 December 2007 and only limited operating or financial data that may be used to evaluate its performance. The Company invests substantially all of its assets other than cash retained for working capital purposes, in the Sark Fund and going forward the Company anticipates that a significant proportion of its assets will continue to be invested in the Sark Fund. It is anticipated that there will be no net increase in the Net Asset Value following the Offer because the invitation to use the conversion facility thereunder is solely available to existing shareholders wishing to convert Euro Shares into Sterling Shares. The Sark Fund will in turn exclusively invest its assets in the Sark Master Fund. Historical financial statements and other operating and financial data for the Sark Fund and the Sark Master Fund are included in this prospectus. However, the past performance of the Sark Fund and the Sark Master Fund is not necessarily indicative of the future performance of the Company or the performance of any assets in which the Company invests outside of the Sark Fund. See "Risk Factors-No reliance should be placed by investors on the past performance of the Company, the Sark Fund or the Sark Master Fund".

The Company is subject to all of the risks and uncertainties associated with any new business, including the risk that it will not achieve its investment objective. The Company believes that its future investment performance will depend substantially on the talent and efforts of the Investment Manager and the Investment Manager's investment professionals, its and the Sark Master Fund's ability to successfully execute their respective investment strategies, the availability and cost of capital, its and the Sark Master Fund's success in making investments and the effectiveness of their respective cash management activities.

Dependence on the Investment Manager

The Company will primarily rely on the skills and capabilities of the Investment Manager in selecting, evaluating, structuring, negotiating, executing, monitoring and exiting investments and in managing any uninvested capital in accordance with applicable investment policies. These activities will be carried out by the Investment Manager's investment professionals. The Investment Manager will have broad discretion when making investment related decisions for the Company and the Sark Master Fund and investment decisions will not be subject to the prior approval of the Directors. The Company's investment in the Sark Fund will, in most respects, be passive. As a result, the Company's ability to grow its net asset value and the returns its investments generate will depend on the

Investment Manager's ability to identify suitable investments and to effectively implement the Company's investment strategy as well as that of the Sark Master Fund. The Investment Manager's investment professionals' historical results with respect to the Sark Fund, the Sark Master Fund and the other funds the Investment Manager oversees are not indicative of the Company's, the Sark Fund's or the Sark Master Fund's future performance.

Execution of investment strategies

The Company's and the Sark Fund's ability to generate increases in their respective net asset values will depend primarily on the ability of the Investment Manager to identify and make investments that generate attractive returns as well as the ability of the Investment Manager to allocate effectively the assets of the Company and the Sark Master Fund. The failure of the Sark Master Fund's investment strategy, the failure of the Investment Manager to execute appropriately such strategies and/or the failure of the Company to identify and make appropriate investments in non-Sark Fund assets may reduce the Company's Net Asset Value and adversely impact the value of the Shares. The success of the Company's and the Sark Master Fund's respective investment strategies are dependent on a number of factors, including many that are out of the control of the Company or the Investment Manager, such as general economic and political conditions, interest rate movements and security market volatility. In addition, the successful execution of investment strategies may be impacted by the growth in, and demand for, investments in hedge funds. This growth has resulted in greater competition among hedge funds for investments and may reduce investment opportunities for the Sark Master Fund and the Company, particularly for those investments based on inefficiencies in the applicable market for such investment. In executing their respective investment strategies, the Company and the Sark Master Fund expect to compete primarily with public and private investment funds and commercial and investment banks. Several of these competitors may be substantially larger and/or have considerably greater financial, technical and marketing resources than are available to the Company and the Sark Master Fund. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital and may have similar investment objectives, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to the Company, the Sark Fund or the Sark Master Fund, which may create competitive disadvantages for the Company with respect to investment opportunities. In addition, some of these competitors may have different investment strategies or different risk assessments, which could allow them to consider a wider variety of investments.

Lack of a track record for investments in assets other than the Sark Fund

The Company's investments in assets other than the Sark Fund are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its and its affiliates' current activities but which are not pursued by the Sark Master Fund due to risk profiles or liquidity profiles inconsistent with those of the Sark Fund and the Sark Master Fund. The Investment Manager and its affiliates may not have previously been active in making investments that are similar to the non-Sark Fund investments that the Company intends to make; therefore their track record, including the historical rates of return and changes in net asset value achieved by the Company, the Sark Fund and the Sark Master Fund, is not indicative of the results that the Company's investments in assets other than the Sark Fund may achieve in the future. The Company cannot predict with certainty at this time the impact that its investments in non-Sark Fund assets will have on its business, financial condition or results of operations or whether such investments will be successful.

Financial reporting

The Company will prepare financial statements on an annual and semi-annual basis in accordance with IFRS and the Companies Law. The Company expects that these financial statements will consist of a balance sheet, an income statement, a statement of changes in equity, a statement of cash flows, related notes and any additional information that the Directors deem appropriate or that is required by applicable law. The Company's annual financial statements will be prepared in accordance with IFRS and the Companies Law and audited by an independent accounting firm. If, as a result of ongoing work by international regulators in relation to convergence of accounting standards, it becomes permissible for the Company to prepare its accounts in accordance with US GAAP, then the Company may elect to do so in the future. Each of the Sark Fund and the Sark Master Fund have historically prepared their respective financial statements in accordance with US GAAP and intend to continue to do so.

Because it is not anticipated that the Company will hold a controlling interest in either the Sark Fund or the Sark Master Fund, the Company will not consolidate the results of operations or the assets of any of these entities in its financial statements. As a result, the Company anticipates that the only investments that will be recorded as assets in its financial statements will be its investment in the Sark Fund as well as any non-Sark Fund assets the Company

may hold. The Company does not intend to provide its shareholders with the financial statements of the Sark Fund or the Sark Master Fund.

The preparation of financial statements in conformity with IFRS requires that the Company makes estimates and assumptions that affect the amounts reported in the financial statements and related notes. Predicting future events is inherently an imprecise activity and as such requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. The valuation of the Company's interest in the Sark Fund and non-Sark Fund assets and the valuation of the Sark Fund's investment in the Sark Master Fund (in accordance with US GAAP) also involve estimates and will be subject to judgments being made by the management of each entity.

Measure of financial performance

The Company expects that the primary measure of its financial performance, and the primary measure of the financial performance of the Sark Fund and the Sark Master Fund, will be the net change in net assets (as calculated in accordance with IFRS or US GAAP, as applicable) resulting from operating activities during an accounting period and the corresponding change in the relevant entity's net asset value.

Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange

Realised gains and losses

Realised gains and losses from securities, derivatives transactions and foreign exchange represent the difference between the net proceeds received from the sale or repayment of a derivative contract, including with respect to foreign currency transactions, and the cost basis of such investments. Realised gains and losses will be recorded on a weighted average cost basis. Because the Company will record its interest in the Sark Fund as an asset in its financial statements, the Company generally does not expect to record any realised gains or losses with respect to its investment in the Sark Fund in its financial statements except when it redeems shares in the Sark Fund. As it is not anticipated that the results of operations of the Sark Fund will be consolidated in the Company's financial statements, any of the Sark Fund's gains and losses will be recognised in the Company's financial statements only to the extent that they affect the value of the Company's interests in the Sark Fund as described below under the section headed "Value of the Company's interest in the Sark Fund and non-Sark Fund assets".

Investments made by the Company in non-Sark Fund assets will be recorded as assets in the Company's financial statements. Upon a disposal of a non-Sark Fund asset the Company expects to record any realised gain or loss with respect to such investment in its financial statements.

The Company's investments will be carried at fair value price. Gains and losses arising thereon will be included in the income statement.

Unrealised gains and losses

The investments that will be carried as assets in the Company's financial statements and the investments that will be carried as assets in the Sark Fund's financial statements will be valued on a monthly basis. In accordance with IFRS or US GAAP, as applicable, any new unrealised appreciation or depreciation in the value of those investments will be recorded as an increase or decrease in the unrealised appreciation or depreciation of investments in securities, derivative transactions and foreign exchange. When an investment that is carried as an asset is sold or repaid and a gain or loss on the investment is realised in connection with the sale or repayment as described above under "Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange" an accounting entry will be made to reverse any unrealised appreciation or depreciation that has previously been recorded in order to ensure that the gain or loss recognised in connection with the sale or repayment of the investment does not result in the double counting of the previously reported unrealised appreciation or depreciation.

The Directors will be responsible for reviewing and approving valuations of investments that are carried as assets in the Company's financial statements and the directors of the Sark Fund and the Sark Master Fund will be responsible for reviewing and approving valuations of investments that are carried as assets in the Sark Fund's financial statements and the Sark Master Fund's financial statements, respectively. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, in satisfying its responsibilities, each board of directors will utilise the services of their respective administrator and the Investment Manager, each of whom will make calculations as to investment values. In accordance with IFRS and US GAAP, as applicable, an investment for which a market quotation is readily available will be valued based on bid market prices for the investment as at the end of the applicable accounting period. An investment for which a market quotation is not readily available will be valued based on the latest available valuation provided by the relevant counterparty or

based on pricing models that consider the time value of money and the current market prices, contractual prices and potential volatilities of the underlying financial instruments. While there is no single standard for determining fair value in good faith, the Company believes that the methodologies described below generally will be followed when fair value pricing is applied.

Value of the Company's interests in the Sark Fund and non-Sark Fund assets

The only investments that the Company expects to carry as assets in its financial statements will consist of its interests in the Sark Fund and any non-Sark Fund assets it may acquire. The Sark Fund does not have, and the non-Sark Fund assets are not necessarily expected to have, a readily available, liquid market and will therefore be valued using fair value pricing. The Company expects that its interests in the Sark Fund generally will be valued at an amount that is equal to the Company's proportionate interest in the latest published net asset value of the Sark Fund. This value will be based on financial information provided to the Company by the Investment Manager in its capacity as investment manager of the Sark Fund. The Sark Fund's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realised gains and losses on the sale or repayment of investments, if any, that it records in its financial statements and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements. Such investments will consist of its interest in the Sark Master Fund and any other temporary investments, each of which are expected to be valued using market prices or fair value pricing as described below.

Value of the Sark Fund's interest in the Sark Master Fund and the value of the Sark Master Fund's assets

The investments that the Sark Fund will carry as assets in its financial statements will consist primarily of its interest in the Sark Master Fund, which does not have a readily available market and will therefore be valued at fair value based upon financial information provided by the investment manager of the Sark Master Fund. The Sark Fund expects that its interest in the Sark Master Fund generally will be valued at an amount that is equal to its proportionate share of the net asset value of the Sark Master Fund as determined by the administrator of the Sark Master Fund. The performance of the Sark Fund is directly affected by the performance of the Sark Master Fund. The Sark Master Fund's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realised gains and losses on the sale or repayment of investments, if any, that it records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements.

The assets of Sark Master Fund consist of a wide variety of investments made in accordance with its investment strategy. Investors should read "Note 2-Significant Accounting Policies" to each of the financial statements of the Sark Master Fund incorporated by reference and contained in the section "Financial Information" in this prospectus for a description of its valuation policies with respect to investments made by it.

Expectations regarding changes in fair values

The Company, the Sark Fund and the Sark Master Fund will be required to make determinations as to the fair value of investments on a monthly basis. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, each entity's directors will be required to utilise the services of the Investment Manager and the relevant administrator, each of whom will make calculations as to investment values and carry out agreed upon procedures with respect to valuations of investments for which market quotations are not available in order to confirm that the calculations of values of investments are not unreasonable.

The Company, the Sark Fund and the Sark Master Fund expect that their investments will initially be valued at their acquisition cost, which approximates to fair value. While each subsequent valuation will depend on the facts and circumstances known as at the valuation date and the application of the valuation methodologies described above, the Company, the Sark Fund and the Sark Master Fund generally expect that the value of their respective investments will be increased or decreased only upon the occurrence of one or more events that would support the conclusion that the previous valuation was no longer appropriate.

Investment income

As described above, because it is not anticipated that the assets of the Sark Fund and Sark Master Fund will be consolidated in the Company's financial statements, the Company anticipates that the only investments that will be recorded as assets in its financial statements will be its interest in the Sark Fund and any interests in non-Sark Fund assets that the Company may acquire. As a result, the Company anticipates its investment income will be primarily limited to any dividend or interest income from non-Sark Fund assets, from the Company's cash and cash equivalent investments and from dividend income, if any, from the Sark Fund.

Total expenses

As the results of operations of the Sark Fund and the Sark Master Fund will not be consolidated in the Company's financial statements, the Company expects that its total expenses will be limited to the expenses that it directly incurs in connection with its operation. The Company believes that these expenses will consist primarily of management and performance fees payable to the Investment Manager, fees paid to the Administrator and Registrar, auditors' fees, directors' fees and other operational expenses such as legal fees and the costs of preparing and printing reports to its shareholders.

Results of operations for the Sark Fund

As the activity of the Sark Master Fund, and hence of the Sark Fund, is trading and investing in financial instruments, the statutory financial statements included herein and incorporated by reference may not provide the most useful means by which to judge the underlying developments and performance of these funds. While the statutory financial statements split the result of each trade or investment into various individual items, the Sark Fund, the Sark Master Fund and the Investment Manager focus on the overall change in assets. It also may not be particularly insightful to compare, over time, individual accounting items as they may vary for very different reasons, including trading and investment strategies deployed, foreign currency transactions outside the trading and investment activity of the relevant entity and total assets under management. The Company accordingly believes that the ultimate indicator is the performance of the Company, namely the return to its shareholders. Investors should therefore also read "Business-the Company's and Sark Fund's performance since inception" beginning on page 59 for an additional description of the Sark Fund's investments and their performance from 2003 to 30 March 2008. Set out below are the monthly net return statistics relating to the net asset value of the Sark Fund since inception.

Sark Fund-Euro share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
2003	—	—	0.75	0.76	0.82	1.04	0.93	1.06	1.18	1.55	1.05	0.17	9.69	9.69
2004	1.07	-0.12	1.03	0.22	0.14	-0.29	-0.42	-0.42	-0.19	-0.49	1.18	1.07	2.81	12.77
2005	1.70	1.06	1.09	-0.69	0.27	1.27	1.16	0.50	1.00	-0.44	0.71	0.77	8.70	22.58
2006	-0.18	1.56	1.64	0.86	-0.47	1.35	0.40	1.56	2.73	2.90	2.34	2.91	18.99	45.85
2007	3.14	1.46	4.67	0.74	1.39	-2.24	0.87	-2.20	-0.31	1.83	-2.15	-1.24	5.85	54.38
2008	-2.08	-0.01	-2.35	1.1									-3.34	49.22

Sark Fund-US Dollar share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
2003	—	—	0.67	0.70	0.77	0.94	0.84	0.97	1.15	1.46	1.01	0.15	9.00	9.00
2004	1.00	-0.17	0.96	0.13	0.07	-0.35	-0.47	-0.47	-0.24	-0.59	1.16	1.06	2.08	11.27
2005	1.66	1.08	1.09	-0.64	0.31	1.30	1.22	0.62	1.06	-0.32	0.81	0.89	9.45	21.79
2006	-0.01	1.64	1.78	1.08	-0.29	1.49	0.56	1.74	2.83	3.06	2.64	3.01	21.29	47.72
2007	3.19	1.58	4.82	0.89	1.45	-2.15	0.97	-2.12	-0.22	1.92	-2.13	-1.17	6.97	58.02
2008	-2.12	-0.07	-2.57	1.02									-3.73	52.12

Source: Sark Fund.

(1) YTD = Aggregate return for the year to date.

(2) ITD = Aggregate return from inception to date.

A significant proportion of the Sark Fund's investors are invested in the Sark Fund through a US Dollar share class. As the Sark Master Fund is a Euro based investment vehicle mainly invested in Euro denominated assets, all funds received in US Dollars are swapped into Euros. This is evidenced by the use of forward contracts at the Sark Master Fund level. Since US Dollar share class investors do not wish to expose their capital to the fluctuations of the Euro-US Dollar exchange rate, their funds are not converted into Euros but solely swapped into Euros on a rolling monthly basis, ensuring that their holdings remain in US Dollars. Therefore they receive the equivalent in US Dollars of the Euro performance of the Sark Master Fund with no currency risk exposure on their capital.

However, as the financial statements for the Sark Fund are prepared in Euro, when the funds held by US Dollar share class investors are swapped into Euro, the impact of the change in the Euro-US Dollar exchange rate between the beginning and the end of a period may create a significant impact on the results of operations of the Sark Fund. The larger the proportion of the Sark Fund and the Sark Master Fund is held through the US Dollar share class and the more significant the change in the Euro-US Dollar exchange rate over the period, the more significant the impact in

the accounts denominated in Euro. However, the Company believes that this impact should be neutral to investors in the Sark Fund as its more relevant performance measure is the net asset value per share in Euro for the Euro share class and in US Dollars for the US Dollar share class.

Therefore, the Sark Fund and the Sark Master Fund's accounts are significantly affected by fluctuations in the Euro-US Dollar exchange rate.

As the activity of the Sark Master Fund, and hence of the Sark Fund, is trading and investing in financial instruments, the statutory financial statements may not provide the most useful means by which to judge the underlying developments and performance of these funds. In particular, while these statutory financial statements included herein split the result of each trade or investment into various individual items, the Sark Fund, the Sark Master Fund and the Investment Manager focus on the overall change in assets. It also may not be particularly insightful to compare over time individual accounting items as they may vary for very different reasons, including trading and investment strategies deployed, foreign currency transactions outside the trading and investment activity of the relevant entity and total assets under management. Hence, the Company believes that the ultimate indicator is the performance of the fund, i.e. the return to its shareholders.

The results of operations of the Sark Fund set forth below represent a combination of the result of the trading activity, the impact of the foreign currency transactions for the rolling swap of the US Dollar share class, and the non-trading activity, which mainly includes fees paid to the Investment Manager and other expenses. The Sark Fund's results of operations include its pro-rata share of each type of income and expense as well the realised and unrealised gains and losses from the Sark Master Fund's results of operations. For the periods covered by the financial statements of the Sark Fund included herein, the Sark Fund owned 100 per cent. of the Sark Master Fund and thus this share was equal to 100 per cent.

	<u>Year Ended 31 December 2007</u>	<u>Year Ended 31 December 2006</u>	<u>Year Ended 31 December 2005</u> (US GAAP basis) (in €)
RESULTS OF OPERATIONS OF SARK FUND LIMITED			
<i>Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange allocated from Sark Master Fund Limited</i>			
Net realized gain (loss) from securities, derivatives transactions and foreign exchange	78,851,244	197,432,026	(350,153,571)
Net change in unrealized appreciation (depreciation) on investments in securities, derivatives transactions and foreign exchange	(106,907,616)	(21,761,982)	491,221,011
Net gain (loss) from securities, derivatives transactions and foreign exchange	(28,056,372)	175,670,044	141,067,440
<i>Net investment income/(expense) allocated from Sark Master Fund Limited Interest income</i>			
Net dividend income	99,551,042	89,943,187	83,233,516
Other income	54,845,549	21,742,048	14,736,798
Expenses	4,310,913	—	3,611
	(100,552,804)	(87,427,704)	(67,423,460)
Net investment income (expense) from Sark Master Fund Limited	58,154,700	24,257,531	30,550,465
Company income	114,184	35,650	3,409
Total expenses	(30,775,894)	(59,691,423)	(31,161,662)
Net investment income (loss)	27,492,990	(35,398,242)	(607,788)
Net increase (decrease) in net assets resulting from operations	(563,382)	140,271,802	140,459,652
Net increase (decrease) in net assets resulting from capital share transactions	668,275,006	229,581,660	100,781,869
Total net increase (decrease) in net assets	667,711,624	369,853,462	241,241,521

	<u>Year Ended 31 December 2007</u>	<u>Year Ended 31 December 2006</u>	<u>Year Ended 31 December 2005</u> (US GAAP basis) (in €)
SELECTED OTHER DATA FOR SARK FUND LIMITED			
Net assets at the beginning of the period	1,326,054,594	<u>956,201,132</u>	<u>714,959,611</u>
Net assets at the end of the period	1,993,766,218	<u>1,326,054,594</u>	<u>956,201,132</u>
Rate EUR/USD	<u>1,4591</u>	1,3186	<u>1,1807</u>
Asset Under Management	1,993,766,218	<u>1,326,054,594</u>	<u>956,201,132</u>
SELECTED SHARE DATA FOR SARK FUND LIMITED			
% of NAV in EUR	<u>64.27%</u>	<u>53.54%</u>	<u>33.30%</u>
% of NAV in USD	<u>35.73%</u>	<u>46.46%</u>	<u>66.70%</u>
NAV Euro Class A (€)	<u>154.38</u>	<u>145.85</u>	<u>122.58</u>
NAV Euro Class B (€)	<u>161.01</u>	<u>147.80</u>	<u>—</u>
NAV USD Class (\$)	<u>158.02</u>	<u>147.72</u>	<u>121.79</u>

Comparison of year ended 31 December 2007 and year ended 31 December 2006

Net gain (loss) from securities, derivatives transactions and foreign exchange

Net gain (loss) from securities, derivatives transactions and foreign exchange represents the sum of the realised and unrealised gains and losses from transactions in financial instruments held by the Sark Fund.

The Sark Fund experienced a net loss from securities, derivatives, transactions and foreign exchange of €28.06 million for the year ended 31 December 2007, a decrease of €203.73 million, from its €175.67 million gain in the comparable period of 2006. This loss related mostly to the impact of the fall of the USD on the net assets controlled by USD investors when expressed in EUR. The EUR/USD decreased by almost 10 per cent. over the year 2007.

Interest income

Interest income represents the total interest income earned by the Sark Master Fund and which is allocated fully to the Sark Fund.

Interest income for the year ended 31 December 2007 was €99.55 million as compared to €89.94 million for 2006, a 10.68 per cent. increase. This increase was a result of an increased amount of interest received from investments in fixed income securities.

Net dividend income

Net dividend income represents total dividend income, net of withholding taxes, received by the Sark Master Fund from its investments and which is fully allocated to the Sark Fund.

Net dividend income for 2007 was €54.84 million as compared to €21.74 million for 2006, an increase of 152.26 per cent. This increase resulted from an increase in the amount of dividends paid on investments held by the Sark Master Fund during this period.

Expenses

Expenses consist of all the expenses incurred by the Sark Master Fund which are allocated fully to the Sark Fund. These include both expenses directly related to trading and investment activity such as interest expenses, dividends paid, stock borrowing fees, and trading expenses as well as other unrelated costs, such as administration, professional and other fees. The latter are significantly lower than the direct trading expenses.

Expenses increased for the year ended 31 December 2007 to €100.55 million from €87.43 million in 2006, an increase of 15.01 per cent. This increase primarily was a result of a rise in dividends paid.

Total expenses

Total expenses are almost exclusively management and performance fees paid to the Investment Manager in its capacity as investment manager of the Sark Fund. Management fees increase proportionately to the size of the assets under management and are payable at an annual rate of 1.5 per cent. of the net asset value attributable to the ordinary shares in respect of Euro Class A and US Dollar shares, calculated monthly and payable in arrears. Performance fees are volatile and depend on the underlying investment performance of the Sark Fund and are payable to the Investment Manager on a share-by-share basis with respect to each twelve month period ending on 31 December in an amount equal to 20 per cent. of the appreciation in net asset value per share.

Total expenses were €30.78 million for 2007, a decrease of 48.43 per cent. from total expenses of €59.69 million during this period in 2006. This decrease largely was due to a decrease in performance fees paid by the Sark Fund, which decreased as a result of a much more volatile environment during the second half-year 2007.

Assets under management

Assets under management were €1,994 million at 31 December 2007, an increase of 50.38 per cent. from the €1,326 million recorded at 31 December 2006. This increase arose from new subscriptions to the Sark Fund. More than €534.27 million were invested in the Sark Fund Class B share on July 1, 2007 and August 1, 2007, following the secondary offering of Boussard & Gavaudan Holding Limited, a closed-ended investment company registered in Guernsey, listed and traded on Euronext Amsterdam.

Net asset value per share

Net asset values per share were €154.38, €161.01 and \$158.02 at 31 December 2007 for the Euro A, B and US Dollar share classes respectively. The increase of 5.85 per cent. and 6.97 per cent. from €145.85 for the Euro A share classes and \$147.72 as of 31 December 2006 for the US Dollar share classes, respectively, represents the investment performance of the Sark Fund over the twelve months ending on 31 December 2007. The Euro B share classes increased by 8.94 per cent. from the €147.80 recorded at 31 December 2006. A more detailed analysis of the investment performance can be reviewed by investors in "Business-the Company's and Sark Fund's performance since inception" beginning on page 59.

Comparison of year ended 31 December 2006 and year ended 31 December 2005

Net gain (loss) from securities, derivatives transactions and foreign exchange

Net gain (loss) from securities, derivatives transactions and foreign exchange represents the sum of the realised and unrealised gains and losses from transactions in financial instruments held by the Sark Fund.

The Sark Fund experienced a net gain from securities, derivatives, transactions and foreign exchange of €175.67 million for the year ended 31 December 2006, an increase of €34.6 million, or 24.5 per cent., from its €141.07 million gain in the comparable period of 2005. This gain related mostly to the trading by the Sark Master Fund of fixed income securities and also the positive impact of the rolling foreign exchange transactions required to swap the US Dollar funds of the US Dollar share class investors into Euro.

Interest income

Interest income represents the total interest income earned by the Sark Master Fund and which is allocated fully to the Sark Fund.

Interest income for the year ended 31 December 2006 was €89.94 million as compared to €83.23 million for 2005, a 8.1 per cent. increase. This increase was a result of an increased amount of interest received from investments in fixed income securities.

Net dividend income

Net dividend income represents total dividend income, net of withholding taxes, received by the Sark Master Fund from its investments and which is fully allocated to the Sark Fund.

Net dividend income for 2006 was €21.7 million as compared to €14.7 million for 2005, an increase of 47.6 per cent. This increase resulted from an increase in the amount of dividends paid on investments held by the Sark Master Fund during this period.

Expenses

Expenses consist of all the expenses incurred by the Sark Master Fund which are allocated fully to the Sark Fund. These include both expenses directly related to trading and investment activity such as interest expenses, dividends paid, stock borrowing fees, and trading expenses as well as other unrelated costs, such as administration, professional and other fees. The latter are significantly lower than the direct trading expenses.

Expenses increased for the year ended 31 December 2006 to €87.4 million from €67.4 million in 2005, an increase of 29.7 per cent. This increase primarily was a result of a rise in dividends and interest paid.

Total expenses

Total expenses are almost exclusively management and performance fees paid to the Investment Manager in its capacity as investment manager of the Sark Fund. Management fees increase proportionately to the size of the assets under management and are payable at an annual rate of 1.5 per cent. on the net asset value attributable to the ordinary shares, accrued monthly and payable quarterly in arrear. Performance fees are volatile and depend on the underlying investment performance of the Sark Fund and are payable to the Investment Manager on a share-by-share basis with respect to each twelve month period ending on 31 December in an amount equal to 20 per cent. of the appreciation in net asset value per share.

Total expenses were €59.7 million for 2006, an increase of 91.3 per cent. from total expenses of €31.2 million during this period in 2005. This increase largely was due to an increase in management and particularly performance fees paid by the Sark Fund, which increased as a result of a growth in assets under management and better investment performance in 2006.

Assets under management

Assets under management were €1,326 million at 31 December 2006, an increase of 38.67 per cent. from the €956.2 million recorded at 31 December 2005. This increase arose from a combination of investment performance and new subscriptions to the Sark Fund, especially the subscription resulting from the Company's initial public offering which generated the creation of a new Euro B share class in November 2006.

Net asset value per share

Net asset values per share were €145.85, €147.80 and \$147.72 at 31 December 2006 for the Euro A, B and US Dollar share classes respectively. The increase of 18.99 per cent. and 21.29 per cent. from €122.58 for the Euro A share classes and \$121.79 as of 31 December 2005 for the US Dollar share classes, respectively, represents the investment performance of the Sark Fund over the twelve months ending on 31 December 2006. The Euro B share classes increased by 6.73 per cent. from the €138.48 recorded at 1 November 2006. A more detailed analysis of the investment performance can be reviewed by investors in "Business-the Company's and Sark Fund's performance since inception" beginning on page 59.

Comparison of year ended 31 December 2005 and year ended 31 December 2004

Net gain (loss) from securities, derivatives transactions and foreign exchange

The Sark Fund experienced a net gain from securities, derivatives, transactions and foreign exchange of €141.1 million for 2005, an increase of €185.1 million from its €44.0 million net loss from securities, derivatives transactions and foreign exchange in 2004. This gain consisted primarily of an increase in short selling transactions executed in a multitude of securities. There was also a significant positive impact in 2005 from the rolling foreign exchange transactions required to swap the US Dollar fund of the US Dollar share class investors into Euro.

Interest income

Interest income for 2005 was €83.2 million as compared to €57.7 million for 2004, a 44.2 per cent. increase.

Net dividend income

Net dividend income for 2005 was €14.7 million as compared to €7.5 million for 2004, an increase of 96.6 per cent. This increase was a result of an increase in dividends paid on investments held by the Sark Master Fund.

Expenses

Expenses increased in 2005 to €67.4 million from €36.3 million in 2004, an increase of 85.5 per cent. This increase was due to a very significant rise in dividends and interest paid during 2005.

Total expenses

Total expenses were €31.2 million in 2005, an increase of 136.5 per cent. from total expenses of €13.2 million in 2004. This increase largely was due to the management and the performance fees paid by the Sark Fund. Management fees reached €12.6 million at the end of 2005, compared to €10.0 million in 2004, while the performance fees increased from €3.1 million in 2004 to €18.6 million at the end of 2005.

Assets under management

Assets under management were €956.2 million at the end of 2005, an increase of 33.7 per cent. from the €715.0 million at the end of 2004. This increase was primarily a result of an increased amount of new subscriptions, net of redemptions, as well as positive investment performance.

Net asset value per share

Net asset values per share were €122.58 and \$121.79 at the end of 2005 for the Euro and US Dollar share classes respectively. The increase of 8.70 per cent. and 9.45 per cent. from €112.77 and \$111.28 for the Euro and US Dollar share classes respectively represents the investment performance of the Sark Fund throughout the financial year. A detailed analysis of the investment performance can be reviewed by investors in "Business-the Company's and Sark Fund's performance since inception" beginning on page 59.

Results of operations for the Sark Master Fund

<u>Results of Operations of Sark Master Fund Limited</u>	<u>Year Ended 31 December 2007</u>	<u>Year Ended 31 December 2006</u>	<u>Year Ended 31 December 2005</u> (US GAAP basis) (in €)
<i>Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange</i>			
Net realised gain (loss) from securities, derivatives transactions and foreign exchange	78,851,244	197,432,026	(350,153,571)
Net change in unrealised appreciation (depreciation) on investments in securities, derivatives transactions and foreign exchange	<u>(106,907,616)</u>	<u>(21,761,982)</u>	<u>491,221,011</u>
Net gain (loss) from securities, derivatives transactions and foreign exchange	(28,056,372)	175,670,044	141,067,440
<i>Net investment income/(expense)</i>			
Interest income	99,551,042	89,943,187	83,233,516
Net dividend income	54,845,549	21,742,048	14,736,798
Other income	4,310,913	—	3,611
Expenses	<u>(100,552,804)</u>	<u>(87,427,704)</u>	<u>(67,423,460)</u>
Net investment income (loss)	<u>58,154,700</u>	<u>24,257,531</u>	<u>30,550,465</u>
Net increase (decrease) in net assets resulting from operations	<u>30,098,328</u>	<u>199,927,575</u>	<u>171,617,905</u>

As the Sark Fund invests all of its assets in the Sark Master Fund and the Sark Master Fund is 100 per cent. owned by the Sark Fund, changes in the results of operations of the Sark Master Fund for the periods presented above were driven by the same reasons as changes in the results of operations of the Sark Fund as described above. The only substantial difference in the results of operations between the Sark Fund and the Sark Master Fund is that the Sark Fund pays management and performance fees to the Investment Manager pursuant to an investment management agreement. Such fees are set forth in the line item designated as "Total expenses" in the financial statements of the Sark Fund.

Liquidity and capital resources

The Company's sources of cash and liquidity needs

The Company has used the cash received from the initial public offering and has used the cash received in the offering of C Shares to make an investment in shares of the Sark Fund (which in turn makes investments in the Sark Master Fund), to finance current expenditure and to subsequently acquire non-Sark Fund assets. In addition to its investments, the Company will require cash to pay management and performance fees due to the Investment Manager under the Management Agreement as well as fund its operating expenses (including fees paid to the Directors as well as audit and legal fees). The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements, that is for at least the next 12 months from the date of this prospectus.

The Company's initial source of liquidity consists of the gross proceeds that it received in connection with the initial public offering of the Euro Shares as supplemented by the gross proceeds of the offering of C Shares. These proceeds were initially invested in Euro class shares of the Sark Fund, net of the Euro Shares and the C Shares' proportionate share of any amounts retained for the working capital requirements of the Company as at the date of their issue (currently approximately €500,000 in total). In July 2007, in a secondary offering on Euronext Amsterdam, the Company raised €530,000,000. In addition, following the exercise of the over-allotment option, an additional 427,338 C Shares were issued. The total amount raised was €534,273,380. C shares were converted on 12 February 2008 but this conversion was stated on NAV as of 31 December 2007.

On 23 May 2007, the Company entered into a private equity investment for £12.1 million (approximately €17.8 million). This transaction was financed through borrowings from Natixis. The unlisted securities were purchased from both Sark Fund Limited and Channel Bridge Special Situations Fund Limited at the equivalent cash price offered by the main investor in its public offer. Due to the adverse evolution of the UK residential real estate market, the Company has marked down this investment during the fourth quarter of 2007.

The Company has entered into the Loan Facility and, in the future, the Company may enter into one or more further borrowing facilities to fund its operating expenses and fees owed to the Investment Manager. As the Sark Fund is not expected to pay dividends, the Company expects that the primary source of its future liquidity will depend on borrowings in accordance with its leverage policies, the periodic redemption of shares of the Sark Fund owned by it to the extent necessary to provide sufficient cash to fund its subsequent ongoing costs and expenses and the management of available cash and borrowings. The Company has the 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, although the Directors do not intend that the Company should engage in any structural borrowing for the purposes of investment in the Sark Fund.

See "Business-Leverage" for a further description of the leverage policies of the Company.

It is anticipated that there will be no net increase in the Net Asset Value following the Offer because the invitation to use the conversion facility thereunder is solely available to existing shareholders wishing to convert Euro Shares into Sterling Shares.

The Sark Fund's and the Sark Master Fund's sources of cash and liquidity needs

The Sark Fund uses its cash primarily to fund investments in the Sark Master Fund and to pay the fees and expenses charged by the Investment Manager. The Sark Fund has invested the cash that it received from the Company to purchase interests in the Sark Master Fund.

The Sark Master Fund uses its cash primarily to fund its investments in accordance with its investment policy, to pay its operating expenses as well as the operating expenses of the Sark Fund, and to fund collateral requirements for foreign currency hedging in which it engages.

The Sark Fund's primary sources of liquidity are the proceeds received by it from periodic redemptions of its interests in the Sark Master Fund as well as share subscriptions received in connection with the issuance of additional shares in the Sark Fund. The Sark Fund intends that any cash received by it as dividends or distributions on its investments in the Sark Master Fund is reinvested in the Sark Master Fund. The Sark Fund does not intend to borrow funds in order to fund its operations or investments.

The Sark Master Fund's primary sources of liquidity are investments made into it by the Sark Fund and other feeder funds that may be established from time to time, proceeds received from sales of investments and leverage activities in which it engages.

See "Business-Leverage" for a description of the leverage policies of the Sark Fund and the Sark Master Fund.

Contingencies and contractual obligations

Management Agreement

Under the Management Agreement, the Investment Manager is paid a management fee of 1.5 per cent. of Net Asset Value. The management fee is accrued monthly and payable quarterly in arrear. In addition, the Investment Manager is entitled to receive a performance fee which is equal to the sum of 20 per cent. of the appreciation in the Net Asset Value per Share and 20 per cent. of the appreciation in the Net Asset Value per Share during the relevant period. The performance fee is normally payable to the Investment Manager in arrear within 14 calendar days of the end of each year. See "Relationship with the Investment Manager and related party transactions-Management Agreement" for a further description of the fees payable by the Company pursuant to the Management Agreement.

Debt obligations

The Company may incur debt obligations to use in non-Sark Fund investment strategies, for managing day-to-day cash flows, for meeting its expenses and for funding repurchases of Shares. Such debt obligations may subject the Company to contractual obligations relating to the periodic payment of interest and the repayment of borrowed principal.

Indemnification

In the normal course of business each of the Company and the Sark Master Fund (respectively, on behalf of itself and the Sark Fund) enters into contracts with service providers and other parties, including the Investment Manager, that contain a variety of indemnification obligations. The maximum exposure to the Company or the Sark Master Fund as applicable, is unknown. However neither the Company nor the Sark Master Fund has had prior claims or losses pursuant to these contracts.

Off-balance sheet arrangements

The Company does not currently have any off-balance sheet arrangements.

In the normal course of business, the Sark Master Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk. Its financial instruments include foreign currency forwards, futures agreements, swap agreements, contracts for differences, written options and securities sold short. See "Note 4-Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk" to each of the financial statements of the Sark Master Fund incorporated by reference and contained in the section "Financial Information" in this prospectus for a further description of such items.

Exposure to market risk

The Company is exposed to a number of market risks as a result of the types of investments that the Sark Master Fund makes as well as investments that the Company expects to make in non-Sark Fund assets. The Company believes that its exposure to market risks will relate primarily to changes in the values of publicly traded and over-the-counter (OTC) securities that are held by the Company or the Sark Master Fund for investment, the credit risk of counterparties, movements in prevailing interest rates, changes in foreign currency exchange rates and risks arising from hedging arrangements.

The Company and the Sark Master Fund may seek to mitigate such risks through the use of hedging arrangements and derivative instruments, which could subject it to additional risks and which may not be completely effective. The Investment Manager, under the Investment Management Agreement, will be responsible for monitoring all these risks and for carrying out risk management activities relating to the Company's investments.

Securities market risks

The Company's non-Sark Fund assets, as well as the investments of the Sark Master Fund, are expected to include investments in a variety of securities, including equity and debt securities of both corporate and governmental entities, options, forwards, futures and swap contracts. The market prices and values of traded securities may be volatile and are likely to fluctuate due to a number of factors beyond the control of the Company or the Sark Master Fund, including actual or anticipated fluctuations in the quarterly, semi-annual and annual results of such issuers or of other issuers in the industries in which they operate, extraordinary corporate events involving the issuers of such securities, market perceptions concerning the availability of additional securities for sale, interest and currency rate movements, volatility in commodity prices, general economic, social or political developments, industry conditions and changes in government regulation. In accordance with IFRS and US GAAP, as applicable, the Company and the

Sark Master Fund are required to value investments in traded securities based on current market prices at the end of each accounting period, which could lead to significant changes in the net asset values and operating results that the Company, the Sark Fund and the Sark Master Fund report.

Credit risks

In the course of their respective businesses both the Company, in the context of making investments in non-Sark Fund assets, and the Sark Master Fund will enter into investment contracts, such as derivative instruments, with third parties. Credit risk is the risk of the potential inability or refusal of counterparties to perform the terms of such investment contracts, which may be in excess of the amounts recorded in the Company's or the Sark Master Fund's respective balance sheet. In the event a counterparty fails to perform the terms of an investment contract, the Company, the Sark Fund and/or the Sark Master Fund may suffer an adverse effect on its results of operations and net asset value.

Interest rate risks

The Company may incur indebtedness in the future with a view to enhancing shareholder returns, engaging in share buybacks and to meet liquidity needs. The Sark Master Fund has, and may continue to, incur indebtedness in order to enhance its returns. In addition the Company, in respect of a non-Sark Fund asset, or the Sark Master Fund itself may make investments that are sensitive to changes in interest rates. Due to the foregoing, the Company believes that it will be exposed to risks associated with movements in prevailing interest rates. Volatility in interest rates could make it more difficult or expensive for the Company or the Sark Master Fund to obtain debt financing, 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 and the Sark Master Fund's investments generate.

Foreign currency risks

The functional and presentational currency of the Company, the Sark Fund and the Sark Master Fund is the Euro. As a result, the investments that are carried as assets in the respective financial statements will be stated in Euros. When valuing investments that are denominated in currencies other than the Euro, the Company and the Sark Master Fund are required to convert the values of such investments into Euros based on prevailing exchange rates as of the end of the applicable accounting period. Due to the foregoing, changes in exchange rates between Euros and other currencies could lead to significant changes in the net asset values that the Company, the Sark Fund or the Sark Master Fund report and could subject such net asset values to favourable or unfavourable fluctuations. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Company, the Sark Fund and the Sark Master Fund may engage in a variety of hedging strategies to offset this risk; however there can be no assurance that such strategies can protect against a decline in asset values.

Hedging arrangements

In hedging the exposure of the Sterling Shares to Euro and in connection with the Company's investments in non-Sark Fund assets, as well as in the ordinary course of business for the Sark Fund and the Sark Master Fund, the Investment Manager may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit the applicable entity's exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. The Company anticipates that the scope of risk management activities undertaken by the Investment Manager will vary based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the type of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, the Investment Manager is not under any absolute obligation to enter into hedging arrangements on behalf of the Company and, in any case, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that the Investment Manager enters into on behalf of the Company, the Sark Fund or the Sark Master Fund generally will depend on the Investment Manager's ability to

correctly predict market changes. As a result, while the Investment Manager may enter into such transactions in order to reduce exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, the Investment Manager may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transactions and the position being hedged. An imperfect correlation could prevent the Investment Manager from achieving the intended result and create new risks of loss. In addition, it may not be possible to fully or perfectly limit the Company's, the Sark Fund's or the Sark Master Fund's exposure against all changes in the values of their respective investments, because the values of such investments are likely to fluctuate as a result of a number of factors, some of which will be beyond the control of the Investment Manager.

Recent accounting pronouncements

Recent changes to US GAAP

In May 2005 the Financial Accounting Standards Board ("**FASB**") issued FASB statement no. 154, *Accounting Changes And Error Corrections*. This standard provides guidance on the accounting for and reporting of accounting changes including changes in principles, accounting estimates and corrections of errors in previously issued financial statements. This standard is effective for the current year. In February 2006 FASB statement no. 155, *Accounting For Certain Hybrid Financial Instruments* was issued, which amends the previously issued statements nos. 133 and 140. The standard provides guidance on accounting for derivative products embedded in a host contract and indicates that if such host contract is not being accounted for at fair value the embedded derivative should be bifurcated and reported at fair value. This standard is applicable for years beginning after 15 September 2006. As the Sark Fund and the Sark Master Fund carry their investment positions at fair value already this standard is not expected to have a significant impact on either entity.

In July 2006 the FASB issued Final Interpretation no. 48 ("**FIN 48**") *Accounting For Uncertainty In Income Taxes*. FIN 48 creates a single model to address uncertainty in income tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognised in these financial statements. It also provides guidance in other areas such as disclosures. FIN 48 is effective for years beginning after 15 December 2006. Management of the Sark Fund and the Sark Master Fund are still assessing the implications of FIN 48 for each entity, with their initial assessment being that it is unlikely to have a significant impact on either.

In late September 2006 the FASB issued FASB no. 157 *Fair Value Measurements*. This standard provides guidance for measuring assets and liabilities at fair value by the establishment of a fair value hierarchy, with quoted prices in active markets given highest priority. The standard also requires expanded information about the extent to which entities measure assets and liabilities at fair value, the information used to measure fair value and the effect that fair value measurements have on earnings. The Investment Manager will be undertaking a review of this standard to assess its implications for the Sark Fund and the Sark Master Fund. It is likely that additional disclosures will be required in the annual financial statements of each entity in relation to the sources utilised for the valuation of investment positions at fair value. The standard is effective for years beginning after 15 November 2007.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FAS 159). This standard permits entities to elect to measure financial instruments at fair value. As investment companies are required to report their investments at fair value in accordance with the American Institute of Certified Public Accountants's Audit and Accounting Guide: Investment Companies, the impact of FAS 159 upon adoption is that the entity will be permitted to elect to fair value any of its non-investment, financial liabilities which include outstanding debt and reverse repurchase agreements, if applicable. FAS 159 is effective for financial statements issued for fiscal years beginning after 15 November 2007 and upon adoption, the entity will record the effect of the first measurement of non-investment, financial liabilities as a cumulative-effect adjustment to the beginning net assets balance. At this time, the Investment Manager is evaluating the implications of FAS 159, and its impact to the financial statements for the Sark Fund and Sark Master Fund have not yet been determined.

INFORMATION ON THE SARK FUND AND THE SARK MASTER FUND

The Sark Fund

The Sark Fund was incorporated under registration number 122505 with limited liability in the Cayman Islands on 14 January 2003 as an exempted company and operates under the provisions of the Companies Law (2007 Revision) of the Cayman Islands and the Mutual Funds Law (2003 Revision) of the Cayman Islands. The Sark Fund commenced operations on 3 March 2003.

The Sark Fund's registered office is at PO Box 309, George Town, Cayman Islands, British West Indies (telephone +1 345 949 8066).

The Sark Fund is organised as a feeder fund and all of the Sark Fund's assets (to the extent not retained in cash) are invested in the ordinary shares of the Sark Master Fund, another exempted company incorporated with limited liability in the Cayman Islands, of which the Sark Fund is the only shareholder. The investment objective of the Sark Master Fund is to achieve an attractive risk-adjusted return on capital consistent with principles designed to manage risk of capital loss. The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. The Sark Fund has no employees.

The Euro and US Dollar classes of the Sark Fund's ordinary shares are admitted to trading on the Irish Stock Exchange.

The Euro class of the Sark Fund's ordinary shares into which the Company is invested is not listed on any exchange.

Investment in the Sark Fund is only suitable for investors seeking long-term capital appreciation who understand the risks involved in the Sark Fund, including the risk of loss of capital.

The Sark Master Fund

The Sark Master Fund was incorporated under registration number 122506 with limited liability in the Cayman Islands on 14 January 2003 as an exempted company and operates under the provisions of the Companies Law (2007 Revision) of the Cayman Islands. The Sark Master Fund commenced operations on 3 March 2003. The Sark Master Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law (2003 Revision). The Sark Master Fund has no employees.

The Sark Master Fund's registered office is at PO Box 309, George Town, Cayman Islands, British West Indies (telephone +1 345 949 8066).

Investment in the Sark Master Fund is only suitable for investors seeking long-term capital appreciation who understand the risks involved in the Sark Master Fund, including the risk of loss of capital.

Investment Objective

The investment objective of the Sark Master Fund is to achieve an attractive risk-adjusted return on capital consistent with principles designed to manage risk of capital loss.

Investment Approach

The Investment Manager seeks to achieve the Sark Master Fund's investment objective principally by arbitraging non-linear instruments (options, convertible bonds, warrants, rights issues, credit default swaps, interest rate swaps and other derivative instruments).

The Investment Manager relies on a combination of fundamental analysis and derivatives expertise when making investment decisions for the Sark Master Fund. The Investment Manager attempts to capitalise on price anomalies and inefficiencies linked to special situations relevant to companies.

The investment strategies applied (which may from time to time include any one or more of the strategies known as "gamma trading", "fundamental volatility trading", "capital structure arbitrage", "holdings arbitrage", "merger arbitrage", "convertible bond arbitrage", "corporate warrant arbitrage" and "relative value") focus on European securities and European-related securities and are predominantly of a non-directional nature.

The Sark Master Fund has maximum flexibility to invest in a wide range of instruments including but not limited to options, stocks, bonds, convertible bonds, currencies, futures, credit default swaps, interest rate swaps and other derivative instruments. The securities in which the Sark Master Fund invests may be listed or unlisted and there is no minimum credit rating for the fixed income securities in which it invests. Derivative instruments may be exchange-traded or over-the-counter. The Sark Master Fund may engage in short sales.

The Sark Master Fund may retain amounts in cash or cash equivalents pending investment or reinvestment or when the Investment Manager otherwise considers this appropriate.

The risk management principles to be applied by the investment manager of the Sark Master Fund have been designed by it to manage the risk of capital loss and limit the size of any monthly drawdown. These include regular monitoring and control of the portfolio through the use of (but not limited to) stress testing.

Pursuant to an exemption from registration as a commodity pool operator set forth in the CFTC Rule 4.13(a)(4) in respect of the Sark Fund and the Sark Master Fund, the Investment Manager is not required to register, and is not registered, as a commodity pool operator under the CEA, as amended.

Investment Strategies

The Investment Manager employs a variety of instruments at its disposal for the optimal implementation of the following strategies, which are described in the section headed "Investment strategies of the Sark Master Fund" beginning on page 55.

Changes to investment objective and approach

The Sark Fund and the Sark Master Fund have committed to adhere to the investment objective and approach set out above. Any change to such investment objective and approach would require the consent of shareholders in the Sark Fund and/or the Sark Master Fund, as the case may be.

Borrowing and leverage

The Sark Master Fund may leverage its capital by borrowing, including (but not limited to) margin lending agreements, collateralised borrowing, securities lending and through the use of futures, forwards, contracts, options and other derivative instruments. The Investment Manager monitors the risk of the Sark Master Fund according to the limits defined by its prime brokers and custodians and has defined a model whereby a minimum amount of equity, considered to be at risk, should be allocated to a specific asset class: the "equity at risk". The equity at risk also allows the Investment Manager to estimate the potential for additional leverage the Sark Master Fund has with its prime brokers and custodians. Total equity at risk for the Sark Master Fund is expected to be within 25 per cent. and 100 per cent. The Sark Fund will not leverage its capital by borrowing.

Investment restrictions

Neither the Sark Fund nor the Sark Master Fund will:

- (A) invest more than 20 per cent. of its gross assets in the securities of any one issuer. This restriction will not apply in relation to investment in securities issued by a government, government agency or instrumentality of a European Union or an Organisation for Economic Co-operation and Development ("OECD") Member State or by any supranational authority of which one or more European Union or OECD Member States are members;
- (B) expose more than 20 per cent. of its gross assets to the creditworthiness or solvency of any one counterparty (other than the prime brokers and custodians of the Sark Master Fund);
- (C) invest in real property;
- (D) invest more than 10 per cent., in aggregate, of its gross assets directly in physical commodities; or
- (E) take or seek to take legal or management control of any issuer in which it invests.

The restriction referred to in (B) above will not apply to the extent that the Sark Master Fund enters into transactions with a broker who enters into transactions for its own account or on a principal-to-principal basis, rather than as agent, where such broker is: (i) registered with and regulated by the Commodity Futures Trading Commission or the Financial Services Authority; (ii) has financial resources of US\$20 million (or its equivalent in another currency); and (iii) is trading subject to the rules of a Recognised Exchange or with a counterparty which has, or whose parent company has, a Specified Credit Rating. (Restriction (iii) will not apply to a transaction with any counterparty which advances full and appropriate collateral to the Sark Master Fund in respect of the transaction.)

The restrictions referred to in (A) and (B) above will not apply to the Sark Fund's investment in the Sark Master Fund.

The Sark Master Fund will not knowingly enter into a trade (or instruct any entity to which the Investment Manager may have delegated investment management responsibility to knowingly enter into a trade) which would result in

the percentage of private placements (other than Regulation S placements by issuers who have issued shares listed on a Recognised Stock Exchange and Rule 144A placements by public companies), pre-initial public offering investments and such similar investments exceeding five per cent. of the net asset value of the Sark Fund and/or the Sark Master Fund. For these purposes, Recognised Stock Exchanges shall be those designated as follows.

List of Stock Exchanges designated as "Recognised Stock Exchanges":

The Athens Stock Exchange

The Australian Stock Exchange and any of its stock exchange subsidiaries

The Cayman Islands Stock Exchange

The Colombo Stock Exchange

The Copenhagen Stock Exchange

The Helsinki Stock Exchange

The Johannesburg Stock Exchange

The Korea Stock Exchange

The Kuala Lumpur Stock Exchange

The Mexico Stock Exchange

The New Zealand Stock Exchange

The Rio De Janeiro Stock Exchange

The Sao Paulo Stock Exchange

The Singapore Stock Exchange

The Stockholm Stock Exchange

The Stock Exchange of Thailand

The Swiss Stock Exchange

Any stock exchange in the following countries which is a stock exchange within the meaning of the law of the particular country relating to stock exchanges (or as specified below):

Austria

Belgium

Canada: any stock exchange prescribed for the purpose of the Canadian Income Tax Act.

France

Germany

Guernsey

Hong Kong: any stock exchange which is recognised under Section 2A (1) of the Hong Kong Companies

Ordinance

Italy

Republic of Ireland

Japan

Luxembourg

Netherlands

Norway

Portugal

Spain

USA: any exchange registered with the Securities and Exchange Commission of the United States as a

national securities exchange

USA: The NASDAQ Stock Market as maintained through the facilities of the National Association of Securities Dealers, Inc and its subsidiaries.

It is intended that the Sark Master Fund's exposure to other funds be kept below five per cent. of its net asset value. For the purposes of this calculation, exchange traded funds and quoted funds will be excluded.

The Sark Master Fund will adhere to the principle of risk diversification in respect of its assets.

The above restrictions apply as at the date of the relevant transaction or commitment to invest. Changes in the investment portfolio of the Sark Master Fund will not have to be effected merely because any of the limits contained in such restrictions would be breached as a result of any appreciation or depreciation in value, or by reason of the receipt of any right, bonus or benefit in the nature of capital or of any scheme or arrangement for amalgamation, reconstruction or exchange or by reason of any other action affecting every holder of the relevant investment. However, no further relevant securities will be acquired until the limits are again complied with. In the event that any of the investment restrictions are inadvertently breached, the Investment Manager will take reasonable steps to rectify the breach. The restriction referred to in (E) above may not be breached at any time.

Historical performance

As at 30 April 2008 the unaudited net asset value per share of the Sark Fund was €149.22 and \$152.12 for the Euro A and US Dollar share classes respectively.

As at 30 April 2008 the unaudited net asset value per share of the Sark Master Fund was €177.58 and \$183.19 for the Euro and US Dollar share classes respectively.

There has been no significant change in the trading or financial position of either the Sark Fund or the Sark Master Fund since 31 December 2007.

Manager

The Sark Fund and the Sark Master Fund have each appointed 1729 Management (Cayman) Limited as manager. 1729 Management (Cayman) Limited was incorporated in the Cayman Islands as an exempt company on 29 January 2003 and operates under the Companies Law (2007 Revision) of the Cayman Islands. Its registered office is at PO Box 309, George Town, Cayman Islands, British West Indies (telephone +1 345 949 8066). 1729 Management (Cayman) Limited was appointed to select the investment manager of the assets of the Sark Fund and the Sark Master Fund.

Investment Manager

Boussard & Gavaudan Asset Management, LP has been appointed as the investment manager of the Sark Fund and the Sark Master Fund. It was registered as an English limited partnership and operates under the Limited Partnerships Act 1907 on 11 July 2002 with number LP008216 and is authorised and regulated by the Financial Services Authority in the United Kingdom and was registered as an investment adviser with the US Securities and Exchange Commission on 23 November 2005.

Investment Adviser

Boussard & Gavaudan Gestion S.A.S. ("BGG") has been appointed as investment adviser to the investment manager of the Sark Fund and the Sark Master Fund. BGG is a Société par Actions Simplifiée incorporated in France on 2 August 2002 with its registered office at 69, boulevard Haussmann, 75008 Paris, France (telephone +33 (0) 1 44 90 41 00). BGG is authorised by the French Autorité des Marchés Financiers ("AMF") to conduct investment business.

BGG has been appointed to provide advice to the investment manager of the Sark Fund and the Sark Master Fund in relation to its management of the investments of the Sark Fund and the Sark Master Fund. BGG has also had delegated to it by the investment manager of the Sark Fund and the Sark Master Fund responsibility for the management of part of the assets of the Sark Master Fund.

Redemptions

General

The Company may redeem the shares it holds in the Sark Fund at its option by sending a completed redemption request in the form available from the administrator of the Sark Fund to be received by the administrator of the Sark Fund no later than 5.00 pm (Cayman Islands time) on the first Business Day falling at least 60 calendar days before the relevant Dealing Day, or such lesser period as the directors of the Sark Fund may in any particular case determine, failing which the redemption request may be held over until the next Dealing Day following the expiry of such period. Such shares will be redeemed at the redemption price applicable on that Dealing Day.

Redemption requests may be sent by facsimile, but redemption proceeds will not be remitted until the administrator of the Sark Fund has received the original of the redemption request. A request for a partial redemption of shares may be refused, or the holding redeemed in its entirety, if, as a result of such partial redemption, the net asset value of the shares retained by the Company would be less than a minimum holding of €1,000,000 or such lesser amount as the directors of the Sark Fund may in any particular case determine provided such lesser amount is not less than €100,000 (the “**Minimum Holding**”). A redemption request, once given, is irrevocable save with the consent of the directors of the Sark Fund (which consent may be withheld).

Key man event

In the event that either or both of Emmanuel Gavaudan and Emmanuel Boussard ceases to be substantially involved in the management of the assets of the Sark Fund and the Sark Master Fund, shares in the Sark Fund may be redeemed on the next Dealing Day by delivery of a written notice to the administrator of the Sark Fund on or before the Valuation Day immediately preceding such Dealing Day. In such event, the Investment Manager will notify the Company in writing within five Business Days. Where shares in the Sark Fund are redeemed as described above the directors of the Sark Fund will waive the payment of a redemption fee. In addition, in such circumstances, requests for partial redemptions of holdings of shares in the Sark Fund will not be refused by the Sark Fund unless the shares retained represent a minimum holding of €100,000.

Breach of particular investment restriction

In the event that the percentage of private placements, pre initial public offering investments and such similar investments exceeds five per cent. of the net asset value of the Sark Fund and/or the Sark Master Fund or in the event that the Sark Master Fund's exposure to other funds exceeds five per cent. of the Sark Master Fund's net asset value, shares in the Sark Fund may be redeemed on the next Dealing Day by delivery of a written notice to the administrator on or before the Valuation Day immediately preceding such Dealing Day.

Where shares are redeemed as described above the directors of the Sark Fund will waive the payment of any redemption fees, penalties or other charges and, in addition, in such circumstances requests for partial redemptions of holdings of shares will not be refused and will not be subject to any restrictions of redemptions (other than where the calculation of the net asset value has been suspended) unless the shares retained represent a minimum holding of €100,000.

Redemption price

The redemption price per share will be equal to the net asset value per share as at the Valuation Day immediately preceding the relevant Dealing Day.

Redemption fee

A redemption fee of up to five per cent. of redemption proceeds will be payable at the discretion of the directors of the Sark Fund on redemptions of shares in the Sark Fund. The redemption fee will not apply in respect of redemptions made in accordance with the above procedure on any Dealing Day falling two years after the date of issue of the relevant shares or every two years thereafter. The redemption proceeds will be reduced by the amount of the redemption fee and the net amount paid to the Company. The directors of the Sark Fund may at their discretion waive the payment of a redemption fee or part thereof. The amount of such redemption fee will be retained by the Sark Fund.

Settlement

Payment of redemption proceeds will normally be made within 15 Business Days of the relevant Dealing Day. Payment will be made in Euro by direct transfer in accordance with instructions given by the Company to the administrator of the Sark Fund and at the Company's risk and cost.

Suspension

The directors of the Sark Fund may declare a suspension of the redemption of shares in the following circumstances:

- (A) any period (other than ordinary holiday or customary weekend closings) when any market is closed which is the main market for a significant part of the Sark Fund's or the Sark Master Fund's investments, or when trading thereon is restricted or suspended;
- (B) any period when any emergency exists as a result of which disposal by the Sark Fund or the Sark Master Fund of investments which constitute a substantial portion of its assets is not practically feasible;
- (C) any period when for any reason the prices of a material portion of the investments of the Sark Fund or the Sark Master Fund cannot be reasonably, promptly or accurately ascertained;
- (D) any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, investments of the Sark Fund or the Sark Master Fund cannot, in the opinion of the directors of the Sark Fund or the Sark Master Fund, as the case may be, be carried out at normal rates of exchange;
- (E) any period when proceeds of the sale or redemption of the shares cannot be transmitted to or from the Sark Fund's account or when proceeds of the sale or redemption of ordinary shares in the Sark Master Fund cannot be transmitted to or from the Sark Master Fund's account; or
- (F) any period during which the issue or redemption of ordinary shares in the Sark Master Fund is temporarily suspended.

No shares will be redeemed during any such period of suspension.

Compulsory redemptions

The directors of the Sark Fund have the right to require the compulsory redemption of all shares held by or for the benefit of a shareholder if the directors determine that the shares are held by or for the benefit of any shareholder who is or becomes an ineligible applicant (defined, *inter alia*, as investors unable to acquire and hold shares in the Sark Fund without breaching applicable laws and, generally, US Persons) and/or is not or is no longer an eligible investor (defined, *inter alia*, as professional or high net worth investors). These provisions should not affect the Company. The Sark Fund also reserves the right to require compulsory redemption of all shares held by a shareholder if the net asset value of the shares held by the shareholder is less than the Minimum Holding and in certain other circumstances as described in the Sark Fund's prospectus. Where the net asset value of the shares held by a shareholder is less than the Minimum Holding, and the Sark Fund decides to exercise its right to compulsorily redeem, the Sark Fund will notify the shareholder in writing and allow such shareholder thirty days to purchase additional shares to meet the Minimum Holding requirements. Any compulsory redemption of shares will be effected at the prevailing net asset value of the relevant class and no redemption fee will be applicable.

Any compulsory transfer or redemption will be at the net asset value per share of the relevant class of shares calculated to take into account any amounts relating to the fees of the investment manager of the Sark Fund. Where shareholders are compulsorily redeemed through no fault of their own, they will not be charged any fiscal charges (excluding, for the avoidance of doubt, any taxes a redeeming shareholder would be subject to), fees or other expenses arising from the redemption.

Ordinary shares in the Sark Master Fund

The Sark Fund may redeem ordinary shares in the Sark Master Fund at such times as the directors of the Sark Fund may determine at the net asset value per share of the Sark Master Fund. The Sark Master Fund will effect redemptions on such days as its directors determine at their discretion. The directors of the Sark Master Fund have determined to effect redemptions of ordinary shares in the Sark Master Fund on a basis not less frequent than the Sark Fund.

USE OF PROCEEDS

Substantially all the proceeds of the initial public offering of Euro Shares and proceeds of the secondary offering of C Shares have been invested by the Company in shares of the Sark Fund (which in turn makes investments in the Sark Master Fund). In addition to its investments, the Company requires cash to pay management and performance fees due to the Investment Manager under the Management Agreement as well as fund its operating expenses (including fees paid to the Directors as well as audit and legal fees). The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements, that is for at least the next 12 months from the date of this prospectus.

It is anticipated that there will be no net increase in the Net Asset Value following the Offer because the invitation to use the conversion facility thereunder is solely available to existing shareholders wishing to convert Euro Shares into Sterling Shares.

DIVIDEND POLICY

The Directors do not expect to declare any dividends and income earned in the portfolio will be reinvested. To the extent that a dividend may be declared with respect to the Company, it will be paid in compliance with any applicable laws.

It is not envisaged that any income or gain derived from their investments will be distributed by the Sark Fund or the Sark Master Fund by way of dividend and no dividend has ever been paid by either the Sark Fund or the Sark Master Fund. This does not preclude the directors of the Sark Fund and/or the Sark Master Fund from declaring a dividend at any time in the future if they consider appropriate to do so. In the event that a dividend is declared and remains unclaimed after a period of six years from the date of declaration, such dividend will be forfeited and will revert to the Sark Fund or the Sark Master Fund, as the case may be. To the extent that a dividend may be declared, it will be paid in compliance with any applicable laws and, with respect to the Sark Fund, Irish Stock Exchange requirements.

CAPITALISATION

This information should be read in conjunction with the sections headed “Use of Proceeds”, “Operating and Financial Review” and “Financial Statements” (including the notes thereto).

The Company has entered into the Loan Facility with Natixis under which, as at 23 June 2008, the Company has borrowed approximately £3 million and €6 million.

The following table shows the capitalisation and indebtedness of the Company as at 30 April 2008:

	As at 30 April 2008 Euro
Current debt	
Guaranteed	—
Secured ⁽¹⁾	17,480,285
Unguaranteed/Unsecured	—
Non-current debt	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured	—
Total Indebtedness	17,480,285
Shareholders' funds	
Share capital	947,727,651
Legal reserve	—
Other reserves	—
Total Capitalisation	947,727,651
Total Capitalisation and Indebtedness	965,207,936

(1) The bank loan included in Current Debt — Secured is secured by a first priority security interest granted by the Company in favour of Natixis over certain of the shares in the Sark Fund held by the Company.

The information on Current debt, Non-current debt and Shareholders' funds has been extracted without material adjustment from the unaudited management accounts of the Company for the period ended 30 April 2008.

The following table shows the Net indebtedness of the Company in the short-term and medium to long-term:

	As at 30 April 2008 Euro
A Cash	970,421
B Cash equivalent	—
C Trading securities	—
D Liquidity (A + B + C)	970,421
E Current financial receivable	—
F Current bank debt	17,480,285
G Current portion of non current debt	—
H Other current financial debt	—
I Current financial debt (F + G + H)	17,480,285
J Net current financial indebtedness (I -- E -- D)	16,509,864
K Non current bank loans	—
L Bonds issued	—
M Other non current loans	—
N Non current financial indebtedness (K + L + M)	—
O Net financial indebtedness (J + N)	16,509,864

The information on Net indebtedness of the Company in the short-term and medium to long-term has been extracted without material adjustment from the unaudited management accounts of the Company for the period ended 30 April 2008.

INVESTMENT MANAGER

Investment Manager

Boussard & Gavaudan Asset Management, LP acts as the Investment Manager and, as such, is responsible for the day-to-day management of the assets of the Company. It was registered as an English limited partnership under the Limited Partnerships Act 1907 on 11 July 2002 with number LP008216 and is authorised and regulated by the Financial Services Authority in the United Kingdom. Since 23 November 2005, the Investment Manager has been registered with the United States Securities and Exchange Commission as an investment adviser.

Emmanuel Boussard and Emmanuel Gavaudan are limited partners of the Investment Manager. The Investment Manager acts through its general partner, Boussard & Gavaudan Partners Limited (the “**General Partner**”). The General Partner was incorporated in England and Wales on 24 June 2002. The directors of the General Partner are Emmanuel Boussard, Emmanuel Gavaudan and Pascal Gillot.

Boussard & Gavaudan Gestion, the wholly-owned subsidiary of the General Partner in Paris, France, was created on 29 July 2002 as a “société par actions simplifiée” and provides services and investment advice to the Investment Manager.

Boussard & Gavaudan Gestion has also some latitude in implementing investment decisions in respect of both the Company and the Sark Master Fund through a partial delegation of the Investment Manager’s function. Both functions are regulated by contracts and are provided on an arm’s length basis.

The Investment Manager is an asset management company focused on achieving the investment objectives of all its funds by relying on a combination of fundamental analysis and trading expertise, particularly in relation to derivatives. Total assets under management across all funds managed by the Investment Manager’s group were approximately €2.2 billion as of 1 May 2008.

Alongside the Company, the Investment Manager’s group currently manages six funds: the Sark Fund, Channel Bridge Special Situations Fund, BG Explorer Fund, BG Eonia Arbitrage, BG Long Term & Alternative and BG Long Term Value.

On 1 June 2006, the Investment Manager launched Channel Bridge Special Situations Fund, a catalyst-driven fund based on in-depth fundamental analysis seeking to capture absolute returns in companies undergoing corporate events. It focuses on European events and invests in a wide range of securities across the equity and debt spectrum, with extensive use of instruments with non-linear pay-offs. Total assets as of 1 May 2008 were approximately €135 million.

On 1 November 2007, the Investment Manager launched BG Explorer Fund, focusing on special situations through public or private equity as well as any debt instruments. Total assets as of 1 May 2008 were approximately €16.2 million.

BG Eonia Arbitrage is a dynamic cash fund. The fund is registered in France and conforms to the EC Directive on Collective Investments. BG Eonia Arbitrage aims at outperforming the interest rate offered by the monetary market (Eonia compounded) by combining expertise in credit, fixed income, arbitrage and risk management. Total assets as of 1 May 2008 were approximately €64 million. In 2007, BGG won the “Tremplin 2007” award for new asset management company in the cash fund category on behalf of BG Eonia Arbitrage. BG Eonia Arbitrage is rated 5 stars by Morningstar. Its investment manager is Boussard & Gavaudan Gestion.

BG Long Term Value is an equity fund which aims at outperforming the DJ Euro Stoxx 50 Index Total Return with an investment horizon of five years. The fund is registered in France and conforms to the EC Directive on Collective Scheme. Total assets as of 1 May 2008 were approximately €96 million. BG Long Term Value is rated 3 stars by Morningstar. Its investment manager is Boussard & Gavaudan Gestion.

BG Long Term & Alternative is a ¹³⁰/₃₀ fund registered in France and in conformity with the European Directive on Collective Investment Schemes. The fund aims to outperform the Dow Jones Eurostoxx 600 total return index with an investment horizon of five years. The fund commenced operations on 27 December 2007. Investment Manager: Boussard & Gavaudan Gestion.

In addition, the Investment Manager also manages two discretionary accounts.

The Investment Manager was ranked in the top five innovators in Banking & Finance for 2006 by CNBC’s European Business magazine and third European Equities Fund for 2006 by Europerformance.

The Investment Manager was granted approval as an Investment Management Firm by the UK Financial Services Authority in December 2002 and granted registration as an Investment Adviser by the US Securities and Exchange

Commission in November 2005. BGG was granted approval as a “*société de gestion de portefeuille*” (investment management firm) by the AMF in April 2003.

The Investment Manager’s group currently has 48 employees, of whom 12 are located in London and 36 in Paris.

Details of the Investment Manager’s key personnel are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Emmanuel Gavaudan	46	Partner
Emmanuel Boussard	38	Partner
Charles-Edouard Joseph	33	Partner
Etienne Becker	37	Partner
Pascal Gillot	46	Partner
Christophe Tardieu	35	Partner

Emmanuel Gavaudan

Emmanuel Gavaudan is a founding partner of the Investment Manager and previously spent over 13 years at Goldman Sachs in London and Zurich. He served first as a portfolio manager for high-net-worth individuals, trusts and foundations, managing equities, bonds, derivatives and currencies. He became a Managing Director in 1998 and subsequently went to Zurich as the General Manager of Goldman, Sachs & Co. Bank, responsible for all divisions of Goldman Sachs in Switzerland. He returned to London in 2000 as a Partner in the Investment Management Division. He joined the European Management Committee, the board of Goldman Sachs International, the board of Goldman, Sachs & Co Bank as well as the Private Wealth Management Global Operating Committee. Emmanuel obtained his MBA from the Wharton School, University of Pennsylvania and a JD in Law from Paris University-Assas. He is a French national.

Emmanuel Boussard

Emmanuel Boussard is a founding partner of the Investment Manager having been with Goldman Sachs from August 1996 until July 2002. Most recently he was an executive director of Goldman Sachs based in Paris, where he was responsible for European equity derivatives proprietary trading. From January 1998 until June 2001, he was in charge of the French stock options book. Between August 1996 and June 1998, he held responsibility for the Goldman Sachs’ “World Book” which contained options involving correlation on equity indices around the world. Prior to that, Mr Boussard was at Bankers Trust International where from March 1996 to July 1996 he was a derivatives trader on the path dependent options book. From August 1994 to February 1996, he was at Bankers Trust Company where he traded swaps, futures and currencies in South East Asian, South American and European markets and completed the Associate MBA training programme. Between August 1990 and August 1994 he completed the doctoral programme in mathematics at the École Normale Supérieure in Paris. He is a French national.

Charles-Edouard Joseph

Charles-Edouard Joseph joined BGG in February 2003 and is a partner of the Investment Manager. He is the head of the fundamental analysis team. Previously he worked in the Investment Banking Division of Goldman Sachs in London and Paris for five years, working, in his last capacity, as an associate on a variety of advisory assignments (including mergers and acquisitions, financing, capital markets transactions) within the French team. He is a graduate from the French premier business school HEC. He is a French national.

Etienne Becker

Etienne Becker joined BGG in May 2004 and is a partner of the Investment Manager. He is the head trader for volatility and equity based strategies. He has nine years of experience as a trader with UBS Warburg and Goldman Sachs International in London. In his last position with Goldman Sachs, he was responsible for the financials book, trading single stocks and sector index options. Previously, he worked at UBS Warburg in London, mostly on pricing, trading and hedging options on interest rate swaps, in the interest rates derivatives division and was an options trader and a market-maker. He is a graduate from École Normale Supérieure and holds a PhD in Probability from Paris University of Jussieu. He is a French national.

Pascal Gillot

Pascal Gillot joined the Investment Manager in October 2003 and is a partner responsible for administration and finance. He has an extensive experience of twelve years in audit in the banking sector (KPMG, Salustro Reydel) and one year with the Commission Bancaire, the French banking supervisory authority. In his last position prior to joining the Investment Manager, he worked at the Conseil National de la Comptabilité (CNC), the French accounting standard authority where he was in charge of coordinating international relations. Before the CNC, Pascal worked at CDR (Credit Lyonnais Defeasance) where he set up the internal audit department, coordinated relations with external auditors and regulatory authorities and acted as litigation support for major law suits. He is a graduate from the École Supérieure de Commerce de Reims and a French Certified Public Accountant. He is a French national.

Christophe Tardieu

Christophe Tardieu joined the Investment Manager in April 2004 and is a partner responsible for quantitative risk management. Previously, he worked at Sophis for six years where he was initially a pre-sales executive and then became the head of professional services for Continental Europe covering investment banks and asset management companies. Before he was at Société Générale for three years in the equity derivatives R&D Department where he was involved in the development of the front office and risk management systems. In that capacity, he also did some research around exotic options static hedging. He holds a Master's Degree in IT and Mathematics, and a post-graduate degree in Statistics from Paris University Dauphine. He is also a post-graduate from Paris University Pantheon Sorbonne in Financial Analysis. He is a French national.

Investment Committee

The Investment Committee of the Investment Manager comprises Emmanuel Boussard, Emmanuel Gavaudan, Etienne Becker, Charles-Edouard Joseph, Thomas de Garidel-Thoron and Filippo Tarengi (all being partners in the Investment Manager) and is heavily involved in any investment and decision process. The Investment Committee convenes at least weekly and can only take place if at least one of Emmanuel Boussard and Emmanuel Gavaudan is present. As the Chief Investment Officer, Emmanuel Boussard validates any investment opportunity and is the ultimate decision-maker with the power to veto any trade. Emmanuel Gavaudan has the power to veto and over-ride investment decisions when the portfolio does not respect its risk limits.

The address of the Investment Manager is Boussard & Gavaudan Asset Management, LP, 1 Dover Street, London W1S 4LA (telephone +44 (0)207 514 0700). It is not possible for the Investment Manager to provide any investment advice to investors in relation to the Shares.

MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities. The Directors will hold board meetings on a quarterly basis and at other times as may be required to discharge properly their obligations. All of the Directors are independent of the Investment Manager. The business address of all of the Directors is Trafalgar Court, Admiral Park, St Peter Port, Guernsey GY1 2JA. Each of the Directors has held office since the Company was incorporated on 3 October 2006. There is no family relationship between any of the Directors.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>
Christopher Fish (Chairman)	63	Company director
Sameer Sain	37	Company director
Nicolas Wirz	48	Company director

Christopher Fish

Christopher Fish is a British citizen and a Guernsey resident. He was born in 1945.

Since August 2004 he has been acting as non-executive Chairman of Close International Asset Management Holdings Limited and Close International Bank Holdings Limited. He is also a non-executive Director of Close Fund Services Limited. Mr. Fish also holds a Personal Fiduciary Licence (issued by the Guernsey Financial Services Commission) covering private company directorships and fiduciary activities. He currently holds directorships in a number of regulated entities including ten other listed funds.

From 1999 to July 2004, Mr. Fish was the Managing Director of Close International Private Banking, which provided Banking, Treasury, Trust and Company Services, Asset Management, Mutual Fund Administration and Custodian Trustee Services. In 1998 he was working for Rea Brothers (Guernsey) Limited as Senior Executive Director and Group Head of Trust. Rea Brothers (Guernsey) Limited was acquired by Close Brothers Plc in 1999.

From 1992 to February 1998 he worked at Coutts & Co., as Managing Director, Coutts & Co (Cayman) Ltd then as Americas Offshore Head, and finally as Senior Client Partner and Director of Coutts Offshore Businesses: Bahamas, Bermuda, Cayman, Guernsey, Jersey, Isle of Man.

From 1989 to 1992 Mr. Fish was the Chief Executive of Leopold Joseph Holdings (Guernsey) Ltd and from 1973 to 1989 he was the Deputy Managing Director of the Royal Bank of Canada (Channel Islands) Limited.

Mr. Fish started his career in 1963 with Lloyds Bank plc in the Executor & Trustee Division.

Sameer Sain

Sameer Sain is a British national resident in India and was born in 1970.

Since March 2006, Mr. Sain has been Chief Executive Officer of Future Capital Holdings Limited and Managing Director of Indivision Investment Advisors Limited.

Having started his career in 1995, Mr. Sain spent 11 years working in various positions at Goldman Sachs International, including an appointment as Executive Director in Goldman Sachs Private Wealth Management and culminating in his role as a Managing Director in Goldman Sachs International's Investment Management Division.

Mr. Sain holds a Bachelor of Commerce degree from Sydenham College, Bombay University, a Bachelor of Business Administration from the University of Massachusetts at Amherst and was awarded his Master of Business Administration by Cornell University in 1995.

Nicolas Wirz

Nicolas Wirz is a French national and resident and was born in 1960.

Nicolas is a Managing Director of Montana Capital. Prior to founding Montana Capital, Nicolas was Managing Director of Carlton Capital Partners and a member of its Investment Committee. Nicolas was at Morgan Stanley for 11 years where his most recent position was *Directeur Général* of Morgan Stanley International Limited in Paris, Head of Equities France and Managing Director in charge of Equity Sales in Continental Europe.

From 1991 to 1995 Mr. Wirz was head of Equities at Transbourse (part of Crédit Agricole), and from 1985 to 1999 Head of Sales and Head of Equities at Dupont Denant (now Natexis Capital). Mr. Wirz holds a BA in Economics from Paris X.

Meetings and reports to Shareholders

All general meetings of the Company shall be held in Guernsey. The Company will hold a general meeting as its annual general meeting each year, which is expected to be in May each year.

The Company's audited annual report and accounts will be prepared to 31 December each year, commencing on 31 December 2007. In accordance with the requirements of Dutch law (including Euronext Amsterdam and AFM regulations), the Company is required to provide both annual and semi-annual reports to its shareholders and the AFM, including year-end financial statements. In accordance with applicable Dutch law, such annual reports will be made available within four months of the Company's financial year end and such semi-annual reports within nine weeks (and following implementation of the EU Transparency Directive into Dutch law within two months) of the end of the first half of the financial year. The Company's audited annual report and accounts will be available on the Company's website. The Company is required to send copies of its annual report and accounts to the Guernsey Financial Services Commission and Euronext Amsterdam as soon as reasonably practicable after their publication. The Company is also required to provide certain statistical information to the Guernsey Financial Services Commission.

In accordance with applicable regulations under Dutch law, the Company publishes monthly statements for the benefit of its investors containing the following information:

- the total value of the investments;
- a general statement of the composition of the investments; and
- the number of outstanding Euro Shares of the Company.

The Company's accounts will be drawn up in Euros and in compliance with IFRS and the Companies Law.

After implementation of the EU Transparency Directive into Dutch law, the Company may be required to prepare and publish interim management statements after the first and third quarter of its financial year.

Corporate Governance

The Directors of the Company are Christopher Fish, Sameer Sain and Nicolas Wirz, each of whom is independent of the Investment Manager. The Company complies with the corporate governance obligations that are applicable to it under Guernsey law.

As a Guernsey registered company, the Company is not required to comply with the Combined Code. Nevertheless, the Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies with the Combined Code to the extent that they consider appropriate, given the Company's size, stage of development and resources.

As a Guernsey registered company, the Company is not required to comply with the Dutch Corporate Governance Code.

Audit, remuneration and nomination committees

The Company's audit committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts and interim report. Where non-audit services are to be provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. The audit committee comprises each of the Directors. The principal duties of the audit committee are to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers. The audit committee comprises Christopher Fish, Sameer Sain and Nicolas Wirz. Nicolas Wirz is the chairman of the audit committee.

The Company has not so far established a separate remuneration committee as the Board is satisfied that any relevant issues can be properly considered by the Board or by the established committee. As all the Directors are non-executive, it is not proposed to have a nominations committee.

Major interests

As at the date of this prospectus, insofar as is known to the Company, the following persons were interested, directly or indirectly, in 5 per cent. or more of the issued share capital of the Company:

Name

Emmanuel Boussard⁽¹⁾

Lombard Odier Darier Hentsch Multiadvisers⁽²⁾

None of the major shareholders has voting rights different from the voting rights attached to the other shares in the Company.

Directors' interests

In the initial public offering of the Euro Shares, the Directors subscribed for 50,000 Euro Shares in aggregate. In the secondary offering of the C Shares, the Directors subscribed for 17,262 C Shares in aggregate.

As at the date of this prospectus, insofar as is known to the Company, the interests of each Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company together with any options in respect of such capital are set out below. All such Euro Shares allotted and issued are beneficially held by such Directors.

<u>Director</u>	<u>Euro Shares</u>
Christopher Fish	8,631
Sameer Sain	40,000
Nicolas Wirz	18,631
Total	67,262

The Company is not aware of any other interests of any Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, such Director whether or not held through another party, in the share capital of the Company, together with any options in respect of such capital, immediately following the Offer.

No Director has a service contract with the Company, nor is any such contract proposed. The Directors' appointments can be terminated in accordance with the Articles of Association and without compensation. There is no notice period specified in the Articles of Association for the removal of Directors. The Articles of Association provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 12 months or more; (iii) written request of the other Directors; and (iv) a resolution of a majority of the shareholders eligible to vote.

No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

Christopher Fish, a Director of the Company, is also a non-executive director of Close Fund Services Limited (the Administrator). Save for such appointments, as at the date of this prospectus, there is no conflict of interest between any duty of any of the Directors owed to the Company and their respective private interests.

None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

(1) Emmanuel Boussard holds – through La Compagnie des Ecréhous, Boussard & Gavaudan Asset Management, LP and Boussard & Gavaudan Gestion S.A.S. – an indirect interest of 5.13 per cent. in the share capital and voting rights of the Company.

(2) According to the register on the AFM's website, Lombard Odier Darier Hentsch Multiadvisers made a filing with the AFM on 6 November 2006 stating that it held 8.35 per cent. in the share capital and voting rights of the Company.

In addition to their directorships of the Company, the Directors hold or have held the following directorships, and are or were members of the following partnerships, over or within the past five years:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Christopher Fish	Aries Trust Blenheim Fiduciary Group Ltd Close Fund Services Ltd Close International Asset Management Holdings Ltd Close International Bank Holdings Ltd CMA Global Hedge PCC Limited Collette Trust Dawnay, Day Sirius Limited Harlequin Insurance PCC Ltd Heritage Insurance Brokers Ltd JPMorgan Global Convertibles Investment Co Ltd Iceni Ltd LLCF Charitable Trust Loudwater Trust Ltd Louvre Fiduciary Group Ltd Mannequin Insurance PCC Ltd Morant Wright Japan Income Trust Ltd New Star Financial Opportunities Fund Ltd Parkway Administration Guernsey Ltd Polygon Insurance PCC (Guernsey) Ltd Prodessa Investment Ltd Racine Charitable Trust Teesland Advantage Property Income Trust Ltd Third Point Offshore Investors Ltd UK Commercial Property Trust Ltd Vision Opportunity China Fund Ltd	Addison Racing Ltd Adirondack Trust Company Ltd Aegis Euro Fund Ltd Aegis US\$ Fund Ltd Alkhaldia Berth SA Alkhaldia Land SA Alkhaldia SA Al Mulk Holdings Ltd Al Shams Holdings Ltd Arkesdon Aviation Ltd Artem Ltd Canaletto Holdings Ltd Canaletto Holdings SA Clock House Ltd Close Bank Cayman Limited Eaton Realty Ltd Elstreet Limited Glavestone Jersey Ltd H H Berlin Residential PLC Hugo Trust Kafinvest Operating Ltd KRSF Investments Ltd Lake Grace Ltd Magna Holdings Ltd Magna Petrochemicals Ltd Merstal Limited Mersy Investments Ltd Montaigne Trust Novastel Ltd Palmyra Investments Ltd Parfrance Holdings Ltd Premier Asian Assets Trust Ltd Royal London Property Investment Company Limited Safingest International SA Sagitta International Ltd Samar Telecoms Ltd Sentry Select Diversified Income Fund PCC Limited SKO Investments International Ltd Sutto Ltd Teuco Consultoria Economica Sociedade Unipessoal Limitada Trans Properties Ltd Trans Securities Ltd Tusmore Park Holdings SA Vintem Ltd Wahid Investments Ltd Winstar Ltd Zenobia Maritime Ltd
Sameer Sain	Aparna Commercial Holdings Private Limited Future Capital Holdings Limited Future E-Commerce Infrastructure Limited Future Finance Limited Future Media (India) Limited Future Ventures India Limited Indivision Investment Advisors Limited Kshitij Investment Advisory Company Limited Nashik Vintners Private Limited Pegasus Assets Reconstruction Pvt. Limited Pingaksh Realty Private Limited	None
Nicolas Wirz	Montana Capital	None

At the date of this prospectus none of the Directors:

- has any convictions in relation to fraudulent offences for at least the previous five years;
- was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings; or
- has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The Company will maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or, immediately following the Offer, could exercise control over the Company.

Save as specified above, no members of the Company's administrative, management or supervisory bodies have any service contracts with the Company.

Interests of Directors

Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) an interest (other than by virtue of his interest in shares or debentures or other securities of the Company).

A Director who to his knowledge is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, otherwise than by virtue of his interest in Shares or debentures or otherwise in or through the Company, shall disclose the nature of his interest to the Board. A Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposals in which he is to his knowledge alone or together with any person connected with him materially interested, save that a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company in which he (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he (and any persons connected with him) does not to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital of or the voting rights in the relevant company;
- (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which only awards him a privilege or benefit generally awarded to the employees to whom it relates; or
- (f) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a director, managing director or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

Remuneration of Directors

The aggregate remuneration and benefits-in-kind of the Directors in respect of the Company's accounting period ending on 31 December 2007 which was payable out of the assets of the Company was €137,500. Each of the Directors is paid €30,000 per annum. The Chairman is entitled to receive €50,000 per annum and the chairman of the audit committee receives an additional fee of €7,500 per annum. The Directors shall also be entitled to be paid all reasonable travel, hotel and incidental expenses properly incurred by them in attending and returning from general meetings, Board or committee meetings or otherwise in connection with the performance of their duties.

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as the Directors may determine.

The Directors may from time to time appoint one or more of their body to the office of managing director for such term and at such remuneration and upon such terms as they determine.

The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall be eligible for re-election at the next annual general meeting following his appointment. Without prejudice to those powers, the Company in general meeting may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director.

Retirement of Directors

At each annual general meeting of the Company all the Directors who held office at the two preceding annual general meetings and did not retire shall retire from office and shall be available for re-election at the same meeting.

A Director shall not be required to hold any shares in the Company in order to qualify to be a Director.

There is no age limit at which a Director is required to retire.

The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for a consecutive period of twelve months and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director, if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom or if he becomes prohibited from being a Director by reason of any order made under any provisions or any law or enactment.

Directors of the Sark Fund and the Sark Master Fund

The directors of the Sark Fund and the Sark Master Fund are responsible for the overall management and control of the Sark Fund and the Sark Master Fund. The directors review the operations of the Sark Fund and the Sark Master Fund at regular meetings. It is the current intention of the directors to meet at least quarterly in the case of both the Sark Fund and the Sark Master Fund. For this purpose, the directors receive periodic reports from the investment manager of the Sark Fund and the Sark Master Fund detailing the performance of the Sark Master Fund and providing an analysis of the investment portfolio. The investment manager of the Sark Fund and the Sark Master Fund provides such other information as may from time to time be reasonably required by the directors. All the directors of the Sark Fund and the Sark Master Fund act in a non-executive capacity. There is no family relationship between any of the directors of the Sark Fund or the Sark Master Fund.

The current directors of the Sark Fund and the Sark Master Fund are:

Emmanuel Gavaudan

Please refer to the description above in the section headed "Investment Manager" beginning on page 105.

Françoise Henry

Françoise Henry has been a consultant with Alternative Leaders France since January 2007. From June 1999 to November 2002, she was an executive director of Goldman Sachs Asset Management where she had responsibility for the trading of external hedge fund portfolios using strategies including the Global Tactical Trading, Japan Long/

Short Equities and Europe Long/Short Equities. Ms. Henry was also a consultant to Goldman Sachs International until February 2006. Between 1995 and 1999, she was Chairman of CC Trading Europe, a wholly owned subsidiary of Commodities Corporation Princetown (which was acquired by Goldman Sachs in 1997) where she was responsible for the setting up CC Trading Europe and development of Commodities Corporation activities in Europe. Whilst at CC Trading Europe she managed CCIP Portfolio, a hedge fund of funds principally using Tactical Trading and Macro strategies. From 1987 to 1995, she was a director of Caisse Nationale du Crédit Agricole (“CNCA”) where, from 1987 to 1992, she had responsibility for Proprietary Trading. From 1992 to 1995 she established the Alternative Investment Department for CNCA and launched Greenway, the first French fund of funds.

Pierre-Louis Lions

Pierre-Louis Lions is currently a researcher at the College de France (appointed 2002), a professor at the Université Paris-Dauphine (appointed 1981) and a professor of Applied Mathematics at the École Polytechnique (appointed 1992). Mr. Lions is also a director of the Alcatel Group having been appointed to the board in 1996. He is a member of the French Academy of Sciences and a Chevalier of the French *Légion d’Honneur*. He has received a number of awards including the Fields Medal for mathematics, the IBM Prize and the Ampère Prize.

Angelos Metaxa

Angelos Metaxa is currently Chairman of the Board of Directors of Capital Management Advisors (Geneva) S.A, the Research subsidiary of Capital Management Advisors’ group of Companies (“CMA”). **Angelos, a co-Founding Partner of CMA, was its Manager until February 2006 when it was acquired and became a subsidiary of EFG International (“EFGI”).** CMA oversees over US\$ 3 billion in alternative investments, specializing in multi-manager hedge fund portfolios. CMA has made over 100 investments in hedge funds and actively monitors around 600 hedge funds. EFGI is a global private banking group offering private banking and asset management services, headquartered in Zurich and with assets under management over US\$ 100 billion. Before leaving to co-found CMA in 1999, Mr Metaxa ran a family office allocating assets to third party investment managers. In 1998, Mr Metaxa worked as a hedge fund analyst with Global Asset Management in London. From 1991 to 1997, Mr Metaxa worked as a fixed income and foreign exchange trader with SBC Warburg in London and New York. Angelos holds a BA in Economics from Tufts University.

Each of the directors of the Sark Fund and the Sark Master Fund has held their position since the Sark Fund and the Sark Master Fund were incorporated on 14 January 2003.

The business address of all of the directors of the Sark Fund and the Sark Master Fund is PO Box 309, George Town, Cayman Islands, British West Indies.

Emmanuel Gavaudan is a director and shareholder and Angelos Metaxa is a director of 1729 Management (Cayman) Limited (the manager of the Sark Fund and the Sark Master Fund). Emmanuel Gavaudan is also a limited partner of the Investment Manager, a director and shareholder of the general partner of the Investment Manager and a shareholder of BGG.

As at the date of this prospectus, none of the directors of the Sark Fund or the Sark Master Fund:

- has any convictions in relation to fraudulent offences for at least the previous five years;
- was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings; or
- has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

In addition to their directorships of the Sark Fund and the Sark Master Fund, the directors of the Sark Fund and the Sark Master Fund hold or have held the following directorships, and are or were members of the following partnerships, over or within the past five years:

<u>Director</u>	<u>Current</u>	<u>Past</u>
Emmanuel Gavaudan	1729 Management (Cayman) Limited Boussard & Gavaudan Asset Management, LP Boussard & Gavaudan Partners Limited Capital Management Advisors Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited CMA Global Hedge PCC Limited Indivision India Partners	Goldman, Sachs & Co. Bank (Zurich) Goldman Sachs International
Françoise Henry . . .	Alternative Leaders France Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited Cross Europe Fund Cross Credit Fund Europanel Sicav European Equity Tranche Income Limited Hawkesbury Asia Pacific Fund Limited Monolith Fund OxAM Pragma wales MGMT	CCIP CC Trading Europe Swann Swann 2
Pierre-Louis Lions . .	Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited	Alcatel SA
Angelos Metaxa	A&A Metaxa SA Capital Management Advisors (Geneva) S.A. Berklay Global Fund Limited BG Explorer Fund Limited Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited Global Diversified Fund Limited	Atacama Fund Limited Atacama Master Fund Limited

Directors' term of office

There is no fixed term of office for the directors of the Sark Fund and the Sark Master Fund.

Directors' remuneration

The articles of association of the Sark Fund and the Sark Master Fund provide that the remuneration of the directors of the Sark Fund and the Sark Master Fund in respect of services rendered or to be rendered to the Sark Fund and the Sark Master Fund shall be determined by a resolution of the directors. Each of the directors is currently entitled to a fee of €10,000 per annum in aggregate in respect of the Sark Fund and the Sark Master Fund. The total fees and other emoluments paid to the directors of the Sark Master Fund for the financial year ending 31 December 2007 were €40,000. No fees were paid to directors by the Sark Fund in the financial year ending 31 December 2007. The directors' fees may be increased (but not by an amount in excess of €10,000 per director) if the directors are required to carry out duties which significantly exceed those contemplated in the prospectus of the Sark Fund dated 11 October 2006. The directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Sark Fund or the Sark Master Fund or in connection with the business of the Sark Fund or the Sark Master Fund. As at the date of this prospectus there were no service agreements between the Sark Fund or the Sark Master Fund and any of their directors.

Transactions with directors

No agreement or transaction between the Sark Fund or the Sark Master Fund and one or more of its directors or any person in which any director of the Sark Fund or the Sark Master Fund has a financial interest or to whom any director is related, including as a director of that other person, is void or voidable for that reason only or by reason only that the director is present at the meeting of directors or at the meeting of the committee of directors that approves the agreement or transaction, or that the vote or consent of that director is counted for that purpose, provided that the material facts of the interest of each relevant director in the agreement or transaction, and his interest in or relationship to any other party to the agreement or transaction, are disclosed in good faith to or known by the other directors.

A director of the Sark Fund or the Sark Master Fund who has an interest in any particular business to be considered at a meeting of the directors or shareholders the Sark Fund or the Sark Master Fund may be counted for the purpose of determining whether the meeting is duly constituted.

RELATIONSHIP WITH THE INVESTMENT MANAGER AND RELATED PARTY TRANSACTIONS

Management Agreement

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

The 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 Euro Shares to Euronext Amsterdam, except in certain circumstances where, *inter alia*, the Investment Manager becomes insolvent or is in material breach of the Management Agreement, in which case the Management Agreement may be terminated forthwith. The Company shall not serve notice to terminate the Management Agreement on notice unless this course of action has been unanimously agreed to by the Directors and confirmed by a special resolution of the Company in general meeting. In the event that the Management Agreement is terminated, the Company shall have the right to redeem its shares in the Sark Fund within a reasonable period of time and otherwise in accordance with the normal redemption provisions applicable to shareholders in the Sark Fund. In the event that the Management Agreement is terminated before the third anniversary of admission of the Company's existing Euro 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 the costs and expenses of establishing the Company.

The Investment Manager may, with the consent of the Directors, delegate the provision of investment management and other services to a third party but will remain liable for the acts of any such third party and will be responsible for their remuneration.

Management Fee

The Investment Manager will receive a management fee calculated at the annual rate of 1.5 per cent. of Net Asset Value (before deduction of that month's management fee and before deduction of any accrued performance fees). Such fee will be payable quarterly in arrear and will be accrued and calculated on the first calendar day of each month and/or such other day or days as the Directors may from time to time determine (each a "**Dealing Day**").

Performance Fee

The Investment Manager will also be entitled to receive a performance fee.

The performance fee will be calculated in respect of each period of twelve months (except for the first such period) ending on 31 December in each year (a "**Calculation Period**"). The first Calculation Period in respect of the Sterling Shares will be the period commencing on the Business Day immediately following the Settlement Date and ending on 31 December 2008. The performance fee is deemed to accrue on a monthly basis as at each Valuation Day.

For each Calculation Period, the performance fee will be calculated on an aggregate basis and will be equal to the sum of 20 per cent. of the appreciation in the Net Asset Value during that Calculation Period above the Base Net Asset Value. The Base Net Asset Value is the highest Net Asset Value of the Company achieved as at the end of any previous Calculation Period (if any). The performance fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued performance fee. Following calculation of the aggregate performance fee, the performance fee will be allocated between the classes of shares in issue in proportion to the value of the relevant Pool. The effect of hedging the Sterling Shares shall not be taken into account when determining the value of the Sterling Pool for these purposes.

The performance fee is payable to the Investment Manager in arrear within 14 calendar days of the end of each Calculation Period.

If the 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.

To the extent that the Company invests in any fund managed by the Investment Manager, other than the Sark Fund, the Company's investment will be structured such that the Investment Manager only receives management and performance fees at one level and that there is no duplication of such fees in respect of such investments.

Conflicts of interest

The Investment Manager and its affiliates may from time to time act as investment manager in relation to, or be otherwise involved in, other funds established by parties other than the Company, the Sark Fund and the Sark Master Fund which have similar objectives to those of, or invest in similar securities to those held by the Company, the Sark Fund and the Sark Master Fund, including Channel Bridge Special Situations Fund, BG Explorer Fund, BG Eonia Arbitrage, BG Long Term & Alternative and BG Long Term Value. It is, therefore, possible that it or its partners, principals, officers, agents or employees may, in the course of business, have potential conflicts of interest with the Company, the Sark Fund and the Sark Master Fund. The Investment Manager will, at all times, have regard in such event to its obligations to the Company, the Sark Fund and the Sark Master Fund and will endeavour to resolve such conflicts fairly and adequately. In addition, the Investment Manager and its affiliates may deal, as principal or agent, with the Company, the Sark Fund or the Sark Master Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. The Investment Manager and its affiliates or any of their partners, principals, officers, agents or employees may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Company, the Sark Fund or the Sark Master Fund. The Investment Manager is not, nor are any of its affiliates nor any person connected with it, under any obligation to offer investment opportunities of which any of them becomes aware to the Company, the Sark Fund or the Sark Master Fund or to account to the Company, the Sark Fund or the Sark Master Fund in respect of (or share with the Company, the Sark Fund or the Sark Master Fund or inform the Company, the Sark Fund or the Sark Master Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company, the Sark Fund or the Sark Master Fund and other clients.

The Investment Manager may, from time to time at its discretion, enter into transactions, including transactions in relation to Shares and/or derivatives of Shares in the Company, on behalf of other funds which it manages and, in particular, the Sark Fund. Any such transactions would only be carried out to the extent permissible by, and in accordance with, all relevant law and regulation.

Investment in the Company by principals and employees of the Investment Manager

The Investment Manager, its partners, its group's employees and the Directors have, in the aggregate, invested approximately €28.5 million in total as part of the initial public offering of the Euro Shares and approximately €20 million in total as part of the secondary offering of the C Shares. These investments were made on the same terms as any other shareholder. These investments were subject to a 18-month lock-up period in the case of the initial public offering of Euro Shares and subject to a 12-month lock-up period in the case of the secondary offering of the C Shares. During the relevant lock-up, the relevant shares may not be transferred by the relevant individual.

The Investment Manager's existing compensation policy for its employees is that an amount equivalent to every individual's annual cash bonus will be invested into the Company and held by the relevant employee's employer within the Investment Manager's group. Each such invested tranche shall be subject to an 18-month lock-up period during which the shares in the Company relating thereto may not be transferred and will only be paid out to the employee if they are still employed within the Investment Manager's group at an agreed date following the expiry of the lock-up. The Directors intend to exercise their discretion in deciding whether this reinvestment into the Company should occur through the issuance of new shares or by acquisition of Shares in the market.

Related party transactions

Other than the sale of shares in Castle HoldCo 1, Ltd and debt securities of Castle HoldCo 2, Ltd to the Company by the Sark Master Fund and Channel Bridge Special Situations Master Fund Limited, as described in the section headed "Business" on page 45, as at the date of this prospectus the Company has not entered into any related party transaction since inception.

As at 6 June 2008, entities within the Investment Manager's group held no shares in the Sark Fund and the following number of Euro Shares in the Company:

<u>Employer entity</u>	<u>Number of Euro Shares</u>
Boussard & Gavaudan Asset Management, LP	903,049
Boussard & Gavaudan Gestion	1,201,411

No director of the Sark Fund or the Sark Master Fund holds shares in the Sark Fund or the Sark Master Fund.

MARKET INFORMATION

Euronext Amsterdam

Prior to the Offer, there has not been a public market for the Sterling Shares. The Company will apply for the Sterling Shares issued under the Offer to be admitted to trading and listing on Euronext Amsterdam. The Company is subject to Dutch securities regulations and supervision by the relevant Dutch authorities. The Offer will be made solely to existing shareholders and will not be made available or marketed to the public in The Netherlands, the United Kingdom or any other jurisdiction.

Market Regulation

The market regulator in The Netherlands is the AFM insofar as the supervision of market conduct, publication of information by listed companies and with respect to publication of inside information by listed companies is concerned. The AFM has supervisory powers with respect to the application of takeover regulations. It also supervises the financial intermediaries (such as credit institutions and investment firms) and investment advisers. Pursuant to the implementation of the Prospectus Directive in The Netherlands on 1 July 2005, the AFM is the competent authority for approving all prospectuses published for admission of securities to trading on Euronext Amsterdam (except for prospectuses approved in other member states of the European Economic Area that are used in The Netherlands in accordance with applicable passporting rules). The surveillance unit of Euronext Amsterdam and the AFM monitor and supervise all trading operations.

Listing and Trading of Shares

Application will be made to list the Sterling Shares made available under the Offer on Euronext Amsterdam. The Company expects that trading of the Sterling Shares on the regulated market of Euronext Amsterdam will commence on or about 28 July 2008 on an "as-if-and-when-issued" basis. The Settlement Date is expected to be on or about 31 July 2008.

Investors that wish to enter into transactions in the Sterling Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the Offer may not take place on the Settlement Date or at all if certain conditions referred to in the Sponsor Agreement are not satisfied or waived or if certain events occur on or prior to such date. If closing of the Offer does not take place on the Settlement Date or at all, all transactions in the Sterling Shares on Euronext Amsterdam conducted between the announcement of the offering and the Settlement Date are subject to cancellation by Euronext Amsterdam. All dealings in the Sterling Shares on the regulated market of Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned.

Application has also been made by the Company for admission of the Sterling Shares and the Euro Shares to the Official List of the UKLA and to trading on the London Stock Exchange under the symbol "BGHS". It is expected that trading in the Shares on the London Stock Exchange will commence on or about 28 July 2008.

The Company will apply for Shares to be admitted to CREST with effect from the London Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. Accordingly it is intended that settlement of transactions in the Shares following London Admission may also take place within the CREST system if the relevant shareholders so wish. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so. The names of shareholders or their nominees holding Shares through their CREST accounts will be entered directly on to the share register of the Company.

CERTAIN TAX CONSIDERATIONS

General

The information below, which relates only to Guernsey, The Netherlands and United Kingdom taxation, summarises the advice received by the Board and is applicable to the Company and to persons who are resident or ordinarily resident in Guernsey, The Netherlands and United Kingdom for taxation purposes and who hold Shares as an investment. It is based on current Guernsey and Netherlands revenue law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein.

The conversion of a shareholder's Euro Shares into Sterling Shares may be a taxable event, depending on the applicable laws in the jurisdiction of residence of such shareholder.

If any investor is in any doubt about their tax position, or if they may be subject to tax in a jurisdiction other than Guernsey or The Netherlands, they should consult their professional adviser.

Guernsey

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

The Company has been granted exempt status for Guernsey tax purposes.

In return for the payment of a fee, currently £600, a company is able to apply annually for exempt status for Guernsey tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey.

Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent. of the nominal value of the authorised share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

The Shareholders

Any shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will suffer no deduction of tax by the Company from any dividends payable by the Company whilst it holds Exempt Company status but the Administrator will provide details of distributions made to shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Shares owned by them.

The Netherlands

General

The information set out below is a general summary of certain Dutch tax consequences in connection with the acquisition, ownership and transfer of the Shares. The summary does not purport to be a comprehensive description of all the Dutch tax considerations that may be relevant for a particular holder of the Shares, who may be subject to special tax treatment under any applicable law and this summary is not intended to be applicable in respect of all categories of holders of Shares. The summary is based upon the tax laws of The Netherlands as in effect on the date of this prospectus, as well as regulations, rulings and decisions of The Netherlands and its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which could apply retroactively and could affect the continuing validity of this summary. As this is a general summary, the Company recommends investors or shareholders to consult their own tax advisers as to the Dutch or other tax consequences of the acquisition, ownership and transfer of the Shares, including, in particular, the application to their particular situations of the tax considerations discussed below.

The following summary does not address the tax consequences arising in any jurisdiction other than The Netherlands in connection with the acquisition, ownership and transfer of the Shares.

The Company believes that it is not a resident nor that it is deemed to be a resident of The Netherlands nor that it has a presence in The Netherlands for Dutch tax purposes, and the following summary assumes that the Company will not be treated as a resident or deemed resident of The Netherlands nor have a presence in The Netherlands for Dutch tax purposes.

The description of taxation set out in this summary is not intended for any holder of the Shares, who is:

- an individual and for whom the income or capital gains derived from the Shares are attributable to employment activities the income from which is taxable in The Netherlands;
- an individual and who holds, or is deemed to hold a substantial interest in the Company (as defined below);
- an entity that is a Resident of The Netherlands and that is not subject to or is exempt, in whole or in part, from Dutch corporate income tax;
- an entity for which the income or capital gains derived in respect of the Shares are exempt under the participation exemption (as set out in the Dutch Corporate Income Tax Act 1969);
- an entity that alone or together with one or more entities affiliated with it as defined in Section 10a of the Dutch Corporate Income Tax Act, holds an interest in the Company of 25 per cent. or more, as meant in article 13a of the Dutch Corporate Income Tax Act 1969; or
- an investment institution (*beleggingsinstelling*) as defined in the Dutch Corporate Income Tax Act 1969.

Generally a holder of Shares will have a substantial interest in the Company (“**Substantial Interest**”) if he holds, alone or together with his partner, whether directly or indirectly, the ownership of, or certain other rights over, shares representing 5 per cent. or more of the Company’s total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire shares, whether or not already issued, that represent at any time 5 per cent. or more of the Company’s total issued and outstanding capital (or the issued and outstanding capital of any class of shares) or the ownership of certain profit participating certificates that relate to 5 per cent. or more of the annual profit and/or to 5 per cent. or more of the Company’s liquidation proceeds. A holder of the Shares will have a Substantial Interest in the Company if certain relatives of that holder or of his partner also have a Substantial Interest in the Company. If a holder of Shares does not have a Substantial Interest, a deemed Substantial Interest will be present if (part of) a Substantial Interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Dividend Withholding Tax

Distributions from the Company are not subject to Dutch dividend withholding tax.

Corporate Income Tax and Individual Income Tax

A “Resident of The Netherlands” is a holder of Shares who is, or who is deemed to be, a resident of The Netherlands or, if he is an individual, who opts to be taxed as a resident of The Netherlands for purposes of Dutch taxation. A “Non-Resident of The Netherlands” is a holder of Shares who is not treated as a resident of The Netherlands for purposes of Dutch taxation.

Residents of The Netherlands

Individuals

A Resident of The Netherlands who is an individual and who holds Shares will generally be subject to Dutch income tax on the actual or deemed income and/or capital gains derived from the Shares at the progressive rate (up to 52 per cent.) if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise the Shares are attributable; or
- (ii) the holder derives income or capital gains from the Shares that are taxable as benefits from “miscellaneous activities” (*resultaat uit overige werkzaamheden*).

If conditions (i) and (ii) mentioned above do not apply, any holder of Shares who is an individual will be subject to Dutch income tax on a deemed return regardless of the actual income and/or capital gains benefits derived from the Shares. The deemed return amounts to 4 per cent. of the average value of the holder’s net assets in the relevant fiscal

year (including the Shares) insofar as that average exceeds the exempt net asset amount (*heffingvrij vermogen*). The deemed return is taxed at a flat rate of 30 per cent.

Entities

A Resident of The Netherlands who is an entity will generally be subject to Dutch corporate income tax with respect to the actual or deemed income and capital gains derived from the Shares. The Dutch corporate income tax rate is 20 per cent. over the first €40,000 of taxable income; 23 per cent. over the next €160,000 of taxable income and 25.5 per cent. over the taxable income exceeding €200,000.

Non-Residents of The Netherlands

A Non-Resident of The Netherlands who holds Shares is generally not subject to Dutch income or corporate income tax on the income and capital gains derived from the Shares, provided that:

- (i) such Non-Resident of The Netherlands does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable or deemed attributable;
- (ii) in the case of a Non-Resident of The Netherlands who is an individual, such individual does not derive income or capital gains from the Shares that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*); and
- (iii) such Non-Resident of The Netherlands is neither entitled to a share in the profits of an enterprise nor co-entitled to the net worth of such enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Shares or payments in respect of the Shares are attributable or deemed attributable.

Gift and Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the transfer of the Shares by way of gift by or on the death of a holder, unless:

- (i) the holder is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions;
- (ii) the transfer is construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions; or
- (iii) the Shares are attributable or deemed attributable to an enterprise or part of an enterprise which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
- (iv) the holder of such Shares is entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise such offer shares are attributable or deemed attributable.

For purposes of Dutch gift, estate and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual who is not of Dutch nationality will be deemed to be resident of The Netherlands if he has been a resident in The Netherlands at any time during the 12 months preceding the date of the gift.

Value Added Tax

No Dutch value added tax is payable in respect of the issuance, transfer or redemption of the Shares or with regard to distributions on the Shares.

Other Taxes and Duties

No Dutch capital tax, net wealth tax, registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be due in The Netherlands by a holder of Shares in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

United Kingdom

The Company

The Directors intend to manage the affairs of the Company so that for United Kingdom corporation tax purposes, the central management and control of the Company is not exercised in the United Kingdom, and so that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein). Accordingly, the Company should not be subject to UK corporation tax on income and capital gains arising to it other than on any United Kingdom source income.

Shareholders

(i) *Disposal of Shares*

The Directors have been advised that, under current law, the offshore fund rules in Chapter V Part XVII of the Income and Corporation Taxes Act 1988 (the "**Taxes Act**") should not apply to shareholders who subscribe for Shares in the Company. Accordingly, any disposal of Shares by a shareholder might, depending on their circumstances, give rise to a chargeable gain for UK tax purposes, as described below. However, the UK government has published a consultation document on the reform of the offshore fund rules with the intention of changing the definition of an offshore fund in the Finance Bill 2009.

(a) UK Resident Shareholders

A disposal of Shares by a shareholder who is resident or, in the case of an individual, ordinarily resident in the United Kingdom for United Kingdom tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains, depending on the shareholder's circumstances and subject to any available exemption or relief.

A single rate of capital gains tax of 18 per cent. will apply to a disposal (which includes a redemption) of Shares after 5 April 2008 by an individual shareholder who is resident or ordinarily resident in the United Kingdom for taxation purposes. Holders of Shares who are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

The conversion of Shares of one currency class into Shares of another currency class will not result in a disposal of those Shares for the purposes of UK taxation of chargeable gains. Instead, the redesignated Shares will be treated as the same asset as the original holding of Shares, acquired at the same time and for the same chargeable gains tax base cost as the original holding.

(b) Non-UK Resident Shareholders

An individual shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade in the United Kingdom through a branch or agency may be subject to UK taxation on chargeable gains on a disposal of Shares which are acquired for use by or for the purposes of the branch or agency. A shareholder who is an individual who has ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years of assessment and who disposes of Shares during that period may also be liable, on his return to the United Kingdom, to UK taxation on chargeable gains (subject to any available exemption or relief).

(ii) *Distributions by the Company*

Shareholders resident in the United Kingdom for tax purposes will be liable to UK income tax or corporation tax, as applicable, in respect of dividend or other income distributions of the Company. From 6 April 2008, an individual shareholder resident in the UK for tax purposes who receives a dividend from the Company will be entitled to claim a tax credit equal to 1/9 of the cash dividend paid. This tax credit will only be available if the individual owns less than a 10 per cent. holding in the Company. Where investments of the Company are distributed in specie to shareholders other than by way of dividend, such distributions may represent a part-disposal of Shares for UK tax purposes.

(iii) *Anti-Avoidance*

The attention of individuals ordinarily resident in the United Kingdom for UK tax purposes is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. Those provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons

(including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Company on an annual basis.

More generally, the attention of corporate shareholders is drawn to the provisions of Sections 703 to 709 of the Taxes Act and the attention of individual shareholders is drawn to Chapter I of Part 13 of the Income Tax Act 2007, which give powers to HM Revenue & Customs to cancel tax advantages derived from certain transactions in shares.

The Taxes Act also contains provisions in Sections 747 to 756 that may subject certain UK resident companies under the "controlled foreign companies" rules, to UK corporation tax on the undistributed income and profits of the Company. Under current law, the provisions may affect UK resident companies which have an interest (together with any connected or associated companies) such that at least 25 per cent. of the Company's profits for an accounting period could be apportioned to them if, at the time, the Company is controlled by residents of the United Kingdom. The UK government has published a consultation document on the reform of the foreign profits of companies, including the controlled foreign companies legislation and has stated that the most likely date for the implementation of any reform would be the Finance Bill 2009. The UK government has indicated that it considers that it would be more appropriate to reduce the trigger for the application of the controlled foreign companies legislation to 10 per cent. rather than 25 per cent.

If the ownership of the Company were to be such that it would be a close company if it were resident in the United Kingdom, certain adverse tax consequences could result including that the chargeable gains accruing to it may be apportioned to a shareholder who is resident or ordinarily resident in the United Kingdom who holds, alone or together with associated persons, more than 10 per cent. of the Shares as a result of the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992. Legislation proposed to have retrospective effect from 6 April 2008 will, if enacted as proposed, mean that Section 13 will apply to individual shareholders resident or ordinarily resident in the UK for tax purposes regardless of where they are domiciled unless: (i) they are not domiciled in the UK; (ii) the chargeable gain of the Company relates to non-UK assets; and (iii) they have elected for the remittance basis of taxation.

(iv) Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following comments are intended as a guide to the general UK stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers or intermediaries or where the Shares are issued to a depository, or clearing system, or nominees or agents. No UK stamp duty or SDRT will be payable on the issue of the Shares. On the basis that the Company's register of shareholders is kept and maintained outside the United Kingdom, uncertificated transfers of Shares and agreements to transfer Shares within CREST will not be liable to stamp duty or stamp duty reserve tax and transfers of Shares in certificated form should not, in practice, be liable to stamp duty.

(v) Individual Savings Accounts ("ISAs"), Personal Equity Plans ("PEPs"), Self Invested Personal Pensions ("SIPPs") and Small Self Administered Schemes ("SSASs")

Investors resident in the United Kingdom are recommended to consult their tax and/or investment advisers in relation to the eligibility of the Shares for savings schemes (for example ISAs, SIPPs and SSASs).

Sterling Shares allotted may be eligible for inclusion in a stocks and shares ISA although the account manager should be asked to confirm ISA eligibility. From 6 April 2008, maxi- and mini-ISAs no longer exist. Instead, investors are able to invest in two separate ISAs each year, a cash ISA and a stocks and shares ISA. Up to half the subscription limit, currently £7,200, will be available for investment as cash. The remainder may be invested in a stocks and shares ISA with the same or different provider.

On 6 April 2008, all PEPs automatically became stocks and shares ISAs.

The Sterling Shares made available to existing shareholders pursuant to the Offer are expected to be eligible for inclusion in SIPPs and SSASs, although this should be confirmed independently by investors with their professional tax or financial advisers before investment.

SELLING AND TRANSFER RESTRICTIONS

Notice to Potential Investors in the Sterling Shares

The Sterling Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. The Sterling Shares are being offered only outside the United States to non-“US Persons” pursuant to Regulation S under the Securities Act. The Sterling Shares are not being offered in the United States or to US Persons. The Sterling Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Sterling Shares or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States. The Company has not been and will not be registered under the Investment Company Act, and investors will not be entitled to the benefits of the Investment Company Act. Holders of Euro Shares wishing to convert to Sterling Shares will be required to give, and each subsequent transferee of Sterling Shares will be deemed to give, the representations and warranties set forth below under “Representations and Warranties”.

Representations and Warranties

Each holder of Euro Shares that is seeking to convert all or part of their holding into Sterling Shares will be required to represent, acknowledge and agree in a conversion notice (in such form as the Directors may prescribe) and each subsequent non-US Person that acquires Sterling Shares will be deemed to have represented, acknowledged and agreed as follows:

1. It and the person, if any, for whose account it is acquiring the Sterling Shares are not “U.S. persons” (as defined in Rule 902 of Regulation S under the Securities Act) and are acquiring the Sterling Shares outside the United States in an offshore transaction meeting the requirements of Regulation S.
2. It and the person, if any, for whose account it is acquiring the Sterling Shares are Non-United States persons as defined in CFTC Rule 4.7(a)(1)(iv). Under CFTC Rule 4.7(a)(1)(iv) “Non-United States person” means:
 - (A) a natural person who is not a resident of the United States;
 - (B) a partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;
 - (C) an estate or trust, the income of which is not subject to United States income tax regardless of source;
 - (D) an entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons represent in the aggregate less than 10 per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the Commission’s regulations by virtue of its participants being Non-United States persons; or
 - (E) a pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.
3. The Sterling Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration under the Securities Act.
4. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
5. On each day from the date on which it acquires or holds the Sterling Shares including the date on which it disposes of such Sterling Shares, it is not (i) a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or acting on behalf of or using the assets of a benefit plan investor, or (ii) other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Internal

Revenue Code of 1986, as amended, (an “**Other Plan**”), or acting on behalf of or using the assets of any Other Plan with respect to the purchase, holding or disposition of any Sterling Shares.

6. It is acquiring the Sterling Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Sterling Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
7. It has received, carefully read and understands this prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the Sterling Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing.
8. It agrees that it will inform each subsequent transferee of the Sterling Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Sterling Shares, any offer, resale or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US securities laws.
9. (i) At the time the Sterling Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Sterling Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
10. It acknowledges that the Company reserves the right to make inquiries of any holder of the Sterling Shares or interests therein at any time as to such person’s status under the US securities laws, including without limitation whether it is a qualified purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Sterling Shares or interests therein immediately under the direction of the Company.
11. It acknowledges that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositories.
12. If an application for conversion into Sterling Shares is made pursuant to the Offer, the applicant is entitled to make such application for the Sterling Shares comprised in the Offer under the laws of all relevant jurisdictions which apply to it, that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid any issue, transfer or other taxes due in connection with its acceptance in any jurisdiction and that it has not taken any action or omitted to take any action which will or may result in any of the Sponsor or the Company or any of its respective directors, officers, agents, employees or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Offer or its acceptance of participation in the Offer.
13. It acknowledges that the Company, the Sark Fund, the Investment Manager and the Sponsor named in the prospectus and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Sterling Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

Each US Person acquiring Sterling Shares at any time (whether by purchases on Euronext Amsterdam or the London Stock Exchange or otherwise) will be deemed to have represented, acknowledged and agreed as follows:

1. It and the person, if any, for whose account it is acquiring the Sterling Shares is a qualified purchaser as defined in Section 2(a)(51) of the Investment Company Act.
2. The Sterling Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration under the Securities Act.
3. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
4. On each day from the date on which it acquires or holds the Sterling Shares including the date on which it disposes of such Sterling Shares, it is not (i) a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as

modified by Section 3(42) of ERISA), or acting on behalf of or using the assets of a benefit plan investor, or (ii) an Other Plan, or acting on behalf of or using the assets of any Other Plan with respect to the purchase, holding or disposition of any Sterling Shares.

5. It is acquiring the Sterling Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Sterling Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
6. It agrees that it will inform each subsequent transferee of the Sterling Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Sterling Shares, any offer, resale or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US securities laws.
7. (i) At the time the Sterling Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Sterling Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
8. It acknowledges that the Company reserves the right to make inquiries of any holder of the Sterling Shares or interests therein at any time as to such person's status under the US securities laws, including without limitation whether it is a qualified purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Sterling Shares or interests therein immediately under the direction of the Company.
9. It acknowledges that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositories.
10. It acknowledges that the Company, the Sark Fund, the Investment Manager and the Sponsor and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Sterling Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

General

Any shareholder participating in the Offer should rely only on the information contained in this prospectus. No broker, dealer or other person has been authorised by the Company or its Directors or the Sponsor to issue any advertisement or to give any information or to make any representation in connection with the Offer other than those contained in this prospectus and, if issued, given or made, any such advertisement, information or representation must not be relied upon as having been authorised by the Company or its Directors or the Sponsor.

Any shareholders participating in the Offer should not treat the contents of this prospectus as advice relating to legal, taxation, investment or any other matters. Such shareholders should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Furthermore, any shareholders participating in the Offer must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

UBS Investment Bank make no representation, express or implied, or accept any responsibility whatsoever for the contents of this prospectus nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Sterling Shares or the Offer. UBS Investment Bank accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this prospectus or any such statement.

This prospectus should be read in its entirety before making any application for Sterling Shares.

All times and dates referred to in this prospectus are, unless otherwise stated, references to Amsterdam times and dates.

The contents of the Investment Manager's website do not form part of this document.

This prospectus contains certain forward-looking statements based on assumptions and expectations of future performance, taking into account currently available information. These assumptions and expectations may change as a result of many possible events or factors, not all of which are known. Investors should consider this risk before making an investment decision and should read in full the risk factors beginning on page 17.

OFFER

Up to 65,000,000 Sterling Shares, of €0.0001 par value will be made available under the Offer to existing shareholders to convert their Euro Shares into Sterling Shares. The invitation to use the conversion facility under the Offer will be made solely to existing shareholders and the Sterling Shares will not be made available or marketed to the public in The Netherlands, the United Kingdom or any other jurisdiction. As at the date of this prospectus, the actual number of Sterling Shares to be made available under the Offer is not known. The maximum number of Sterling Shares available under the Offer should not be taken as an indication of the number of Sterling Shares finally to be made available pursuant to the Offer.

Offer

Sterling Shares will be made available to shareholders holding Euro Shares in accordance with the provisions of the Articles of Association allowing for conversion between classes. The Offer is not being underwritten.

The Offer is conditional, *inter alia*, upon:

- Admission; and
- the Sponsor Agreement not being terminated in accordance with its terms at any time prior to Admission.

The costs and expenses incurred in connection with the Offer (including all fees, commission and expenses payable to the Sponsor) will be borne by the Company. The costs and expenses of the Offer are not expected to exceed £1.2 million.

General

The minimum application under the Offer is for the conversion of Euro Shares with an aggregate value of not less than €50,000. The Directors may in their absolute discretion waive the minimum application requirements in respect of any particular application under the Offer. Multiple applications from individual applicants will not be accepted.

No commissions will be paid by the Company to any applicants under the Offer. Definitive certificates in respect of Sterling Shares in certificated form will be dispatched by post in the week commencing 18 August 2008. Temporary documents of title will not be issued.

Following the closing of the application period of the Offer, the Directors will resolve to allot such number of Sterling Shares to such persons as is required to give effect to the conversion of Euro Shares under the Offer.

The Sterling Shares that arise pursuant to the Offer will be created under the Companies Law.

Sponsor Agreement

A sponsor agreement dated on or around the date of this prospectus between the Company, the Investment Manager and the Sponsor (the "**Sponsor Agreement**"), pursuant to which, subject to certain conditions, the Sponsor has agreed to act as Sponsor in connection with the London Admission.

The Sponsor Agreement also contains terms including:

- (1) The obligation to allot and issue to applicants the number of Sterling Shares in accordance with the terms and conditions of the Offer is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, amongst others: (i) that London Admission occurs not later than 8.00 am on 6 August 2008 or such later date as the Company and the Sponsor may agree, not being later than close of business on 3 September 2008.
- (2) The fee payable to the Sponsor under the Sponsor Agreement is payable by the Company.
- (3) The Company has agreed to pay or cause to be paid (together with any applicable value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the admission of the Sterling Shares to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, all of the Sponsor's properly incurred out-of-pocket expenses and the fees and disbursements of the Sponsor's counsel in connection with the transactions contemplated in the Sponsor Agreement up to a maximum of £20,000. In addition, the Company has, in certain circumstances and subject to certain exceptions, agreed to pay to and reimburse the Sponsor in respect of all and any SDRT and any other similar tax charge or duty and any related costs, fines, penalties or interest.

- (4) The Company and the Investment Manager have given certain customary warranties to the Sponsor including, amongst others, warranties in relation to the business, the accounting records and the legal compliance of the Company, the Investment Manager and the Sark Fund and Sark Master Fund as appropriate and in relation to the information contained in this prospectus. The Company and the Investment Manager (severally, not jointly and severally) have agreed to indemnify the Sponsor against certain liabilities, including in respect of the accuracy of the information contained in this prospectus, losses arising from a breach of the Sponsor Agreement and certain other losses suffered or incurred in connection with the Offer.
- (5) The Company and the Investment Manager have agreed that, during the period ending 90 days after London Admission, none of the Company's securities or those of any subsidiary will be offered by the Company without consultation with, and the prior consent of, the Sponsor.
- (6) The Sponsor Agreement is governed by English law.

Conversion

The Articles of Association incorporate provisions to enable shareholders of any one class of Shares to convert all or part of their holding into any other class of Shares which are in issue at the relevant date on a quarterly basis, in accordance with the detailed provisions of the Articles of Association.

At 30 June 2008 (the "**Conversion Calculation Date**") shareholders may convert Euro Shares into the Sterling Shares by giving not less than five Business Days' notice to the Company in advance of such Conversion Calculation Date either through submission of the relevant instruction mechanism (for shareholders holding Shares in uncertificated form in Euroclear or any other relevant system) or through submission of a conversion notice and the return of the relevant Share certificate to the Registrar. Each shareholder seeking to convert Euro Shares into Sterling Shares shall be required to make the representations set forth in "Selling and Transfer Restrictions". Such conversion will be on the basis of the ratio of the last reported Net Asset Value of the Euro Shares (less the costs of effecting such conversion), to the starting Net Asset Value of the Sterling Shares into which they will be converted (each as at 30 June 2008). Shareholders should note, however, that fractions of Shares arising on conversions will be rounded down and hence the aggregate Net Asset Value of those Shares held after conversion may be less than before such conversion. Shareholders should also note that if they elect to convert Shares they will be unable to deal in those Shares in the period between giving notice of conversion and the actual date of conversion which may be up to thirty Business Days.

Transfer of Sterling Shares

The transfer of Sterling Shares outside CREST following the Offer should be arranged directly through the Registrar. However, an investor's beneficial holding held through CREST may be exchanged, in whole or in part, only upon the specific request of a beneficial owner to the Registrar for share certificates or an uncertificated holding in definitive registered form. If a shareholder or transferee requests Sterling Shares to be issued in certificated form and is holding such Sterling Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within twenty one days of completion of the registration process or transfer, as the case may be, of the Sterling Shares. Shareholders holding definitive certificates may elect at a later date to hold such Sterling Shares through CREST or in uncertificated form provided they surrender their definitive certificates and subject to the applicable restrictions, if any, set forth in the section headed "Selling and Transfer Restrictions" beginning on page 132 of this prospectus.

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and/or Guernsey, the Company and its agents or the Investment Manager will require evidence in connection with any application for Sterling Shares, including further identification of the applicant(s), before any Sterling Shares are issued.

Further issues of shares

The Company has undertaken not to issue any further securities for a period of 180 days following the date of Admission, save for issues of shares to meet investments by principals and employees of the Investment Manager as further described in the section headed "Investment in the Company by principals and employees of the Investment Manager" beginning on page 122 of this prospectus.

Sponsor

UBS Investment Bank is acting as Sponsor in connection with the Offer and Sponsor to the London Admission. UBS is acting for the Company and no-one else in connection with the Offer and will not be responsible to anyone

other than the Company in providing the protections afforded to its clients nor for providing advice in connection with the Offer, the contents of this prospectus or any matters referred to herein.

Listing Agent and Paying Agent

Kempen & Co. N.V. is acting as the listing agent with respect to the listing of the Sterling Shares on Euronext Amsterdam and admission for trading on Euronext Amsterdam. Kempen & Co N.V. is also acting as paying agent for the Sterling Shares.

Security Codes

The following are the security codes for the Sterling Shares:

ISIN: GG00B39VMM07

Amsterdam SEDOL: B39VMN1

London SEDOL: B39VMM0

The ISIN in respect of the Euro Shares is GG00B1FQG453.

Change in Maximum Number of Sterling Shares

The maximum number of Sterling Shares being made available pursuant to the Offer may be increased prior to the Settlement Date. The actual number of Sterling Shares made available pursuant to the terms of the Offer will be determined at the discretion of the Directors.

The actual number of Sterling Shares arising on conversion of the Euro Shares under the Offer will be set out in an advertisement in the Euronext Daily Official List and will be published in at least one national newspaper distributed daily in The Netherlands on or about the Euronext Listing Date.

In addition, the Company will announce the number of Sterling Shares through a regulatory information service provider.

Delivery, Clearing and Settlement

The Company expects that the closing of the application period of the Offer will take place on or about 24 June 2008 (the "**Closing Date**") and listing and trading in the Sterling Shares on Euronext Amsterdam is expected to commence on or about 28 July 2008 (the "**Euronext Listing Date**") on an "as-if-and-when-issued" basis. Delivery of the Sterling Shares is expected to take place on or about 31 July 2008 (the "**Settlement Date**"), the third business day following the Euronext Listing Date (T+3), through CREST in accordance with the normal procedures applicable to equity securities.

Application has been made for all the Sterling Shares issued under the Offer to be admitted to trading and listing on Euronext Amsterdam under the symbol "BGHS". The Company expects that such listing will become effective and that dealings in the Sterling Shares on Euronext Amsterdam will commence on the Euronext Listing Date on an "as-if-and-when-issued" basis.

Investors who wish to enter into transactions in the Sterling Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the Offer may not take place on the Settlement Date or at all if certain conditions or events referred to in the Sponsor Agreement and which are described under "Offer" are not satisfied or waived or occur on or prior to such date. If closing of the Offer does not take place on the Settlement Date or at all, the Offer will be withdrawn, all applications for the Sterling Shares will be disregarded, any allotments made will be deemed not to have been made and all transactions in the Sterling Shares on Euronext Amsterdam will be cancelled. All dealings in the Sterling Shares on Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam is not responsible or liable for any loss or damage incurred by any person as a result of the listing and trading on an "as-if-and-when-issued" basis as from the Euronext Listing Date until the Settlement Date.

If the Offer is withdrawn, and at the time of withdrawal any new Sterling Shares in the Offer have been sold short, such sales will not be unwound and any person so selling the Sterling Shares will bear the risk of being unable to settle such sale by delivering the Sterling Shares from the Offer.

If shareholders request to receive their Sterling Shares in certificated form, temporary documents of title will not be issued pending the despatch by post of definitive certificates, which is expected to take place by the week

commencing 18 August 2008. Pending the despatch of such certificates, transfers will be certified against the Company's register of members. Sterling Shares initially issued under the Offer in certificated form may subsequently be deposited in uncertificated form into CREST.

Application has also been made by the Company for admission of the Sterling Shares and the Euro Shares to the Official List of the UKLA and to trading on the London Stock Exchange under the symbol "BGHS" for the Sterling Shares and the symbol "BGHL" for the Euro Shares. It is expected that trading in the Shares on the London Stock Exchange will commence on or about 28 July 2008.

The Euro Shares are currently accepted for clearance through the book-entry facilities of Euroclear. The Euro Shares are registered shares which have been delivered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act. The Euro Shares are accepted for delivery through the book-entry facilities of Euroclear Nederland (Herengracht 459-469, 1017 BS Amsterdam, The Netherlands) and its admitted institutions.

The Company will apply for the Sterling Shares to be admitted to CREST with effect from the London Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. Accordingly it is intended that settlement of transactions in the Sterling Shares following London Admission may also take place within the CREST system if the relevant shareholders so wish. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so. The names of shareholders or their nominees holding Sterling Shares through their CREST accounts will be entered directly on to the share register of the Company.

Scaling back

The Directors and the Sponsor reserve the right to scale back any or all applications in such manner as they, in their absolute discretion, consider appropriate, having regard to the relative sizes of the Euro Share class and the Sterling Share class following completion of the Offer. It is expected that the Company will notify shareholders of the aggregate number of Sterling Shares in respect of which their application has been successful and the actual number of Sterling Shares to be created under the Offer will be set out in an advertisement in the Euronext Daily Official List and will be published in at least one national newspaper distributed daily in The Netherlands on or about the Euronext Listing Date.

The Sterling Shares made available pursuant to the Offer will be created shortly prior to Admission.

GENERAL INFORMATION

Incorporation and administration

The Company was incorporated with limited liability in Guernsey under the Companies Laws on 3 October 2006 with registered number 45582 as a closed-ended investment company. The registered office and principal place of business of the Company is Trafalgar Court, Admiral Park, St Peter Port, Guernsey and the telephone number is +44 1481 710607. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no subsidiaries or employees.

The Company's accounting period terminates on 31 December of each year. The Directors confirm that accounts have been made up for the period from incorporation to 31 December 2007.

Changes in the authorised and issued share capital of the Company since incorporation are summarised in the section headed "Shares" below.

Apart from the performance of the Company's investments as described in the section headed "Business" beginning on page 45 of this prospectus and the conversion of the C Shares on 12 February 2008 as described in "Shares" below, there has been no significant change in the trading or financial position of the Company since 31 December 2007, the date of its last published audited financial statements.

Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in Clause three of the Memorandum of Association, copies of which are available for inspection at the addresses specified in the section headed "Documents available for inspection" on page 156.

The Articles of Association contain provisions, *inter alia*, to the following effect:

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 1 November 2006, 43,999,998 Euro 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 billion Euro Shares of €0.0001 each and 5 billion C Shares of €0.0001 each. On 5 July 2007, 53,000,000 C Shares were issued fully paid for cash at a price of €10 each. On 7 July 2007, the Company issued 427,338 C Shares fully paid for cash at a price of €10 each. These shares result from the partial exercise of the over-allotment option by BNP Paribas, acting as stabilisation manager. On 12 February 2008, the 53,427,338 C Shares in issue were converted into 46,113,135 Shares. Following several purchases of Shares in treasury, as at 30 May 2008 the Company held 1,241,078 shares in treasury, and has 88,872,057 Shares in issue (excluding treasury Shares).

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 Euro Shares, conditionally upon the issue of such Euro 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 Euro Shares and/or C Shares.

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 of Association 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.

Duration

The Company will have an unlimited life.

Winding-up

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

Notice requiring disclosure of interest in shares

The Directors shall have power by notice in writing to require any member to disclose to the Company the identity of any person other than the member (an interested party) who has any interest in the shares held by the member and the nature of such interest.

Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Article on a requisition of members holding not less than $\frac{1}{10}$ th of the paid up capital of the Company that at that date carries voting rights. If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more in value of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the “**default shares**”) and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Articles of Association) shall be registered until the default is rectified.

Dividends

Shareholders are entitled to receive, and participate in, any dividends or other distributions out of the profits of the Company available for dividend and resolved to be distributed in respect of any accounting period or other income or right to participate therein.

No dividend shall be paid other than out of the profits of the Company, provided always that all monies realised on the sale or other realisation of any capital assets in excess of book value and all other monies in the nature of accretion to capital shall not be treated as profits available for dividend.

The Directors may if they think fit at any time declare and pay such annual or interim dividends as appear to be justified by the position of the Company.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute by dividend.

Commission

The Company may pay commission in money or shares to any person in consideration for his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares in the Company or procuring or agreeing to

procure subscriptions whether absolute or conditional for any shares in the Company provided that the rate or amount of commission shall be fixed by the Directors. The Company may also pay brokerages.

Transfer of shares

The Articles of Association provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the Euroclear System or CREST. If the Directors implement any such arrangements no provision of the Articles of Association shall apply or have effect to the extent that it is in any respect inconsistent with:

- (i) the holding of shares of that class in uncertificated form; or
- (ii) the transfer of title to shares of that class by means of the Euroclear System or CREST.

Where any class of shares is, for the time being, admitted to settlement by means of the Euroclear System or CREST such securities may be issued in uncertificated form in accordance with and subject as provided in the applicable requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holders in certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with the applicable requirements and the restrictions described in the section headed "Selling and Transfer Restrictions" beginning on page 132 of this prospectus. Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the Euroclear System or CREST as the case may be in accordance with the applicable requirements. Every transfer of shares from a Euroclear account of a Euroclear member to a Euroclear account of another Euroclear member or from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed.

Subject to such of the restrictions of the Articles of Association or as described in the section headed "Selling and Transfer Restrictions" beginning on page 132 as may be applicable, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The Directors may refuse to register a transfer of any share in certificated form which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of certificated shares which is prohibited by the provisions described above, or any transfer of shares unless such transfer is in respect of only one class of shares, is in favour of a single transferee or no more than four joint transferees, is delivered for registration to the registered office or such other place as the Directors may decide, and is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Subject to such of the restrictions of the Articles of Association as may be applicable, any member may transfer all or any of his uncertificated shares by means of a relevant system authorised by the Directors in such manner provided for, and subject as provided, in any regulations issued for this purpose under the Companies Laws or such as may otherwise from time to time be adopted by the Directors on behalf of the Company and the rules of any relevant system and accordingly no provision of the Articles of Association shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.

Subject to the provisions of the applicable Euroclear or CREST requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided that such suspension shall not be for more than 30 days in any year.

The Company will refuse to register any transfer of a share (whether a C Share or a Share) that (i) would result in it being required to register under the Investment Company Act (ii) would require the Investment Manager to register under the US Commodity Exchange Act or (iii) otherwise violates the transfer restrictions set forth in this prospectus. Shares may not be transferred to or held by (i) an "employee benefit plan" (as defined in Section 3(3) of ERISA subject to Part 4 of Subtitle B of Title I of ERISA), (ii) a "plan" (as defined in Section 4975(e)(1) of the Code) to which Section 4975 of the Code applies including, without limitation, individual retirement accounts and Keogh plans, and (iii) an entity whose underlying assets include plan assets by reason of a plan's investment in the entity (together "**Benefit Plan Investors**") or other employee benefit plans subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA

or Section 4975 of the Code (“**Similar Law**”), and the Company will refuse to register any transfer of a share to a Benefit Plan Investor or other employee benefit plan subject to Similar Law.

The Directors may give notice in writing to the shareholder of any share which appears to have been acquired in violation of the transfer restrictions contained in this section requiring him within 21 days (or such extended time as in all the circumstances the Directors shall consider reasonable or such shorter time as the Directors may determine in the case of a transfer to, or holding of, a share by the Benefit Plan Investor or other employee benefit plan subject to Similar Law) to transfer (and/or procure the disposal of interests in) such share to another person so that the violation will be remedied. On and after the date of such notice, and until registration of a transfer of the share to which it relates, the share shall not confer any right to receive notice of or to attend or vote at general meetings of the Company and of any class of shareholders and the rights to attend (whether in person or by proxy), to speak and to demand a vote on a poll which would have attached to the share had it not appeared to the Directors to have been acquired in violation of transfer restrictions shall vest in the chairman of any such meeting. The manner in which the chairman exercises or refrains from exercising any such rights shall be entirely at his discretion. The chairman of any such meeting as aforesaid shall be informed by the Directors of any share becoming or being deemed to have been acquired in violation of transfer restrictions.

If within 21 days after the giving of any notice pursuant to the paragraph above (or such extended time as in all the circumstances the Directors shall consider reasonable or such shorter time as the Directors may determine in the case of a transfer to, or holding of, a share by a Benefit Plan Investor or other employee benefit plan subject to Similar Law) such notice is not complied with to the satisfaction of the Directors the Directors shall arrange for the Company to sell such share at the best price reasonably obtainable to any other person so that the violation of the transfer restrictions will be remedied. For this purpose the Directors may, in the case of a share in certificated form, authorise in writing any officer or employee of the Company to execute on behalf of the shareholder a transfer of the share to a purchaser and may issue a new certificate to the purchaser and, in the case of a share in uncertificated form, the Directors may rematerialise such share and take such other steps (including the giving of directions to or on behalf of the shareholder who shall be bound by them) as they think fit to effect the transfer of the share to that person. The net proceeds of the sale of such share shall be received by the Company and such receipt shall be a good discharge of the obligation to pay the purchase money therefor. The net proceeds of the sale of such share shall be paid over by the Company to the former shareholder (together with interest at such rate as the Directors consider appropriate) upon surrender by him or them of the certificate for the share.

Issues of shares

Under the Articles of Association, the Directors have powers to issue further shares on non-pre-emptive basis. The Directors will consider issuing further shares at not less than the then-prevailing estimated Net Asset Value per share of the relevant class.

Where possible and appropriate, the Investment Manager will seek to invest the proceeds of any further issues of shares so as to minimise any dilution of existing shareholders’ exposure to the prevailing composition of the Company’s portfolio. However, there can be no assurance that further additions to existing holdings can be achieved. Whilst the Investment Manager will have regard to the Company’s investment objective and investment policy in respect of the Company, there can be no assurance that further additions to existing holdings can be achieved.

Alteration of capital and purchase of shares

The Company may by ordinary resolution: (i) consolidate all or any of its share capital into shares of larger amount than its existing shares; (ii) subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association of the Company; or (iii) cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its authorised share capital by the amount of shares so cancelled. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any authority and consent required by the Companies Laws.

Conversion between classes of Shares

The Articles of Association incorporate provisions to enable shareholders of any one class of Shares to convert all or part of their holding into any other class of Shares which are in issue at the relevant date on a quarterly basis, in accordance with the detailed provisions of the Articles of Association.

At the NAV Calculation Date referable to the months of March, June, September and December 2008 (each a “**Conversion Calculation Date**”) in each year commencing from June shareholders may convert Shares of any class into Shares of any other class (of which Shares are in issue at the relevant time) by giving not less than 5 Business Days’ notice to the Company in advance of such Conversion Calculation Date either through submission of the relevant instruction mechanism (for shareholders holding Shares in uncertificated form in Euroclear or any other relevant system) or through submission of a conversion notice and the return of the relevant Share certificate to the Registrar. Such conversion will be on the basis of the ratio of the last reported Net Asset Value of the class of Shares held (less the costs of effecting such conversion), to the last reported Net Asset Value of the class of Shares into which they will be converted (each as at the relevant NAV Calculation Date). Shareholders should note, however, that fractions of Shares arising on conversions will be rounded down and hence the aggregate Net Asset Value of those Shares held after conversion may be less than before such conversion. Shareholders should also note that if they elect to convert Shares they will be unable to deal in those Shares in the period between giving notice of conversion and the actual date of conversion which may be up to 30 Business Days.

Notices

Any notice to be given to or by any person pursuant to the Articles of Association shall be in writing except that a notice calling a meeting of the Directors need not be in writing. A notice may be given by the Company to any member either personally or by sending it by post in a pre-paid envelope addressed to the member at his registered address. A notice sent by post shall, unless the contrary is shown, be deemed to have been received:

- (i) in the case of a notice sent to an address in the United Kingdom, Channel Islands or the Isle of Man, on the third day after the day of posting; and
- (ii) in the case of a notice sent elsewhere by airmail on the seventh day after posting,

excluding in each case any day which is a Sunday, Good Friday, Christmas Day, a bank holiday in Guernsey or a day appointed as a day of public thanksgiving or public mourning in Guernsey.

A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in respect of the share in the register of members to be kept pursuant to the Companies Laws.

A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

Notice for any general meeting shall be sent not less than ten days before the meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall be given to:

- (i) every shareholder who has supplied to the Company a registered address for the giving of notices to him;
- (ii) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a shareholder where the shareholder but for his death or bankruptcy would be entitled to receive notice of the meeting;
- (iii) the auditor (if any) for the time being of the Company; and
- (iv) each Director who is not a shareholder.

No other person shall be entitled to receive notices of general meetings. The notice must specify the time and place of the general meeting and, in the case of any special business, the general nature of the business to be transacted. With the consent in writing of all the members, a meeting may be convened by a shorter notice or at no notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any member shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

Borrowing Powers

The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party provided always that the aggregate principal amount of all borrowings (as defined in

the Articles of Association) by the Company shall not at the point of any borrowing exceed 100 per cent. of the Net Asset Value of the Company.

Material contracts

The following are all of the contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company since its incorporation and are, or may be, material or that contain any provision under which the Company has any obligation or entitlement which is or may be material to the Company as at the date of this prospectus:

The Company, the Investment Manager, BNP Paribas, Lehman Brothers, Bear, Stearns International Limited, UBS Investment Bank (the “**Placing Agents**”) and the Directors, entered into a Placing Agreement dated on or around 24 May 2007 whereby the Placing Agents agreed, as agents for the Company, to use their reasonable endeavours to procure subscribers for C Shares under the Global Offering at the Issue Price. Under the terms of the Placing Agreement, the Investment Manager paid all of the fees of the Placing Agents under the Placing Agreement, comprising a commission of 2.5 per cent. of the gross proceeds of the Global Offering. The commission was not payable in respect of: (i) any C Shares subscribed for by shareholders in the Sark Fund that switch their shareholding from the Sark Fund into the Company; (ii) any C Shares subscribed for by the Directors, the Investment Manager and/or its employees or partners; or (iii) any C Shares subscribed for by certain investors which are either clients of the Investment Manager or its wealth management branch, up to a limit of €300 million. Commission was payable at the rates described above in respect of any gross proceeds that result from demand from such sources in excess of €300 million. The Joint Global Coordinators retained 0.75 per cent. of the 2.5 per cent. gross spread for their own account as a base fee for the structuring and management of the Global Offering and the balance of 1.75 per cent. of the gross spread was allocated as a distribution fee to the Joint Global Coordinators or any other Placing Agents that the Joint Global Coordinators determined. The Placing Agreement contained a 12-month lock-up in respect of the investment in C Shares in the Global Offering (and the Euro Shares arising on the conversion of such C Shares) by the Investment Manager, its partners and its group’s employees and the Directors, during which period such C Shares could not be transferred or otherwise encumbered.

Under the Placing Agreement, which was subject to certain customary conditions precedent and which was capable of termination by the Placing Agents in certain customary circumstances prior to Admission, the Company, the Investment Manager and the Directors gave warranties and (in the case of the Company and the Investment Manager) indemnities to the Placing Agents concerning, *inter alia*, the accuracy of the information contained in this prospectus. The warranties and indemnities that were given by the Company and the Investment Manager were standard for an agreement of this nature and there was no cap on their liability. The warranties given by the Directors were subject to financial caps.

The Liquidity Enhancement Agreement, dated 16 January 2008, between the Company and the Investment Manager, more fully described in the section headed “Discount management provisions” beginning on page 67.

The Loan Facility, dated on or around 23 May 2007, between the Company and Natixis, provides an uncommitted multicurrency revolving loan facility in a maximum principal amount of €40 million. The Loan Facility is to be used by the Company for general corporate purposes and any other purposes in accordance with its prospectuses published from time to time. Upon satisfaction of certain conditions precedent (which are usual and customary for this type of facility), the Company may make drawings under the Loan Facility until one month prior to the expiration of the five-year term, provided that the Loan Facility is subject to cancellation on 90 days’ written notice given by Natixis.

Drawings made under the Loan Facility will bear interest at an aggregate rate of:

- (a) (i) 0.75 per cent. per annum where the relevant loan to value ratio calculated from the first day of the relevant interest period is 0 per cent. (inclusive) to 25 per cent. (exclusive), (ii) 0.80 per cent. per annum where the relevant loan to value ratio calculated from the first day of the relevant interest period is 25 per cent. (inclusive) to 50 per cent. (exclusive), or (iii) 0.85 per cent. per annum where the relevant loan to value ratio calculated from the first day of the relevant interest period is 50 per cent. (inclusive) to 60 per cent. (exclusive);
- (b) the London interbank offered rate (or, if applicable, the European interbank offered rate); and
- (c) associated costs (being the costs of complying with certain regulatory requirements)

and must be repaid in full on expiration of the five-year term.

In circumstances where, *inter alia*, the interest payments 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 Loan Facility is secured by a first priority security interest granted by the Company in favour of Natixis over certain of the shares in the Sark Fund held by the Company. The Loan Facility contains representations and warranties, covenants and events of default which are usual and customary for this type of facility.

The Placing Agreement, dated 18 October 2006, between the Company, the Investment Manager, the BNP Paribas, Lehman Brothers, Kempen & Co. N.V., Bear, Stearns International Limited (BNP Paribas, Lehman Brothers, Kempen & Co. N.V. and Bear, Stearns International Limited together the “**IPO Banks**”) and the Directors whereby the IPO Banks agreed, as agents for the Company, to use their reasonable endeavours to procure subscribers for Euro Shares under the initial public offering of Euro Shares at the issue price. The IPO Banks were not under an obligation to purchase Euro Shares in the event that they were unable to procure subscribers for Euro Shares. Under the terms of the Placing Agreement, the Investment Manager paid all of the fees of the IPO Banks under the Placing Agreement, comprising a commission of 3.5 per cent. of the gross proceeds of the initial public offering of Euro Shares. The commission was not payable on any monies raised from shareholders in the Sark Fund that switched their shareholding from Sark Fund to the Company or any Euro Shares subscribed for by the Investment Manager’s wealth management branch, on behalf of and for the account of its clients. BNP Paribas and Lehman Brothers retained 1.5 per cent. of the 3.5 per cent. gross spread for their own account as a base fee for the structuring and managing of the initial public offering of Euro Shares and the balance of 2 per cent. of the gross spread was allocated as a distribution fee to BNP Paribas or Lehman Brothers or any other of the IPO Banks that BNP Paribas and Lehman Brothers determined.

Under the Placing Agreement, which was subject to certain customary conditions precedent and which was capable of being terminated by the IPO Banks in certain customary circumstances prior to admission of the Euro Shares to Euronext Amsterdam, the Company, the Investment Manager and the Directors gave warranties and (in the case of the Company and the Investment Manager) indemnities to the IPO Banks concerning, *inter alia*, the accuracy of the information contained in the prospectus of the Company dated 18 October 2006. The warranties and indemnities given by the Company and the Investment Manager were standard for an agreement of this nature and there was no cap on their liability. In addition, the Company and the Investment Manager gave indemnities to the IPO Banks. The warranties given by the Directors were subject to financial caps.

A Management Agreement dated 13 October 2006, as amended by a management agreement side letter dated 30 April 2007, a management agreement side letter dated 26 October 2007 and a management agreement side letter dated on or about the date of this prospectus, between the Company and the Investment Manager whereby the Company appointed the Investment Manager as its investment manager, subject to the control of and review by the Directors, to manage the investments of the Company. The 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 Euro Shares to Euronext Amsterdam. The Company shall not serve notice to terminate the Management Agreement on notice unless this course of action has been unanimously agreed to by the Directors and confirmed by a special resolution of the Company in general meeting. In the event that the Management Agreement is terminated, the Company shall have the right to redeem its shares in the Sark Fund in accordance with the normal redemption provisions applicable to shareholders in the Sark Fund. In the event that the Management Agreement is terminated before the third anniversary of admission of the Euro 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 the third anniversary of Admission. This has been agreed on the basis of the Investment Manager bearing the costs and expenses of establishing the Company. The Investment Manager will not be liable for any loss suffered by the Company in connection with the performance by the Investment Manager of its obligations under the Management Agreement in the absence of fraud, wilful default or negligence on the part of the Investment Manager.

The Company agrees to indemnify the Investment Manager against all liabilities incurred by it in the performance of its obligations and duties under the Management Agreement other than liabilities arising out of the fraud, wilful default, bad faith or negligence on the part of the Investment Manager in the performance of its obligations and duties. The Investment Manager may, with the consent of the Directors (which consent is given in respect of the use of BGG to perform services under the Management Agreement), delegate the provision of investment management and other services to a third party but will remain liable for the acts of any such third party and will be responsible for their remuneration. Under the Management Agreement, the Investment Manager is entitled to receive

management fees and performance fees as explained in the section headed "Relationship with the Investment Manager and related party transactions" beginning on page 120.

The Administration Agreement dated 17 October 2006 between the Company and the Administrator pursuant to which the Company appoints the Administrator to act as administrator of the Company. The Administration Agreement may be terminated by either the Company or the Administrator giving to the other not less than 90 days' written notice. The Administrator is entitled to a fee as set out in the section headed "Administration" beginning on page 69 and is entitled to appoint delegates at the Company's expense.

General

The Offer is being carried out on behalf of the Company by the Sponsor.

The principal place of business and registered office of the Company is Trafalgar Court, Admiral Park, St Peter Port, Guernsey.

The Investment Manager is or may be a promoter of the Company. Save as disclosed in the section headed "Relationship with the Investment Manager and related party transactions" on page 120 of this prospectus no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company and none is intended to be paid, or given.

The costs and expenses of, and incidental to, the Offer will be borne by the Company. It is anticipated that there will be no net increase in the Net Asset Value following the Offer because the invitation to use the conversion facility thereunder is solely available to existing shareholders wishing to convert Euro Shares into Sterling Shares. The maximum number of Sterling Shares available under the Offer should not be taken as an indication of the number of Sterling Shares finally to be issued.

The Company does not own any premises and does not lease any premises.

Third party sources

Where information contained in this prospectus has been sourced from third parties, the Company confirms that such information has been accurately reproduced and, as far as the Company is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Availability of prospectus

Copies of this prospectus can be obtained free of charge during normal business hours for the 12 months following the date of this prospectus from: the Company's website (www.bgholdingltd.com), the Company's registered office, the registered office of the Investment Manager, the registered office of BNP Paribas and the registered office of Kempen & Co N.V.

Minimum allotment requirements

For the purposes of Section 29 of the Companies Laws, the minimum application upon which the Directors may proceed to allotment is two Sterling Shares.

INDEPENDENT AUDITOR

Ernst & Young LLP has been the only auditor of the Company since its incorporation. The Guernsey office of Ernst & Young LLP is part of the UK firm of Ernst & Young LLP, a limited liability partnership incorporated under English law and a member of Ernst & Young Global Limited, a UK limited liability company which acts as the central governance body of the Ernst & Young network of independent firms. Ernst & Young LLP is registered as an audit firm with the Institute of Chartered Accountants in England and Wales and has its registered office at 1 More London Place, London SE1 2AF. The annual report and accounts of the Company will be prepared in accordance with IFRS and the Companies Law.

Ernst & Young LLP has no material interest in the Company.

Ernst & Young, Cayman Islands, has been the only auditor of the Sark Fund, for statutory filings in the Cayman Islands, since its incorporation. Ernst & Young, Cayman Islands' address is Ernst & Young, Independent Auditors, 2nd Floor, Leeward Four, Regatta Office Park, West Bay Road, George Town, Cayman Islands, British West Indies.

Ernst & Young, Cayman Islands, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its auditor's reports under the section headed "Financial Information" (which incorporates the auditor's reports by reference) and the references to such reports and to its name in the form and context in which they appear. Ernst & Young, Cayman Islands, has authorised the contents of its reports and references to it for the purposes of the Prospectus Directive. Ernst & Young, Cayman Islands, is a member of Ernst & Young Global Limited. It has no material interest in the Sark Fund.

Ernst & Young, Chartered Accountants, has been the auditor of the Sark Master Fund since the financial year ended 31 December 2005. Prior to this, the auditor of the Sark Master Fund was Ernst & Young LLP.

Ernst & Young, Chartered Accountants is registered as an audit firm with the Institute of Chartered Accountants in Ireland and is a member of Ernst & Young Global Limited. Ernst & Young, Chartered Accountants' address is Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2 Ireland.

Ernst & Young, Chartered Accountants, has given consent to the inclusion in this prospectus of references to its name in the form and context in which it has been included with the inclusion of its auditor's reports under the section headed "Financial Information" (which incorporate the auditor's reports by reference) and the references to such reports. Ernst & Young, Chartered Accountants has authorised the contents of its reports and references to it for the purposes of the Prospectus Directive. It has no material interest in the Sark Master Fund.

The annual report and accounts of the Sark Fund and the Sark Master Fund are prepared in accordance with US GAAP.

The Sark Fund has entered into an engagement letter with Ernst & Young, Cayman Islands, the Sark Fund's statutory auditors, and Ernst & Young, Chartered Accountants (which will plan and execute the field work of the audit) containing provisions limiting the liability of Ernst & Young, Cayman Islands and Ernst & Young, Chartered Accountants, (together "**Ernst & Young**") arising out of or in connection with the engagement of Ernst & Young. Such liability is limited, in any successive 12 month period commencing on the date of execution of the engagement letter, to US\$2.5 million. This limitation of liability will not apply to liability arising as a result of fraud on the part of Ernst & Young, but will apply in respect of liability arising as a result of breach of contract, breach of duty, fault or negligence and further in such circumstances such liability will be limited to the proportion of the loss or damage suffered by the Sark Fund which it is just and equitable to ascribe to Ernst & Young. The engagement letter also contains provisions indemnifying Ernst & Young in certain circumstances. An engagement letter in similar terms has been entered into between the Sark Master Fund and Ernst & Young, Chartered Accountants.

REGISTRAR

Carey Commercial Limited has been appointed as the Company's registrar pursuant to a registrar's agreement (the "**Registrar's Agreement**"), pursuant to which the Registrar has agreed to act as registrar of the Company. The Company pays to the Registrar fees in respect of the performance by the Registrar of certain tasks specified in the Schedule to the Registrar's Agreement upon submission by the Registrar of invoices in respect of such additional fees at the end of each month. The Registrar shall be entitled to reimbursement by the Company of any other fees and expenses reasonably disbursed by it in connection with the performance of its services under the Registrar's Agreement. The Registrar's Agreement may be terminated by either party by service of 90 days' written notice served on the other party, although in certain circumstances the Registrar's Agreement may be terminated forthwith by notice in writing by either party to the other. The Registrar's Agreement contains an indemnity in favour of the Registrar against all claims brought by a third party against the Registrar in the course of carrying out its duties under the Registrar's Agreement except where such claims arise from the negligence, fraud or wilful default of the Registrar or the breach by it of the terms of the Registrar's Agreement in the performance or non-performance of its duties thereunder.

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 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 by the Custodian. This percentage will be fixed by reference to the nature of the assets to be held in custody. The Custodian shall be entitled to receive reimbursement of reasonable out-of-pocket expenses on an ongoing basis. The Custody Agreement contains provisions under which the Company exempts the Custodian from liability in the absence of fraud, wilful default or negligence for losses of any kind arising out of or in connection with its performance of its duties under the agreement. Similarly, the Company has agreed to indemnify the Custodian in respect of losses it may suffer in connection with the performance of its duties under the agreement save to the extent that such losses are due to fraud, wilful default or negligence on the part of the Custodian. The Custody Agreement may be terminated on not less than 90 days' written notice by either party, provided that termination may be made immediately if either party has materially breached its terms. The agreement is governed by the laws of Jersey.

BNP Paribas Jersey Branch is the Jersey branch of BNP Paribas SA, which is registered in Paris under number 662 042 449 RCS Paris and whose registered office is at 16 boulevard des Italiens, 75009 Paris, France. The registered branch office of BNP Paribas Jersey Branch is at BNP House, Anley Street, St Helier, Jersey JE4 8RD (telephone: +44 1534 815 200). BNP Paribas SA operates under the French Monetary and Financial code and is governed by banking regulations by the provisions of the French Commercial Code applicable to trading and companies. BNP Paribas Jersey Branch is regulated by the Jersey Financial Services Commission for the conduct of investment business.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS during normal business hours on any weekday (Saturdays and public holidays excepted) until the date of Admission:

- (a) the Memorandum and Articles of Association of the Company, the Sark Fund and the Sark Master Fund; and
- (b) this prospectus, including the historical financial information contained herein.

In addition, copies of this prospectus are available free of charge from the Company's website (www.bgholdingltd.com), the registered office of the Company, the offices of the Investment Manager at 1 Dover Street, London, W1S 4LA, the registered office of BNP Paribas is at 16 boulevard des Italiens, 75009 Paris and the offices of Kempen & Co N.V. at Beethovenstraat 300, 1077 WZ Amsterdam, P.O. Box 75666, 1070 AR Amsterdam, The Netherlands.

ADVISERS**Investment Manager**

Boussard & Gavaudan Asset Management, LP
1 Dover Street
London W1S 4LA
(Telephone +44 20 7514 0700)

Sponsor

UBS Investment Bank
1 Finsbury Avenue
London EC2M 2PP

Listing Agent and Paying Agent

Kempen & Co N.V.
Beethovenstraat 300
1077 WZ Amsterdam
P.O. Box 75666
1070 AR Amsterdam
The Netherlands

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

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

**Legal Advisers to the Company
(as to Netherlands law)**

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

Registrar

Carey Commercial Limited
PO Box 285
1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey GY1 4LZ

Administrator

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

**Advocates to the Company
(as to Guernsey law)**

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

**Legal Advisers to Sponsor,
(as to English law)**

Simmons & Simmons
CityPoint
One Ropemaker Street
London EC2Y 9SS

Auditors

Ernst & Young LLP
14 New Street
St Peter Port
Guernsey GY1 4AF

Custodian

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

FURTHER INFORMATION ON THE SARK FUND AND THE SARK MASTER FUND

Related party transactions

Other than the sale of shares in Castle HoldCo 1, Ltd and debt securities of Castle HoldCo 2, Ltd to the Company by the Sark Master Fund and Channel Bridge Special Situations Master Fund Limited, as described in the section headed "Business" on page 45, as at the date of this prospectus neither the Sark Fund nor the Sark Master Fund had entered into any related party transaction since inception.

Corporate governance and audit and remuneration committees

Neither the Sark Fund nor the Sark Master Fund currently have audit or remuneration committees and neither the Sark Fund nor the Sark Master Fund are subject to a corporate governance regime in the Cayman Islands.

Major shareholders

In so far as is known to the Sark Fund and the Sark Master Fund, no person has an interest in their respective capital or voting rights which is notifiable under Cayman Islands law and no major shareholder has voting rights different to the other shareholders in the Sark Fund and the Sark Master Fund respectively. As at 30 April 2008, the three, five and ten largest investors in the Sark Fund account for 18 per cent., 25 per cent., and 54 per cent. of total assets under management respectively.

Administrator

The Sark Fund and the Sark Master Fund have each retained GlobeOp as their administrator.

GlobeOp is responsible for providing administration services to the Sark Fund and the Sark Master Fund, including the calculation of the net asset value and the net asset value per share of the Sark Fund and the Sark Master Fund, arranging for the payment of expenses, maintaining books and records, assisting the investment manager of the Sark Fund and the Sark Master Fund in communications with investors and the Irish Stock Exchange, preparing the accounts of the Sark Fund and the Sark Master Fund and serving as the agent of the Sark Fund for the issue and redemption of the Sark Fund's shares and acting as registrar of the Sark Fund and the Sark Master Fund. GlobeOp is also responsible for calculating the performance fee payable by the Sark Fund to its manager.

GlobeOp is responsible for monitoring the number of shareholders of the Sark Fund who certify that they are US Persons and the number of shares in the Sark Fund held by investors subject to ERISA, or other benefit plan investors, to ensure that shareholders' holdings do not exceed the number of shareholders and shares in the Sark Fund held as its directors may from time to time advise GlobeOp.

An affiliate of GlobeOp also provides certain administrative and support services to the investment manager of the Sark Fund and the Sark Master Fund and/or, if the investment manager so determines, to its affiliates, as and when agreed with the investment manager, in connection with the execution of the trading strategies of the Sark Master Fund, including, without limitation: (i) middle and back-office services relating to cash, security, listed derivatives and OTC derivatives operations, trade settlement management, cash/trade/position reconciliation, margin calculation and payments and tracking OTC derivatives instruments, managing payment settlements and the recording and verifying of corporate actions; and (ii) middle-office services such as implementation of the investment manager's end-of-day pricing and profit and loss calculation.

GlobeOp does not act as a guarantor of the Sark Fund's shares. Moreover, GlobeOp is not responsible for any of the trading or investment decisions of the Sark Fund or the Sark Master Fund, or the effect of such trading decisions on the performance of the Sark Fund or the Sark Master Fund.

The Sark Fund and the Sark Master Fund reserve the right to change the administration arrangements described above by agreement with GlobeOp and/or in their discretion to appoint an alternative administrator.

Net asset value

The net asset value of the Sark Fund, the net asset value per share of each class of the Sark Fund's shares, the net asset value of the Sark Master Fund and the net asset value of the ordinary shares of the Sark Master Fund will be determined as at the close of business on each Valuation Day or at such other times as the directors of the Sark Fund and the Sark Master Fund may determine. The net asset value of the Sark Fund and of the Sark Master Fund is equal to the value of their respective total assets less their liabilities.

In respect of each class of shares in the Sark Fund, a separate class account (a “**class account**”) has been established in the books of the Sark Fund. An amount equal to the proceeds of issue of each share will be credited to the relevant class account. Any increase or decrease in the net asset value of the assets of the Sark Fund (disregarding for these purposes any increase in the net asset value of the portfolio due to new subscriptions or decreases due to redemptions or any designated class adjustments (as defined below)) will be allocated to the relevant class accounts based on the previous relative net asset value of each such class account. There will then be allocated to each class account the “designated class adjustments” being those costs, prepaid expenses, losses, dividends, profits, gains and income which the directors of the Sark Fund determine relate to a single class. The net asset value of the ordinary shares in the Sark Master Fund will be calculated according to the same methodology.

Ordinary shares in the Sark Master Fund held by the Sark Fund will be valued at their net asset value determined by GlobeOp on the relevant Valuation Day. Assets of the Sark Master Fund will be valued in accordance with the following principles:

- (A) any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price on the relevant Valuation Day or, if no trades occurred on such day, at the closing bid price if held long by the Sark Master Fund and at the closing offer price if sold short by the Sark Master Fund, as at the relevant Valuation Day, and as adjusted in such manner as the directors, in their sole discretion, think fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply;
- (B) any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, will be valued at its fair value as determined by the directors having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation;
- (C) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price at the close of business on any market on which such investments are or can be dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the directors may determine at their discretion which markets shall prevail and provided also that the directors, at their absolute discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice;
- (D) investments, other than securities, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty;
- (E) deposits will be valued at their cost plus accrued interest;
- (F) any value (whether of an investment or cash) otherwise than in Euro or US Dollars will be converted into Euro or US Dollars at the rate (whether official or otherwise) which the directors in their absolute discretion deem applicable as at close of business on the relevant Valuation Day, having regard, among other things, to any premium or discount which they consider may be relevant and to costs of exchange.

The directors of the Sark Fund and the Sark Master Fund may, at their discretion, permit other methods of valuation to be used if they consider that such method of valuation better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice.

The directors of the Sark Fund and the Sark Master Fund have delegated to GlobeOp the determination of net asset value and the net asset value per share of each class. In determining any value, the directors of the Sark Fund and Sark Master Fund shall be entitled to rely on any valuations provided or attributed to any asset or liability by the investment manager of the Sark Fund and the Sark Master Fund.

The net asset value per share of each class on any Valuation Day will be calculated by dividing the net asset value of the relevant class account by the number of shares of the relevant class in issue as at the close of business on that Valuation Day and rounding up or down to the nearest tenth of a €0.01 or US\$0.01 as appropriate.

Following calculation, the net asset value per share of the Euro shares and the US Dollar shares will be notified immediately by GlobeOp to the Irish Stock Exchange.

Temporary suspension of net asset value calculations of the Sark Fund's and the Sark Master Fund's shares

The directors of the Sark Fund and the Sark Master Fund may declare a temporary suspension of the determination on any Valuation Day of the net asset value (and hence the net asset value per share) during:

- (A) any period (other than ordinary holiday or customary weekend closings) when any market is closed which is the main market for a significant part of the Sark Fund's or the Sark Master Fund's investments, or when trading thereon is restricted or suspended;
- (B) any period when any emergency exists as a result of which disposal by the Sark Fund or the Sark Master Fund of investments which constitute a substantial portion of its assets is not practically feasible;
- (C) any period when for any reason the prices of a material portion of the investments of the Sark Fund or the Sark Master Fund cannot be reasonably, promptly or accurately ascertained;
- (D) any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, investments of the Sark Fund or the Sark Master Fund cannot, in the opinion of the directors, be carried out at normal rates of exchange;
- (E) any period when proceeds of the sale or redemption of the shares cannot be transmitted to or from the Sark Fund's account or when proceeds of the sale or redemption of ordinary shares in the Sark Master Fund cannot be transmitted to or from the Sark Master Fund's account; or
- (F) in the case of the Sark Fund, any period during which the issue or redemption of ordinary shares in the Sark Master Fund is temporarily suspended.

Notice of the suspension and its termination will be given to all persons who have applied for or requested redemption or exchange of Sark Fund shares and will be notified without delay to the Irish Stock Exchange. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

Fees and expenses

As the class of shares in the Sark Fund into which the Company will invest bears no fees, no management or performance fees shall be payable at the level of the Sark Fund by the Company.

Sark Master Fund

No management or performance fees are payable by the Sark Master Fund.

Administrator

GlobeOp receives from the Sark Master Fund a monthly administration fee, payable in advance, based on the net asset value of the Sark Master Fund as at the relevant Valuation Day of one twelfth of: (i) 0.05 per cent. on the first €200 million of such net asset value; (ii) 0.04 per cent. on the next €200 million of such net asset value; (iii) 0.03 per cent. on the next €200 million of such net asset value; and (iv) 0.02 per cent. on such net asset value greater than €600 million.

GlobeOp is also reimbursed by the Sark Master Fund for any reasonable out-of-pocket expenses necessarily incurred in the performance of its duties. No administration fees or expenses are payable by the Sark Fund.

GlobeOp's fees in respect of providing middle/back-office and risk reporting services to the investment manager of the Sark Fund and the Sark Master Fund are also paid by the Sark Master Fund.

In respect of middle/back-office services, an affiliate of GlobeOp receives from the Sark Master Fund a monthly fee, payable in advance, based on the net asset value of the Sark Master Fund as at the relevant Valuation Day of one twelfth of: (i) 0.15 per cent. on the first €200 million of such net asset value; (ii) 0.12 per cent. on the next €200 million of such net asset value; (iii) 0.09 per cent. on the next €200 million of such net asset value; (iv) 0.08 per cent. on the next €200 million of such net asset value; and (v) 0.05 per cent. on such net asset value greater than €800 million, subject to a minimum monthly fee of €9,333.

Prime Brokers and Custodians

The prime brokers and custodians of the Sark Master Fund receive such fees as may be agreed with the Sark Master Fund from time to time. The prime brokers and custodians of the Sark Master Fund currently receive prime brokerage fees which are based upon a combination of transaction charges and interest costs. The prime brokers and

custodians of the Sark Master Fund charge interest on debit balances at a rate agreed with the Sark Master Fund. The prime brokers and custodians of the Sark Master Fund do not currently receive a separate fee for their custodial services.

Under the arrangements between the Sark Master Fund and its prime brokers and custodians, the prime brokers and custodians have rights to identify as collateral, to rehypothecate or to otherwise use for their own purposes assets held by them for the Sark Master Fund from time to time. Legal and beneficial title to such assets may therefore be transferred to the relevant prime broker and custodian. The Sark Master Fund has only a contractual right to the return of assets equivalent to those of the relevant assets. The Sark Master Fund ranks as one of the unsecured creditors of the relevant prime broker and custodian. In the event of the insolvency of any of the Sark Master Fund's prime brokers and custodians, the Sark Master Fund might not be able to recover such equivalent assets in full or at all. The Sark Master Fund will be subject to the risk of the inability of the prime broker to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of any one prime broker or custodian defaulting on its obligations to the Sark Master Fund, the effects of such a default may have consequential negative effects on other prime brokers with whom the Sark Master Fund deals. The Sark Master Fund and, by extension, the Company may, therefore, be exposed to systemic risk when the Sark Master Fund deals with prime brokers and custodians whose creditworthiness may be interlinked.

Other Fees and Expenses

The Sark Master Fund bears the operating and other expenses of the Sark Master Fund, the Sark Fund and any other feeder fund established to invest in the Sark Master Fund except for the foreign exchange fees incurred at Sark Fund level. These expenses include (but are not limited to) (a) investment expenses; (b) administrative expenses; (c) the charges and expenses of the legal advisers, accountants and independent auditors; (d) brokers' commissions, borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions; (e) all taxes and corporate fees payable to governments or agencies; (f) directors' fees (if any) and expenses; (g) interest on borrowings, including borrowings from the prime brokers and custodians of the Sark Master Fund; (h) communication expenses with respect to investor services and all expenses of meetings of the Sark Fund's shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents (excluding, for the avoidance of doubt, any distribution costs); (i) the cost of insurance (if any) for the benefit of directors of the Sark Fund and/or the Sark Master Fund; (j) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business; (k) the cost of maintaining the listing of the Sark Fund's shares on the Irish Stock Exchange and/or any other exchange; and (l) all other organisational and operating expenses.

The total costs and expenses of establishing the Sark Fund and the Sark Master Fund have been paid.

Reports and financial statements

The financial year of the Sark Fund and the Sark Master Fund ends on 31 December in each year.

Annual reports and audited financial statements for the Sark Fund and the Sark Master Fund in respect of each financial year prepared in accordance with US GAAP are sent to shareholders of the Sark Fund and to the Irish Stock Exchange at least 21 days before the annual general meeting (if any) and in any event within six months of the end of the Sark Fund's financial year, whichever is the earlier.

Half-yearly unaudited reports of the Sark Fund and the Sark Master Fund, incorporating unaudited accounts, are also sent to the Sark Fund's shareholders and to the Irish Stock Exchange within four months of the end of the period to which they relate.

Audited annual financial statements of the Sark Fund and the Sark Master Fund and half-yearly reports incorporating unaudited accounts are sent to each shareholder of the Sark Fund free of charge and are made available for inspection at the offices of GlobeOp and the registered office of the Sark Fund.

Conflicts of interest

The directors, manager, investment manager, investment adviser, the prime brokers and custodians of the Sark Fund and/or the Sark Master Fund, as the case may be, and GlobeOp may from time to time act as manager, investment manager, custodian, registrar, broker, administrator, investment adviser, distributor or dealer in relation to, or be otherwise involved in, other funds established by parties other than the Sark Fund and/or the Sark Master Fund, as

the case may be, which have similar objectives to those of, or invest in similar securities to those held by, the Sark Fund and the Sark Master Fund. It is, therefore, possible that any of them or their respective partners, principals, shareholders, members, directors, officers, agents or employees may, in the course of business, have potential conflicts of interest with the Sark Fund and the Sark Master Fund. Each will, at all times, have regard in such event to its obligations to the Sark Fund and/or the Sark Master Fund, as the case may be, and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Sark Fund or the Sark Master Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. The manager, the investment manager and the investment adviser of the Sark Fund and/or the Sark Master Fund, as the case may be, or any of their partners, principals, members, officers, agents or employees may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Sark Fund or the Sark Master Fund. Neither the manager, the investment manager and the investment adviser of the Sark Fund and/or the Sark Master Fund, as the case may be, nor any of their affiliates nor any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to the Sark Fund or the Sark Master Fund or to account to the Sark Fund or the Sark Master Fund in respect of (or share with the Sark Fund or the Sark Master Fund or inform the Sark Fund or the Sark Master Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Sark Fund or the Sark Master Fund and other clients.

Further information on the Sark Fund and the Sark Master Fund

The authorised share capital of the Sark Fund is €100,010 divided into 10 founder shares of a par value of €1 each, 10,000,000 Euro ordinary shares of a par value of €0.01 each and US\$100,000 divided into 10,000,000 US Dollar ordinary shares of a par value of US\$0.01 each. At 31 December 2007, there were 1,808,745 Euro class A shares, 6,224,482 Euro class B shares and 6,577,434 US Dollar shares in issue.

The authorised share capital of the Sark Master Fund has not been changed since incorporation. The authorised share capital of the Sark Master Fund is €100,000 divided into 10,000,000 Euro ordinary shares of a par value of €0.01 each and US\$100,000 divided into 10,000,000 US Dollar ordinary shares of a par value of US\$0.01 each. At 31 December 2007, there were 7,031,476 Euro class A shares and 5,579,328 US Dollar class B shares in issue. The ordinary shares in the Sark Master Fund carry similar rights in relation to voting, dividends and upon a liquidation as shares in the Sark Fund. The authorised share capital of the Sark Master Fund has not been changed since incorporation.

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

<u>Type of share</u>	<u>Balance at 1 January 2007</u>	<u>Subscriptions</u>	<u>Redemptions</u>	<u>Balance at 31 December 2007</u>
Sark Fund Euro class A shares	1,694,502	1,450,397	(1,336,154)	1,808,745
Sark Fund Euro class B shares	3,130,905	3,210,947	(117,370)	6,224,482
Sark Fund US Dollar shares	5,499,926	1,830,865	(753,357)	6,577,434
Sark Master Fund Euro class A shares	4,270,223	4,079,550	(1,318,297)	7,031,476
Sark Master Fund US Dollar class B shares . .	4,967,372	11,401,986	(790,030)	5,579,328

Summary of the Sark Fund's and Sark Master Fund's Memorandum and Articles of Association

The memorandum of association of each of the Sark Fund and of the Sark Master Fund provides that the objects of the Sark Fund and of the Sark Master Fund include carrying on business as an investment company. The objects of the Sark Fund and of the Sark Master Fund are set out in full in Clause 3 of each of the Sark Fund's and Sark Master Fund's memoranda of association.

Rights of the founder shares in the Sark Fund

The founder shares carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the shares. Founder shares are not redeemable.

The holders of the founder shares have the exclusive right to vote (to the exclusion of the holders of other shares in the Sark Fund), and in such case are entitled to one vote per founder share, in respect of each of the following matters:

- (A) the appointment or removal of any manager or investment manager;
- (B) the appointment or removal of any director;

- (C) the winding up of the Sark Fund; and
- (D) any amendment to the Memorandum and Articles of Association of the Sark Fund affecting the foregoing matters.

In addition, the holders of the founder shares have the right (to the exclusion of the holders of other shares in the Sark Fund):

- (A) to create one or more additional classes of shares of such number, par value and denomination, whether by means of conversion or by way of cancellation of all or any of the authorised but unissued shares and the creation of fresh authorised shares, as the holders of the founder shares may determine;
- (B) to create one or more classes of management shares of such number, par value and denomination together with such rights (including without limitation as to the fees and charges to which the assets attributable thereto are subject) as the holders of the founder shares may determine for issuance to the investment manager of the Sark Fund or a partner or employee thereof or any person connected with any such person (as determined by the holders of the founder shares) or a company, partnership or other person or entity controlled by any of such persons (as determined by the holders of the founder shares);
- (C) to redesignate as management shares such shares registered from time to time in the names of persons to whom management shares may be issued as the holders of the founder shares determine (subject to the creation of such class of shares pursuant to paragraph (B) above) by way of the cancellation of the relevant shares and the issue of management shares or otherwise; and
- (D) to amend the Memorandum and Articles of Association of the Sark Fund to provide for the creation of one or more additional classes of shares or one or more classes of management shares pursuant to paragraphs (A) and/or (B) and all matters incidental thereto as the holders of the founder shares may determine, provided that no such amendments may adversely affect the rights attaching to the shares in issue on the date they are made.

Subject to the foregoing, the holders of founder shares are not entitled to any votes in respect of the founder shares held by them except during any period when there are no other shares in issue, in which event each holder of founder shares is entitled to one vote for each such founder share held by him. The founder shares are held by 1729 Management (Cayman) Limited, the manager of the Sark Fund. Emmanuel Boussard and Emmanuel Gavaudan are directors and shareholders of the manager.

Rights of the shares in the Sark Fund

Shares (other than founder shares) in the Sark Fund carry an equal right to such dividends and other distributions as the directors may declare. Except where voting rights attach exclusively to the founder shares, on a show of hands at a general meeting of the Sark Fund, every shareholder who is present in person or by proxy shall have one vote and on a poll every shareholder present in person or by proxy shall be entitled to one vote in respect of each share held by him. On a winding-up, the shares are entitled in priority to the founder shares, to the return of the capital paid up thereon and the surplus assets of the Sark Fund attributable to each class of shares will be distributed among the holders of the shares of that class according to the number of such shares held by each of them.

Changes in share capital

The Sark Fund may increase or reduce its authorised share capital, divide all or any of its share capital into shares of smaller amount or combine all or any of its share capital into shares of larger amount. For so long as the authorised share capital is divided into different classes of shares, the rights attached to any class may be varied by consent in writing of holders of not less than three quarters of the issued shares of that class or with the sanction of a special resolution (a three quarters majority of votes cast) passed at a general meeting of the holders of the shares of that class.

Transfer of shares

Subject to the restrictions set out in this section, under the section headed "Compulsory Redemptions" on page 101 and as otherwise described in the Sark Fund's prospectus dated 11 October 2006 in relation to US investors, shares are transferable by written instrument of transfer signed by (or in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and containing the name and address of the transferor and the transferee. The instrument of transfer shall be in such form as the directors approve.

In the case of the death of any one of joint shareholders, the survivor(s) will be the only person or persons recognised by the Sark Fund as having any title to the interest of the deceased joint shareholder in the shares registered in the names of such joint shareholders. Shareholders wishing to transfer shares must sign the transfer in the exact name or names in which the shares are registered, indicate any special capacity in which they are signing and supply all other required details. The completed form of transfer, duly stamped if applicable, together with such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, must be sent to the administrator. The transfer shall take effect upon the registration of the transferee in the register of shareholders. If the transferee is not already a shareholder, he will be required to complete an application form. No transfer may be made which would result in either the transferor or the transferee remaining or being registered (as the case may be) as the holder of shares valued at less than the Minimum Holding at the time of such intended transfer.

The directors may suspend the registration of transfers for not more than a total of 30 days in any year.

Where requested in writing by the transferor, transfers of shares in the Sark Fund made in connection with a transfer between accounts under the management of the same investor or where there is no change of beneficial owner will not be treated as if there was a redemption and a subscription of shares. As a consequence, the period of time giving rise to a redemption fee with respect to those shares will not relate to the acquisition of such shares but to the date of their issue.

Retirement of directors

There is no provision for the retirement of directors on their attaining a certain age and neither the articles of the Sark Fund nor those of the Sark Master Fund provide for retirement of directors by rotation.

Meetings

The directors may convene meetings of the Sark Fund at such time and in such manner and place as the directors consider necessary or desirable, and they shall convene such a meeting upon the written request of shareholders holding 10 per cent. or more of the issued shares. At least fourteen clear days' notice specifying the place, day and time of the meeting and the general nature of the business to be transacted shall be given. No business shall be transacted at any meeting of shareholders unless a quorum is present. A quorum shall (if the Sark Fund has more than one shareholder) consist of at least two shareholders present in person or by proxy. If within 30 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the request of the shareholders, shall be dissolved; in any other case it shall stand adjourned to the same day the next week. If at such adjourned meeting a quorum of two shareholders present in person or by proxy is not present within thirty minutes from the time appointed for the meeting, the shareholders present shall be a quorum.

All shares in the Sark Fund carry voting rights as specified above. The votes of any joint shareholders must be unanimous if more than one wishes to vote. Otherwise, the vote of the person first named in the register of shareholders shall be accepted as the vote of the joint shareholders, to the exclusion of the votes of the other joint holders. Votes may be cast in person or by proxy.

Indemnity

The directors and other officers of the Sark Fund shall be entitled to be indemnified by the Sark Fund against all expenses (including legal fees), losses or liabilities which they sustain or incur in or about the execution of their duties, provided that such director or other officer acted honestly and in good faith with a view to the best interests of the Sark Fund and had no reasonable cause to believe that his conduct was unlawful. The determination of the directors in this respect is, in the absence of fraud, conclusive unless a question of law is involved.

The directors and other officers of the Sark Master Fund are entitled to be indemnified by the Sark Master Fund on the same basis against expenses, losses or liabilities sustained or incurred by them in or about the execution of their duties.

Winding up

The Sark Fund may voluntarily commence to wind up and dissolve by an ordinary resolution of the holders of founder shares.

Material contracts

Save as disclosed below, neither the Sark Fund nor the Sark Master Fund has entered into any material contract, not being a contract entered into in the ordinary course of business, since its incorporation nor has either the Sark Fund

or the Sark Master Fund entered into any other contract, not being a contract entered into in the ordinary course of business, which contains any provision under which the Sark Fund or the Sark Master Fund has any obligation or entitlement which is material to the Sark Fund or the Sark Master Fund as at the date of this document:

A management agreement dated 11 February 2003, as amended by a supplemental management agreement dated 6 September 2006, between (1) the Sark Fund, (2) the Sark Master Fund and (3) 1729 Management (Cayman) Limited whereby the Sark Fund and the Sark Master Fund appointed 1729 Management (Cayman) Limited to act as manager of the Sark Fund and the Sark Master Fund. The management agreement contains provisions allowing the manager to manage the Sark Fund and the Sark Master Fund and to appoint the investment manager of the Sark Fund and the Sark Master Fund. The management agreement will continue in force until terminated by any party on 90 days' notice in writing to the other parties. Any party may terminate the management agreement on immediate written notice if any other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if another party is dissolved or otherwise enters into insolvency proceedings. 1729 Management (Cayman) Limited will not be liable for any loss suffered by of the Sark Fund or the Sark Master Fund in connection with the performance by the manager of its obligations under the management agreement in the absence of fraud, bad faith, wilful misfeasance, reckless disregard or negligence on the part of the manager in the performance or non-performance of its obligations and duties under the management agreement. The Sark Fund and the Sark Master Fund agree to indemnify 1729 Management (Cayman) Limited against all liabilities incurred by it in the performance of its obligations under the management agreement other than liabilities arising out of the fraud, bad faith, wilful default, reckless disregard or negligence of the manager in the performance or non-performance of its obligations and duties.

An investment management agreement dated 11 February 2003, as amended by a supplemental investment management agreement dated 6 September 2006, between (1) the Sark Fund, (2) the Sark Master Fund, (3) 1729 Management (Cayman) Limited and (4) Boussard & Gavaudan Asset Management, LP whereby the manager of the Sark Fund and the Sark Master Fund appointed Boussard & Gavaudan Asset Management LP as the investment manager of the Sark Fund and the Sark Master Fund, subject to the control of and review by the directors, to manage the investments of the Sark Fund and the Sark Master Fund. The investment management agreement will continue in force until terminated by any party on 90 days' notice in writing to the other parties. It may be terminated forthwith by any party on immediate written notice if another party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if another party is dissolved or otherwise enters into insolvency proceedings. The investment manager will not be liable for any loss suffered by the Sark Fund or the Sark Master Fund in connection with the performance by the investment manager of its obligations under the investment management agreement in the absence of fraud, wilful default or negligence on the part of the investment manager. Each of the Sark Fund and the Sark Master Fund agrees to indemnify the investment manager against all liabilities incurred by it in the performance of its obligations and duties under the investment management agreement other than liabilities arising out of the fraud, wilful default or negligence on the part of the investment manager in the performance of its obligations and duties.

An investment advisory agreement dated 11 February 2003 between (1) the Sark Fund, (2) the Sark Master Fund, (3) Boussard & Gavaudan Asset Management LP and (4) Boussard & Gavaudan Gestion S.A.S. whereby the investment manager of the Sark Fund and the Sark Master Fund appointed BGG as the investment adviser of the Sark Fund and the Sark Master Fund to provide investment advisory services in relation to the investment of the assets and investments of the Sark Fund and the Sark Master Fund. The investment advisory agreement will continue in force until terminated by any party on 90 days' notice in writing to the other parties. It may be terminated forthwith by any party on immediate written notice if another party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if another party is dissolved or otherwise enters into insolvency proceedings. The investment manager may terminate the investment advisory agreement forthwith if the investment adviser ceases to be able to fulfil its obligations under the investment advisory agreement due to any change in the laws or regulations of France or the application thereof by any regulatory authority. The investment advisory agreement will terminate automatically upon termination of the investment management agreement. The investment adviser will not be liable for any loss suffered by the Sark Fund, the Sark Master Fund or their investment manager in connection with the performance by the investment adviser of its obligations under the investment advisory agreement in the absence of fraud, bad faith, wilful misfeasance, reckless disregard or negligence on the part of the investment adviser. Each of the Sark Fund and the Sark Master Fund agrees to indemnify the investment adviser against all liabilities incurred by it in the performance of its obligations and duties under the investment advisory agreement other than liabilities arising out of the fraud, bad faith, wilful misfeasance, or negligence on the part of the investment adviser in the performance of its obligations.

A distribution agreement dated 11 February 2003, as amended, between (1) the Sark Fund and (2) 1729 Management (Cayman) Limited whereby the Sark Fund appointed 1729 Management (Cayman) Limited to solicit subscriptions for its shares with power to appoint sales agents. The distribution agreement contains provisions indemnifying and exempting the manager from liability not due to its own wilful default, bad faith or negligence. It may be terminated by 90 days' notice in writing given by the Sark Fund to the manager or vice versa, forthwith by either party on written notice if the other party commits any material breach of its obligations and duties and fails to remedy the breach within 30 days of receipt of notice requiring the same, and automatically if either party goes into liquidation or otherwise enters into insolvency proceedings.

A series of agreements (together the "**GSI Prime Broker Agreement**") dated 11 February 2003 between (1) the Sark Master Fund and (2) Goldman Sachs International relating to the provision of dealing, financing, clearing, settlement and foreign exchange facilities to the Sark Master Fund. Each of the agreements constituting the GSI Prime Broker Agreement may be terminated at any time by notice to take effect immediately or after a specified period and contains provisions limiting the parties' liability to the Sark Master Fund and under which the Sark Master Fund agrees to indemnify such parties. Goldman Sachs International is registered in England and Wales with company number 2263951, has its registered office at Peterborough Court, 133 Fleet Street, London EC4A 2BB (telephone +44 207 774 1000) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. It has financial resources in excess of US\$200 million and its ultimate parent, The Goldman Sachs Group, Inc. has a rating of AA- and Aa3 from Standard and Poor's and Moody's, respectively, for long-term debt and A-1+ and P-1 from Standard and Poor's and Moody's respectively, for short-term debt. (a "**Specified Credit Rating**").

A prime brokerage agreement (the "**Deutsche Prime Broker Agreement**") dated 11 February 2003 between (1) the Sark Master Fund and (2) Deutsche Bank AG London ("**Deutsche Bank**") pursuant to which Deutsche Bank has agreed to provide prime brokerage and custodian services to the Sark Master Fund. The Deutsche Prime Brokerage Agreement may be terminated by either party on 30 business days' notice in writing. Deutsche Bank is registered in England and Wales with branch number BR000005 and has its registered branch office at Winchester House, 1 Great Winchester Street, London EC2N 2DB (telephone +44 207 545 8000). Deutsche Bank is a credit institution regulated principally in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht ("**BAFin**"). Deutsche Bank AG operates under the passporting provisions of the EU Second Banking Directive and additionally (in respect of activities not so passported) under authorisation from the Financial Services Authority of the United Kingdom. Deutsche Bank AG has financial resources in excess of US\$200 million and has a rating of AA and Aa1 from Standard and Poor's and Moody's, respectively, for long-term debt and A-1+ and P-1 from Standard and Poor's and Moody's respectively, for short-term debt.

An international prime brokerage agreement ("**MSI Prime Brokerage Agreement**") dated 6 November 2003 between (1) the Sark Master Fund and (2) Morgan Stanley & Co. International plc ("**MSI**") for itself and as agent for and on behalf of certain other companies in the Morgan Stanley Group of companies ("**Morgan Stanley Companies**") and together with MSI, the "**Morgan Stanley Group**") pursuant to which MSI has agreed to provide prime brokerage and custodian services to the Sark Master Fund. Transactions may be executed by any of the Morgan Stanley Group. The Morgan Stanley Group consists of a number of different companies often dealing in different investments or in different markets. MSI may from time to time at its discretion add additional Morgan Stanley Companies through which to execute transactions as parties to the prime broker agreement by entering into a novation agreement and the Sark Master Fund has irrevocably authorised MSI as its attorney to enter into such a novation agreement. The MSI Prime Brokerage Agreement may be terminated by either party giving 30 days' prior notice in writing to the other party. The prime broker agreement provides that in the absence of negligence, wilful default or fraud MSI will not be liable for loss resulting from any act or omission in connection with the services provided under the prime broker agreement. The Sark Master Fund agrees to indemnify each Morgan Stanley Company against any loss suffered by, and any claims made against, the relevant Morgan Stanley Company arising out of the prime broker agreement, save where such loss or claims results from the wilful default, fraud or negligence of the relevant Morgan Stanley Company. MSI is registered in England and Wales with company number 2068222, has its registered office at 25 Cabot Square, Canary Wharf, London E14 4QA (telephone +44 207 425 8000) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. MSI has financial resources in excess of US\$200 million (or its equivalent in another currency) and its ultimate parent company, Morgan Stanley, has a rating of AA- and Aa3 from Standard and Poor's and Moody's, respectively, for long-term debt and A-1+ and P-1 from Standard and Poor's and Moody's respectively, for short-term debt.

An international prime brokerage agreement supplemented by standard terms and conditions of business (the "**MLI Prime Broker Agreement**") dated 25 February 2005 between (1) the Sark Master Fund and (2) Merrill Lynch International ("**MLI**") pursuant to which MLI has agreed to provide prime brokerage and custodian services to the

Sark Master Fund. The MLI Prime Broker Agreement may be terminated by either party giving 30 days' prior notice in writing to the other party. MLI is registered in England and Wales with company number 2312079, has its registered office at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ (telephone +44 207 628 1000) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. MLI is a wholly owned subsidiary of Merrill Lynch & Co., Inc. Merrill Lynch & Co., Inc. is a publicly traded holding company whose subsidiaries provide a wide range of investment banking, securities trading and brokerage services to both domestic and international clients. Merrill Lynch & Co., Inc has a rating of A+ and A1 from Standard and Poor's and Moody's, respectively, for long-term debt and A-1 and P-1 from Standard and Poor's and Moody's respectively, for short-term debt.

Prime brokerage terms dated 7 November 2005 (as supplemented by the prime broker and custodians standard terms and conditions of business, the "**CSFB Agreement**") between (1) the Sark Master Fund and (2) Credit Suisse Securities (Europe) Limited ("**CSFB**") pursuant to which CSFB has agreed to provide prime brokerage and custodian services to the Sark Master Fund. The CSFB Agreement may be terminated by either party at any time by written notice to take effect thirty business days from receipt of such notice. Under the CSFB Agreement the Sark Master Fund has agreed to indemnify CSFB and its affiliates for any loss, claim, damage or expense (including reasonable legal fees, accountants fees, fines and penalties) incurred or suffered by, or asserted, against CSFB or its affiliates arising out of any action or inaction by any executing broker or its agent or any third party with respect to the Sark Master Fund or any transaction under the CSFB Agreement, the proper performance by CSFB or its affiliates of services for the Sark Master Fund under the CSFB Agreement including the cost of settling transactions, any breach by the Sark Master Fund of any provision of the CSFB Agreement, any failure in whole or in part or delay in performing any duty or obligation under the CSFB Agreement, CSFB holding any cash or assets on behalf of the Master Fund, or any payment made or recovered in a currency other than that which it is required to be paid other than, in all cases, by reason of the breach of the CSFB Agreement by CSFB, negligence, fraud or wilful default of CSFB or its affiliates. CSFB is registered in England and Wales with company number 00891554, has its registered office at 1 Cabot Square, London E14 4QJ (telephone +44 020 7888 8888) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. CSFB has financial resources in excess of US\$200 million (or its equivalent in another currency) and, in each case, has a rating of A+ and Aa2 from Standard and Poor's and Moody's, respectively, for long-term debt and A-1 and P-1 from Standard and Poor's and Moody's respectively, for short-term debt.

A master prime brokerage agreement ("**UBS Agreement**") between UBS AG ("**UBS**") and the Master Fund dated as of 12 November 2007 pursuant to which UBS provides prime brokerage and custody services to the Master Fund. These services may include providing Sark Master Fund Limited with margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. Sark Master Fund Limited may also use UBS and other brokers and dealers to execute transactions for Sark Master Fund Limited. UBS also provides a custody service for all Sark Master Fund's investments held by UBS in accordance with the Agreement. UBS is regulated by the Financial Services Authority ("**FSA**") of the United Kingdom in the conduct of its investment business. The Agreement between Sark Master Fund Limited and UBS may be terminated by either party on 30 business days' notice in writing. UBS has a rating of AA- and Aa1 from Standard and Poor's and Moody's, respectively, for long-term debt and A-1+ and P-1 from Standard and Poor's and Moody's respectively, for short-term debt.

An Administration Agreement dated 11 February 2003 between (1) the Sark Fund and (2) GlobeOp Financial Services LLC whereby GlobeOp was appointed to provide certain administration, accounting, registration, transfer agency and related services to the Sark Fund. The Administration Agreement will continue in force until terminated by the Sark Fund on 90 days' notice in writing to GlobeOp or 180 days' notice in writing by GlobeOp to the Sark Fund and may be terminated by the Sark Fund at any time in the event of a breach of the Agreement by GlobeOp and its failure to remedy such breach within 5 days of receipt of written notice requesting it to do so. The Administration Agreement provides that in the absence of fraud, wilful misconduct or gross negligence, GlobeOp will not be liable for any loss incurred by the Sark Fund and the Sark Fund agrees to indemnify GlobeOp or its agents against any loss suffered by GlobeOp or its agents save where such loss results from the fraud, wilful misconduct or gross negligence on the part of GlobeOp or its agents in which case GlobeOp agrees to indemnify the Sark Fund.

An Administration Agreement dated 11 February 2003 between (1) the Sark Master Fund and (2) GlobeOp whereby GlobeOp was appointed to provide certain administration, accounting, registration, transfer agency and related services to the Sark Master Fund. The Administration Agreement will continue in force until terminated by the Sark Master Fund on 90 days' notice in writing to GlobeOp or 180 days' notice in writing by GlobeOp to the Sark Master Fund and may be terminated by the Sark Master Fund at any time in the event of a breach of the Agreement by GlobeOp and its failure to remedy such breach within 5 days of receipt of written notice requesting it to do so. The Administration Agreement provides that in the absence of fraud, wilful misconduct or gross negligence, GlobeOp will not be liable for any loss incurred by the Sark Master Fund and the Sark Master Fund agrees to indemnify

GlobeOp or its agents against any loss suffered by GlobeOp or its agents save where such loss results from the fraud, wilful misconduct or gross negligence on the part of GlobeOp or its agents in which case GlobeOp agrees to indemnify the Sark Master Fund.

A Control Agreement between the Sark Fund and the Sark Master Fund dated 11 February 2003 whereby the Sark Master Fund has undertaken to the Sark Fund to comply with certain requirements imposed by the Irish Stock Exchange listing rules. Accordingly, the Sark Master Fund has undertaken to the Sark Fund to conform with the following requirements:

- (A) that it is and will remain duly incorporated or otherwise validly established with limited liability according to the relevant laws of the Cayman Islands and that it will operate in conformity with its constitutive documents;
- (B) that its principal investment objective and approach will not materially change for a minimum period of three years from the date of admission of the Sark Fund's shares to the official list of the Irish Stock Exchange other than in exceptional circumstances and then only with the consent of a simple majority vote of the shareholders of the Sark Fund;
- (C) that it will demonstrate a spread of investment risk and, in particular, that the minimum investment restrictions of the Irish Stock Exchange listing rules, as applicable, will be adhered to for so long as the Sark Fund's shares remain admitted to the official list of the Irish Stock Exchange;
- (D) that it will be a passive investor;
- (E) that each of its directors will be free of conflicts between duties to it and duties owed by them to third parties and other interests, unless it can be demonstrated to the Irish Stock Exchange that suitable arrangements are in place to avoid detriment to its interests or its shareholders as a whole;
- (F) that its investment manager, and any other service provider to it, will be free of conflicts between duties to it and duties owed by them to third parties and other interests, unless it can be demonstrated that arrangements are in place to avoid detriment to its interests. In particular, the investment manager of the Sark Master Fund should be able to demonstrate arrangements for the allocation of investment opportunities between the Sark Master Fund, other clients and the investment manager's own account, and satisfy the Irish Stock Exchange that such allocations will be made in a manner which does not unfairly prejudice the interests of the Sark Master Fund or its shareholders as a whole;
- (G) that its investment manager may offer shareholders and other entities the opportunity of investing directly in the investments of the Sark Master Fund only where arrangements are in place to avoid any conflicts of interest arising from such investments and the investment manager is satisfied that any such offer does not unfairly prejudice the interests of the Sark Master Fund or its shareholders as a whole;
- (H) that any dividend payment by it may only be made out of its accumulated net income plus the net of accumulated realised and unrealised capital gains and accumulated realised and unrealised capital losses;
- (I) that its investment manager has adequate and appropriate expertise and experience in the management of investments;
- (J) that it has a custodian which is charged with responsibility for the safekeeping and custody of its assets and for compliance with the specific requirements of the Irish Stock Exchange listing rules, as applicable, and that such custodian is a separate legal entity to any investment manager and any investment adviser;
- (K) that there is a written legal agreement between it and its custodian outlining the responsibilities of the custodian with regard to its assets;
- (L) that the custodian appointed by it has suitable and relevant experience and expertise in the provision of custody services;
- (M) that where a sub-custodian or broker has custody of any of its assets and the custodian does not take full responsibility for the safekeeping of those assets, the requirements of the Irish Stock Exchange listing rules, as applicable, will be complied with;
- (N) that any custodian, sub-custodian, prime broker, broker or any other entity holding any of its assets will have no decision-making discretion relating to the investment of those assets;
- (O) that it has appointed an independent auditor to carry out the audit of its financial statements in accordance with US GAAP;

- (P) that its shares conform with the laws of the Cayman Islands, are duly authorised according to the requirements of its constitutive documents, have any necessary statutory or other consent or authorisation and are free of any third party rights/obligations binding upon them; and
- (Q) that where any investment restriction applicable under the Irish Stock Exchange listing rules, as applicable, is breached, its investment manager will ensure that immediate corrective action is taken, except where permitted otherwise under the listing rules.

Legal and arbitration proceedings

There have been no government, legal or arbitration proceedings (including any such proceedings which are pending or threatened and of which the Sark Fund or the Sark Master Fund is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Sark Fund's or the Sark Master Fund's financial position or profitability.

GLOSSARY OF SELECTED TERMS

The following explanations are not intended as technical definitions, but to assist investors in understanding certain terms used in this prospectus:

“Administration Agreement”	the administration agreement between the Company and the Administrator, a summary of which is set out in the paragraph headed “Material contracts” beginning on page 148 of this prospectus
“Administrator”	Close Fund Services Limited
“Admission”	admission to Euronext Amsterdam and/or admission to trading on Euronext Amsterdam, as the context may require, of the Sterling Shares becoming effective in accordance with applicable rules
“Articles of Association”	the articles of association of the Company
“Auditors”	Ernst & Young LLP, Guernsey office, in respect of the Company Ernst & Young, Cayman Islands, in respect of the Sark Fund Ernst & Young, Chartered Accountants, in respect of the Sark Master Fund
“Beta”	a measure of correlation between two return series. For indicative purposes, a Beta of 0.0 means that there is no correlation between two return series whilst a Beta of 1.0 means that two return series evolve almost identically and a Beta of -1.0 means that two return series evolve almost identically opposite. A Beta of 2.0 implies that the analysed return series is almost twice as volatile as the relative index
“Business Day”	a day on which Euronext Amsterdam and banks in Guernsey are normally open for business
“C Shares”	shares designated as C shares of €0.0001 each in the capital of the Company
“certificated” or “certificated form”	not in uncertificated form
“Combined Code”	the Principles of Good Governance and Code of Best Practice as published by the Financial Reporting Council
“Companies Laws”	The Companies (Guernsey) Laws 1994, as amended or replaced from time to time
“Company”	Boussard & Gavaudan Holding Limited
“crowdedness”	risk that a security or asset class in which many financial operators have invested suffers an event that has a disproportionately large negative impact due to limited liquidity in the underlying security or asset class and to the financial operators’ reaction as they seek to exit the investment
“credit spreads”	the difference in yield between different fixed income securities due to different credit quality. It is often measured with respect to the yield on government fixed income securities, considered to have the highest available credit quality
“CREST”	the facilities and procedures for the time being of the relevant system of which Euroclear UK & Ireland Limited has been approved as operator pursuant to the Uncertificated Securities Regulations 2001 (SI No. 2001/3755)
“Custodian”	BNP Paribas Jersey Branch, or such other person or persons from time to time appointed by the Company
“Dealing Day”	the first calendar day of each month and/or such other day or days as the Directors may from time to time determine

“Directors” or “Board”	the directors of the Company
“equity at risk”	assets deployed as a proportion of a company’s total exposure to the market
“ERISA”	US Employee Retirement Income Security Act of 1974, as amended
“Euro”, “EUR” or “€”	the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended
“Euro Pool”	the pool of assets underlying the Euro Shares
“Euro Shares”	ordinary shares in the Company denominated in Euro and of €0.0001 par value
“Euroclear”	Euroclear Nederland as operator of the Euroclear System or its successor
“Euroclear System”	the settlement system operated by Euroclear Nederland which is a reporting system
“Euronext Amsterdam”	Euronext Amsterdam by NYSE Euronext
“Gamma trading”	an investment approach that seeks, through the trading of options and other derivative instruments, to take advantage of anticipated or unanticipated significant dislocations in financial markets, such as market crashes
“GlobeOp”	GlobeOp Financial Services LLC
“Greeks”	Collectively, refers to the financial measures delta, gamma, rho, theta, and vega, which are sensitivity measures of the investment portfolio Delta is the rate of change in the price of a derivative security relative to the price of the underlying asset Gamma is the rate of change in delta relative to the price of the underlying asset; i.e. the second derivative of the option price relative to the underlying asset price Theta is the rate of change in the price of a derivative security relative to time. Theta can also be referred to as the time decay on the value of an option Vega is the rate of change in the price of a derivative security relative to the volatility of the underlying asset Rho is the rate of change in the price of a derivative relative to the underlying asset’s risk-free interest rate
“Investment Companies Act”	US Investment Companies Act 1940, as amended
“Investment Manager”	Boussard & Gavaudan Asset Management, LP
“Irish Stock Exchange”	The Irish Stock Exchange Limited
“Issue Price”	£10 per Sterling Share
“Lehman Brothers”	Lehman Brothers International (Europe)
“Listing Rules”	the Listing Rules of the UKLA made in accordance with section 73A of the UK Financial Services and Markets Act 2000, as amended
“Loan Facility”	the loan facility between the Company and Natixis (acting in various capacities), a summary of which is set out in the paragraph headed “Material Contracts” beginning on page 148 of this prospectus
“London Admission”	admission to the Official List of the UKLA and to trading on the London Stock Exchange plc of the Euro Shares and Sterling Shares becoming effective in accordance with the applicable rules

“Management Agreement”	the management agreement between the Company and the Investment Manager as amended from time to time, a summary of which is set out in the paragraph headed “Material contracts” beginning on page 148 of this prospectus
“mean-reverting tendencies”	tendencies for stochastic processes, such as the value of a financial variable over time, to remain near or tend to return over time to a long-run average value, called the mean
“NAV Calculation Date”	the last day of each calendar month or such other date as the Directors may, in their absolute discretion, determine
“Net Asset Value”	the value of the assets of the Company less its liabilities determined in accordance with the principles adopted by the Directors
“Net Asset Value per Euro Share”	the Net Asset Value attributable to each Share, as provided and expressed in Euros
“Net Asset Value per Sterling Share”	the Net Asset Value attributable to each Sterling Share, as provided and expressed in Sterling
“non-linear arbitrage situations”	an arbitrage situation involving the value and/or the use of derivatives or other financial instruments with a non-linear pay-off
“non-linear pay-off”	the return from investing in certain financial instruments may not be a linear function of a certain underlying parameter. For example, the value of a derivative is generally not proportional to the value of the underlying security
“non-linear risk”	the risk from investing in certain financial instruments may not be a linear function of a certain underlying parameter. For example, the risk of a derivative may not be proportional to the risk of the underlying security
“Offer”	the facility to be made available to shareholders to convert Euro Shares into Sterling Shares at the date of Admission in accordance with the Articles of Association
“Pool”	the Euro Pool and the Sterling Pool, as the context may require
“Premium/discount to Net Asset Value”	the premium/discount to NAV is calculated as the difference between the share price at the end of any Business Day and the estimated Net Asset Value per Share provided by the Investment Manager for the same Business Day divided by the estimated Net Asset Value, expressed as a percentage
“Recognised Exchange”	within the meaning of the law of the country concerned relating to exchanges in the European Union, the Organisation for Economic Co-operation and Development, Hong Kong, Singapore and South Africa, NASDAQ, NASDAQ Europe, the market in US government securities which is conducted by primary dealers which are regulated by the Federal Reserve Bank of New York, the market in transferable securities conducted by primary dealers and secondary dealers which are regulated by the US Securities and Exchange Commission and by the National Association of Securities Dealers and the over-the-counter market in Tokyo regulated by the Securities Dealers Association of Japan and any other regulated exchange or market agreed by the Irish Stock Exchange
“Registrar”	Carey Commercial Limited, or such other person or persons from time to time appointed by the Company
“risk bucket”	the Investment Manager identifies and monitors three types of risk: idiosyncratic risk, catastrophic risk and unmeasurable risk, as

	described on page 53 of this prospectus, each of which constitutes a “risk bucket”
“Risk Factors”	the risk factors pertaining to the Company set out on pages 17 to 39
“Sark Fund”	Sark Fund Limited
“Sark Master Fund”	Sark Master Fund Limited
“Securities Act”	US Securities Act 1933, as amended
“shareholder”	a holder of Euro Shares and/or Sterling Shares, as the context may require
“Shares”	the Euro Shares and the Sterling Shares
“Sharpe Ratio”	the Sharpe Ratio is a single number which typically represents both the risk, and return inherent in a fund. Generally, high returns are generally associated with a high degree of volatility. The Sharpe Ratio is one measure of the trade off between risk and returns. At the same time, it also factors in the desire to generate returns, which are higher than risk-free returns. Mathematically, the Sharpe Ratio is the return generated over the risk-free rate, per unit of risk. Risk in this case is taken to be the fund’s standard deviation. A higher Sharpe Ratio is therefore better as it represents a higher return generated per unit of risk. However, it should be noted that the Sharpe Ratio is only meaningful as a comparative tool and may, at times, be misleading when, for example, a low standard deviation can unduly influence results
“Sponsor”	UBS Investment Bank
“Sponsor Agreement”	the conditional agreement between the Company, the Investment Manager and the Sponsor, a summary of which is set out in the paragraph headed “Material contracts” beginning on page 148
“Sterling”	the lawful currency of the United Kingdom
“Sterling Pool”	the pool of assets underlying the Sterling Shares
“Sterling Shares”	ordinary shares in the Company denominated in Sterling and of €0.0001 par value
“UBS Investment Bank”	UBS Limited
“UK”	the United Kingdom
“UKLA”	the Financial Services Authority as the competent authority for any listing in the United Kingdom or any successor body which may be designated for such purpose
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Dollar”, “US\$” or “\$”	the lawful currency of the United States
“US Person”	(i) a “U.S. person” within the meaning of Regulation S under the Securities Act or (ii) any person that is not a “Non-United States person” within the meaning of the US Commodity Futures Trading Commission Rule 4.17(a)(I)(iv)
“Valuation Day”	the calendar day, with prices determined as of the last Business Day, immediately preceding a Dealing Day and/or such other day or days as the Directors may from time to time determine
“volatility”	the standard deviation of the change in value of a financial instrument over a specific time horizon

FINANCIAL INFORMATION

The following information, available free of charge either in electronic format through the Company's website at www.bgholdingltd.com or in printed format from the Company's registered office at Trafalgar House, Admiral Park, St Peter Port, Guernsey GY1 2JA, is incorporated by reference in this document:

<u>Information incorporated by reference</u>	<u>Reference document</u>	<u>Page number(s) in the reference document</u>
Audited Annual Accounts for the Sark Fund for year ended 31 December 2006	Prospectus of the Company dated 25 May 2007	Pages F-2 to F-22
Audited Annual Accounts for the Sark Master Fund for year ended 31 December 2006	Prospectus of the Company dated 25 May 2007	Pages F-23 to F-63
Audited Annual Accounts for the Sark Fund for year ended 31 December 2005	Prospectus of the Company dated 18 October 2006	Pages F-53 to F-72
Audited Annual Accounts for the Sark Master Fund for year ended 31 December 2005	Prospectus of the Company dated 18 October 2006	Pages F-73 to F-108
Audited Annual Accounts for the Sark Fund for year ended 31 December 2004	Prospectus of the Company dated 18 October 2006	Pages F-109 to F-126
Audited Annual Accounts for the Sark Master Fund for year ended 31 December 2004	Prospectus of the Company dated 18 October 2006	Pages F-127 to F-166

The Audited Annual Accounts for the Sark Fund for year ended 31 December 2007, which have been filed with the Irish Financial Services Regulatory Authority, are incorporated by reference in this document.

The Audited Annual Accounts for the Company for year ended 31 December 2007, which have been filed with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*), are incorporated by reference in this document.

REPORT AND FINANCIAL STATEMENTS
Sark Master Fund Limited

Year ended December 31, 2007
with Report of Independent Auditors

Sark Master Fund Limited

Report and Financial Statements

For the year ended December 31, 2007

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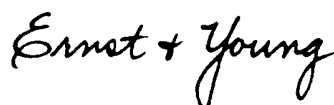
Report of Independent Auditors

To the Board of Directors and Shareholders of
Sark Master Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Master Fund Limited (the "Fund"), including the condensed schedule of investments, as of December 31, 2007, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Master Fund Limited at December 31, 2007, and the results of its operations, the changes in its net assets and its cash flows for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Chartered Accountants

Dublin
Date: 3 April 2008

Sark Master Fund Limited

Statement Of Assets & Liabilities (Expressed in Euros)

December 31, 2007

Assets	€
Securities owned, at fair value (cost €4,299,259,427)	4,964,326,661
Derivative contracts, at fair value	96,575,983
Due from brokers	280,097,508
Interest and dividends receivable	47,841,007
Other Assets	999,297
Total assets	<u>5,389,840,456</u>
Liabilities	
Securities sold, not yet purchased, at fair value (proceeds €2,714,477,040)	2,809,881,977
Derivative contracts, at fair value	99,342,467
Due to brokers	445,429,179
Redemptions payable	24,686,260
Interest and dividends payable	981,250
Accounts payable and accrued expenses	84,816
Total liabilities	<u>3,380,405,949</u>
Net assets	<u><u>2,009,434,507</u></u>
 Net asset value per share	
Ordinary Euro Class A shares, €0.01 par value (10,000,000 shares authorized, 7,031,476 shares outstanding, net asset value of €1,285,395,621)	<u><u>€182.81</u></u>
Ordinary USD Class B shares, \$0.01 par value (10,000,000 shares authorized, 5,579,328 shares outstanding, net asset value of \$ 1,056,445,139, Euro equivalent of €24,038,886)	<u><u>\$189.35</u></u>

See notes to financial statements

Sark Master Fund Limited

Condensed Schedule Of Investments (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value			
Equities			
Belgium			
Financial		6,077	0.00%
Belgium Total (Cost Euro 0)		6,077	0.00%
 Canada			
Communications		32,213	0.00%
Canada Total (Cost Euro 31,228)		32,213	0.00%
 Finland			
Financial		43,538,358	2.17%
Finland Total (Cost Euro 28,003,937)		43,538,358	2.17%
 France			
Basic Materials		2,112,000	0.11%
Communications		24,434,239	1.22%
Consumer, Cyclical			
Camaieu	352,557	97,351,564	4.84%
Others		108,259,663	5.39%
Total Consumer, Cyclical		205,611,227	10.23%
Consumer, Non-Cyclical		29,852,398	1.49%
Energy		340,980	0.02%
Financial		47,105,579	2.34%
Industrial		122,700,942	6.11%
Technology		48,164,982	2.40%
Utilities		21,597,921	1.06%
France Total (Cost Euro 266,620,190)		501,920,268	24.98%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value (continued)			
Equities (continued)			
Germany			
Communications		11,015,968	0.55%
Consumer, Cyclical		92,334,783	4.60%
Consumer, Non-Cyclical		29,725,200	1.48%
Financial		25,662,501	1.28%
Industrial		51,543,936	2.57%
Technology		10,385,632	0.50%
Germany Total (Cost Euro 152,760,076)		220,668,020	10.98%
 Guernsey			
Financial		12,464,025	0.62%
Guernsey Total (Cost Euro 14,291,165)		12,464,025	0.62%
 Italy			
Communications		78,418,993	3.90%
Consumer, Cyclical		14,220,425	0.71%
Diversified		104,516,835	5.20%
Financial		9,167,286	0.46%
Italy Total (Cost Euro 156,949,268)		206,323,539	10.27%
 Luxembourg			
Basic Materials		531,900	0.02%
Luxembourg Total (Cost Euro 492,616)		531,900	0.02%
 Netherlands			
Basic Materials		34,896,847	1.74%
Netherlands Total (Cost Euro 37,919,840)		34,896,847	1.74%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value (continued)			
Equities (continued)			
Norway			
Industrial		11,223,984	0.56%
Norway Total (Cost Euro 3,216,854)		11,223,984	0.56%
Spain			
Basic Materials		3,634,113	0.18%
Communications		10,032,470	0.50%
Consumer, Cyclical		5,308,471	0.26%
Consumer, Non-Cyclical		90,238,212	4.49%
Financial		15,601,622	0.78%
Industrial		19,822,241	0.99%
Spain Total (Cost Euro 62,114,656)		144,637,129	7.20%
Sweden			
Consumer, Cyclical		6,333,650	0.32%
Financial		19,244,737	0.97%
Sweden Total (Cost Euro 26,429,459)		25,578,387	1.29%
Switzerland			
Energy		8,123,901	0.40%
Financial		7,432,926	0.37%
Industrial			
ABB Ltd - Reg [Vtx]	14,785,804	291,276,456	14.50%
Others		5,793,885	0.29%
Total Industrial		297,070,341	14.79%
Technology		2,940,000	0.14%
Switzerland Total (Cost Euro 199,501,847)		315,567,168	15.70%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value (continued)			
Equities (continued)			
United States			
Basic Materials		31,969	0.00%
Communications		30,283	0.00%
Consumer, Cyclical		3,644,088	0.18%
Consumer, Non-Cyclical		30,837	0.00%
Financial		6,291,600	0.31%
Technology		9,129,408	0.46%
United States Total (Cost Euro 20,698,912)		19,158,185	0.95%
Total Equities (Cost Euro 969,030,048)		1,536,546,100	76.48%
Investment Funds			
India			
Financial		5,319,234	0.26%
India Total (Cost Euro 5,974,795)		5,319,234	0.26%
Total Investment Funds (Cost Euro 5,974,795)		5,319,234	0.26%
Corporate Bonds			
Aruba			
Basic Materials		45,069,991	2.24%
Aruba Total (Cost Euro 35,348,061)		45,069,991	2.24%
Belgium			
Basic Materials		14,541,523	0.72%
Financial			
Fortis Bank N.V. 8.75% 07 December 2010	125,000,000	118,906,250	5.92%
Fortis Bank SA/N.V. FRN 19 December 2072	101,000,000	105,479,375	5.25%
Total Financial		224,385,625	11.17%
Belgium Total (Cost Euro 225,264,315)		238,927,148	11.89%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value (continued)			
Corporate Bonds (continued)			
Bermuda			
Energy		11,058,568	0.53%
Bermuda Total (Cost Euro 11,082,241)		11,058,568	0.53%
 Cayman Islands			
Financial		57,308,444	2.85%
Special Purpose Entity			
Ebury Finance Ltd	251,099,000	250,797,681	12.48%
Cayman Islands Total (Cost Euro 309,488,139)		308,106,125	15.33%
 Finland			
Financial		4,399,707	0.22%
Finland Total (Cost Euro 5,706,000)		4,399,707	0.22%
 France			
Communications		63,495,660	3.16%
Consumer, Cyclical		12,002,630	0.60%
Industrial		49,490,287	2.46%
Technology			
Business Objects Sa 2.25% 01 January 2027	2,371,000	120,672,045	6.01%
Others		29,068,173	1.44%
Total Technology		149,740,218	7.45%
France Total (Cost Euro 265,644,321)		274,728,795	13.67%
 Germany			
Communications		38,370,553	1.91%
Germany Total (Cost Euro 37,107,220)		38,370,553	1.91%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value (continued)			
Corporate Bonds (continued)			
Ireland			
Communications		4,199,965	0.21%
Consumer, Non-Cyclical		9,918,672	0.49%
Financial		11,490,611	0.57%
Ireland Total (Cost Euro 27,658,411)		25,609,248	1.27%
 Italy			
Diversified		6,552,222	0.33%
Italy Total (Cost Euro 6,488,720)		6,552,222	0.33%
 Jersey			
Financial		36,295,639	1.81%
Jersey Total (Cost Euro 37,006,875)		36,295,639	1.81%
 Luxembourg			
Consumer, Non-Cyclical		8,935,353	0.45%
Financial			
JP Morgan Bank Luxembourg Sa 4.5% 15 February 2008	299,800,000	409,602,595	20.38%
Others		39,720,013	1.98%
Total Financial		449,322,608	22.36%
Luxembourg Total (Cost Euro 386,284,084)		458,257,961	22.81%
 Netherlands			
Basic Materials			
Bayer Capital Corp Bv 6.625% 01 June 2009	326,050,000	544,582,505	27.10%
Consumer, Cyclical		49,619,572	2.47%
Financial		86,091,665	4.28%
Netherlands Total (Cost Euro 636,625,442)		680,293,742	33.85%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities owned at fair value (continued)			
Corporate Bonds (continued)			
Switzerland			
Financial			
UBS AG/Jersey 3.22% 31 July 2012	1,058,300,000	981,197,585	48.83%
Others		92,868,357	4.62%
Total Financial		<u>1,074,065,942</u>	<u>53.45%</u>
Switzerland Total (Cost Euro 1,113,962,404)		<u>1,074,065,942</u>	<u>53.45%</u>
United Arab Emirates			
Special Purpose Entity		20,357,440	1.01%
United Arab Emirates Total (Cost Euro 20,330,024)		<u>20,357,440</u>	<u>1.01%</u>
United Kingdom			
Communications		51,492,917	2.56%
United Kingdom Total (Cost Euro 44,460,379)		<u>51,492,917</u>	<u>2.56%</u>
Total Corporate Bonds (Cost Euro 3,162,456,636)		<u>3,273,585,998</u>	<u>162.88%</u>
Loan Participation Interests			
Germany			
Bank Loans		81,662,961	4.06%
Germany Total (Cost Euro 92,969,182)		<u>81,662,961</u>	<u>4.06%</u>
Other European Union Countries			
Bank Loans		55,065,870	2.74%
European Union Total (Cost Euro 55,974,190)		<u>55,065,870</u>	<u>2.74%</u>
United Kingdom			
Bank Loans		12,146,498	0.60%
United Kingdom Total (Cost Euro 12,854,576)		<u>12,146,498</u>	<u>0.60%</u>
Total Loan Participating Interests (Cost Euro 161,797,948)		<u>148,875,329</u>	<u>7.40%</u>
Total Investments in Securities (Cost Euro 4,299,259,427)		<u>4,964,326,661</u>	<u>247.02%</u>

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Long Positions			
Forward Buy Contracts			
Various currencies sold against Euro 216,328,564 with expiration date of January 24, 2008		1,502,093	0.07%
Total Forward Buy Contracts		1,502,093	0.07%
Swaps			
European Union			
Equity Swaps		3,643	0.00%
Interest Rate Swaps		145,821	0.01%
European Union Total		149,464	0.01%
France			
Credit Default Swaps		3,201,196	0.16%
Equity Swaps		17,057	0.00%
France Total		3,218,253	0.16%
Germany			
Credit Default Swaps		97,071	0.00%
Equity Swaps		569,490	0.03%
Germany Total		666,561	0.03%
Ireland			
Credit Default Swaps		32,569	0.00%
Ireland Total		32,569	0.00%
Netherlands			
Credit Default Swaps		394,557	0.02%
Netherlands Total		394,557	0.02%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Long Positions (continued)			
Swaps (continued)			
Switzerland			
Equity Swaps		558,445	0.03%
Interest Rate Swaps		522,539	0.02%
Switzerland Total		1,080,984	0.05%
United Kingdom			
Credit Default Swaps		1,137,630	0.06%
United Kingdom Total		1,137,630	0.06%
Total Swaps		6,680,018	0.33%
Contract For Differences			
France			
Consumer, Cyclical Camaieu	190,000	(7,925,300)	(0.39)%
France Total		(7,925,300)	(0.39)%
Ireland			
Industrial		(2,628,760)	(0.13)%
Ireland Total		(2,628,760)	(0.13)%
Italy			
Diversified		(980,000)	(0.05)%
Italy Total		(980,000)	(0.05)%
Netherlands			
Industrial		(13,690)	(0.00)%
Netherlands Total		(13,690)	(0.00)%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Long Positions (continued)			
Contract For Differences (continued)			
Spain			
Consumer, Cyclical		(409,239)	(0.02)%
Spain Total		(409,239)	(0.02)%
United Kingdom			
Basic Materials		494,622	0.02%
Communications		8,912,662	0.44%
Consumer, Cyclical		(292,792)	(0.01)%
Consumer, Non-Cyclical		1,229,876	0.06%
Financial		(673,353)	(0.03)%
Industrial		(7,866)	(0.00)%
Technology		1,712,809	0.08%
Utilities		120,419	0.01%
United Kingdom Total		11,496,377	0.57%
Total Contract For Differences		(460,612)	(0.02)%
Over The Counter Options			
Denmark			
Industrial		26,684	0.00%
Denmark Total		26,684	0.00%
Finland			
Financial		1,794,286	0.09%
Finland Total		1,794,286	0.09%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Long Positions (continued)			
Over The Counter Options (continued)			
France			
Communications		1,262,272	0.06%
Consumer, Cyclical		11,706,225	0.58%
Financial		566,879	0.03%
Industrial		12,079,301	0.60%
Technology		744	0.00%
Utilities		205,442	0.01%
France Total		25,820,863	1.28%
Germany			
Basic Materials		779,742	0.04%
Consumer, Cyclical		9,412,324	0.47%
Consumer, Non-Cyclical		8,174,184	0.41%
Financial		6,911,754	0.34%
Technology		3,316,000	0.16%
Germany Total		28,594,004	1.42%
Italy			
Consumer, Cyclical		1,517,091	0.08%
Italy Total		1,517,091	0.08%
Luxembourg			
Basic Materials		3,867,418	0.19%
Luxembourg Total		3,867,418	0.19%
Mexico			
Industrial		176,553	0.01%
Mexico Total		176,553	0.01%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Long Positions (continued)			
Over The Counter Options (continued)			
Netherlands			
Consumer, Non-Cyclical		4,169	0.00%
Industrial		1,873,839	0.09%
Netherlands Total		1,878,008	0.09%
Norway			
Industrial		2,555,255	0.13%
Norway Total		2,555,255	0.13%
Spain			
Basic Materials		896,505	0.04%
Communications		1,149,710	0.06%
Consumer, Cyclical		733,421	0.04%
Financial		5,905,778	0.29%
Industrial		10,407,090	0.52%
Spain Total		19,092,504	0.95%
Sweden			
Financial		2,028,489	0.10%
Sweden Total		2,028,489	0.10%
Switzerland			
Basic Materials		947,331	0.03%
Consumer, Non-Cyclical		1,542,311	0.08%
Energy		742,822	0.04%
Financial			
Equity Option UBS AG American Call @ 62 March 20, 2008	500,000	127,784	0.01%
Equity Option UBS AG American Call @ 84 March 20, 2008	500,000	137	0.00%
Equity Option UBS AG American Put @ 54 March 20, 2008	500,000	1,128,741	0.06%
Others		5,873,747	0.28%
Total Financial		7,130,409	0.35%
Industrial			
Equity option ABB Ltd. American Put @ 30 March 20, 2008	750,000	529,695	0.04%
Equity option ABB Ltd. American Put @ 6 June 20, 2008	1,000,000	15,246	0.00%
Equity option ABB Ltd. American Put @ 6 June 20, 2008	1,000,000	41	0.00%
Others		361,715	0.02%
Total Industrial		906,697	0.06%
Switzerland Total		11,269,570	0.56%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Long Positions (continued)			
Over The Counter Options (continued)			
United Kingdom			
Basic Materials		6,257,010	0.32%
Consumer, Cyclical		3,080,661	0.15%
Financial		2,854,154	0.14%
United Kingdom Total		12,191,825	0.61%
United States			
Consumer, Cyclical		798,638	0.04%
Index		12,387,520	0.62%
United States Total		13,186,158	0.66%
Total Over the counter options		123,998,708	6.17%
Warrants			
Russia			
Industrial		7,196,217	0.36%
Russia Total		7,196,217	0.36%
Total Warrants		7,196,217	0.36%
Total Derivative Contracts - Long Positions		138,916,424	6.91%
Securities sold, but not yet purchased			
Equities			
Belgium			
Basic Materials		4,686,619	0.23%
Consumer, Non-Cyclical		133,386	0.01%
Financial			
Fortis [Ams]	6,993,741	126,446,837	6.29%
Fortis [Bru]	25,000	450,250	0.02%
Others		10,529,000	0.52%
Total Financial		137,426,087	6.83%
Belgium Total (Proceeds Euro 146,467,109)		142,246,092	7.07%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities sold, but not yet purchased (continued)			
Equities (continued)			
Bermuda			
Energy		4,323,145	0.22%
Bermuda Total (Proceeds Euro 4,277,565)		4,323,145	0.22%
Canada			
Communications		40,615,261	2.02%
Canada Total (Proceeds Euro 44,505,827)		40,615,261	2.02%
Denmark			
Financial		8,815,795	0.44%
Industrial		2,370	0.00%
Denmark Total (Proceeds Euro 10,525,046)		8,818,165	0.44%
Finland			
Financial		1,923,762	0.10%
Finland Total (Proceeds Euro 2,413,197)		1,923,762	0.10%
France			
Communications		25,283,042	1.25%
Consumer, Cyclical		5,040,714	0.25%
Consumer, Non-Cyclical		39,493,134	1.97%
Diversified		1,406,139	0.07%
Energy		340,980	0.02%
Financial		185,550	0.01%
Industrial		17,259,543	0.86%
Technology		32,287,634	1.61%
France Total (Proceeds Euro 129,635,577)		121,296,736	6.04%
Germany			
Basic Materials			
Bayer Ag	8,052,751	503,538,520	25.06%
Total Basic Material		503,538,520	25.06%
Consumer, Cyclical		15,644,927	0.78%
Financial			
Allianz Se-Reg	2,759,628	408,286,963	20.32%
Others		48,045,570	2.39%
Total Financial		456,332,533	22.71%
Germany Total (Proceeds Euro 874,220,812)		975,515,980	48.55%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities sold, but not yet purchased (continued)			
Equities (continued)			
Italy			
Consumer, Cyclical		89,824,744	4.47%
Energy		3,006,000	0.15%
Financial		24,764,476	1.23%
Italy Total (Proceeds Euro 108,840,823)		<u>117,595,220</u>	<u>5.85%</u>
Luxembourg			
Basic Materials		<u>25,226,598</u>	1.26%
Luxembourg Total (Proceeds Euro 23,978,615)		<u>25,226,598</u>	<u>1.26%</u>
Mexico			
Industrial		<u>12,911,712</u>	0.64%
Mexico Total (Proceeds Euro 15,354,128)		<u>12,911,712</u>	<u>0.64%</u>
Netherlands			
Basic Materials		4,757,715	0.24%
Consumer, Cyclical		33,111,309	1.65%
Consumer, Non-Cyclical		7,274,560	0.36%
Industrial		<u>11,831,642</u>	0.59%
Netherlands Total (Proceeds Euro 56,133,957)		<u>56,975,226</u>	<u>2.84%</u>
Norway			
Financial		<u>2,395,477</u>	0.12%
Norway Total (Proceeds Euro 2,463,817)		<u>2,395,477</u>	<u>0.12%</u>
Russia			
Energy		31,240,722	1.55%
Industrial		<u>10,443,078</u>	0.52%
Russia Total (Proceeds Euro 41,257,256)		<u>41,683,800</u>	<u>2.07%</u>
Spain			
Communications		31,771,107	1.58%
Consumer, Cyclical		2,886,288	0.15%
Financial			
Banco Bilbao Vizcaya Argenta-Mce	39,899,691	668,718,821	33.28%
Inmobiliaria Colonial Sa	<u>30,699,526</u>	<u>57,715,109</u>	2.87%
Total Financial		<u>726,433,930</u>	<u>36.15%</u>
Spain Total (Proceeds Euro 851,447,137)		<u>761,091,325</u>	<u>37.88%</u>

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities sold, but not yet purchased (continued)			
Equities (continued)			
Sweden			
Communications		2,087,975	0.10%
Consumer, Cyclical		1,087,423	0.05%
Consumer, Non-Cyclical		1,588,842	0.08%
Financial		10,779,498	0.54%
Industrial		5,233,534	0.26%
Sweden Total (Proceeds Euro 20,758,366)		20,777,272	1.03%
 Switzerland			
Consumer, Cyclical		2,214,602	0.10%
Consumer, Non-Cyclical		42,562,230	2.12%
Financial		85,725,682	4.27%
Industrial			
ABB Ltd - Reg [Vtx]	14,890,711	293,343,097	14.60%
Others		1,212,210	0.06%
Total Industrial		294,555,307	14.66%
Switzerland Total (Proceeds Euro 326,613,951)		425,057,821	21.15%
 United Kingdom			
Communications		2,065,678	0.09%
United Kingdom Total (Proceeds Euro 4,334,902)		2,065,678	0.09%
 United States			
Basic Materials		17,807,961	0.89%
Consumer, Cyclical		11,823,609	0.59%
Financial		7,137,783	0.36%
Industrial		8,533,484	0.41%
United States Total (Proceeds Euro 50,506,909)		45,302,837	2.25%
 Total Equities (Proceeds Euro 2,713,734,994)		2,805,822,107	139.62%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Securities sold, but not yet purchased (continued)			
Equities (continued)			
Corporate Bonds			
France			
Communications		4,059,870	0.20%
France Total (Proceeds Euro 742,046)		4,059,870	0.20%
Total Corporate Bonds (Proceeds Euro 742,046)		4,059,870	0.20%
Total Securities sold, but not yet purchased (Proceeds Euro 2,714,477,040)		2,809,881,977	139.82%
 Derivative Contracts - Short Positions			
Forwards Sell Contracts			
Various currencies bought against Euro 843,236,445 with expiration dates of January 8, 2008 to January 24, 2008		4,411,034	0.22%
Total Forwards Sell Contracts		4,411,034	0.22%
Forward Other Contracts, with expiration dates of January 24, 2008		(203,264)	(0.01)%
Total Forwards Other Contracts		(203,264)	(0.01)%
 Swaps			
European Union			
Interest Rate Swaps		(1,248,694)	(0.06)%
European Union Total		(1,248,694)	(0.06)%
 France			
Credit Default Swaps		(7,953)	(0.00)%
France Total		(7,953)	(0.00)%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Short Positions (continued)			
Swaps(continued)			
Germany			
Credit Default Swaps		(705,146)	(0.04)%
Germany Total		(705,146)	(0.04)%
Ireland			
Credit Default Swaps		(236,606)	(0.01)%
Ireland Total		(236,606)	(0.01)%
Netherlands			
Credit Default Swaps		(571,121)	(0.03)%
Equity Swaps		(3,005)	(0.00)%
Netherlands Total		(574,126)	(0.03)%
Spain			
Equity Swaps		(71,949)	(0.00)%
Spain Total		(71,949)	(0.00)%
United Kingdom			
Credit Default Swaps		(43,674)	(0.00)%
United Kingdom Total		(43,674)	(0.00)%
United States			
Credit Default Swaps		(504,219)	(0.03)%
United States Total		(504,219)	(0.03)%
Total Swaps		(3,392,367)	(0.17)%
Contract For Differences			
Ireland			
Financial		(85,327)	(0.00)%
Ireland Total		(85,327)	(0.00)%
Switzerland			
Basic Materials		220,893	0.01%
Switzerland Total		220,893	0.01%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Short Positions (continued)			
Contract For Differences (continued)			
United Kingdom			
Basic Materials		151,517	0.01%
Communications		(1,094,592)	(0.05)%
Consumer, Cyclical		286,541	0.01%
Consumer, Non-Cyclical		4,613	0.00%
Financial		80,498	(0.00)%
Industrial		400,270	0.02%
United Kingdom Total		(171,153)	(0.01)%
Total Contract For Differences		(35,587)	(0.00)%
Futures			
France			
Index		(299,410)	(0.02)%
France Total		(299,410)	(0.02)%
Germany			
Bond Future		2,231,479	0.12%
Index		(4,132,985)	(0.21)%
Germany Total		(1,901,506)	(0.09)%
Italy			
Index		(147,010)	(0.01)%
Italy Total		(147,010)	(0.01)%
Spain			
Index		155,317	0.01%
Spain Total		155,317	0.01%
United Kingdom			
Index		(1,110,596)	(0.06)%
United Kingdom Total		(1,110,596)	(0.06)%
United States			
Bond Future		(3,009)	(0.00)%
Index		(30,601)	(0.00)%
United States Total		(33,610)	(0.00)%
Total Futures		(3,336,815)	(0.17)%

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Short Positions (continued)			
Over The Counter Options			
France			
Consumer, Cyclical		(15,303)	(0.00)%
Financial		(514,655)	(0.03)%
Industrial		(5,317,773)	(0.26)%
Utilities		(412,800)	(0.02)%
France Total		<u>(6,260,531)</u>	<u>(0.31)%</u>
Germany			
Communications		(2,197,478)	(0.11)%
Consumer, Cyclical		(741,787)	(0.04)%
Consumer, Non-Cyclical		(3,998,350)	(0.20)%
Financial			
Equity option Allianz Se American Put @ 120 December 18, 2009	150,000	(1,462,687)	(0.07)%
Others		(529,592)	(0.03)%
Total Financial		<u>(1,992,279)</u>	<u>(0.10)%</u>
Technology		(1,678,024)	(0.08)%
Germany Total		<u>(10,607,918)</u>	<u>(0.53)%</u>
Spain			
Financial			
Equity option Inmobiliaria Colonial Sa American Put @ 5.3174 January 13, 2010	23,763,839	(72,625,666)	(3.61)%
Equity option Inmobiliaria Colonial Sa European Put @ 3.225 October 03, 2010	11,000,000	(15,255,801)	(0.76)%
Total Financial		<u>(87,881,467)</u>	<u>(4.37)%</u>
Industrial		(5,911,209)	(0.30)%
Spain Total		<u>(93,792,676)</u>	<u>(4.67)%</u>
Switzerland			
Basic Materials		(455,197)	(0.02)%
Consumer, Non-Cyclical		(15,616,640)	(0.78)%
Financial		(5,476,378)	(0.27)%
Switzerland Total		<u>(21,548,215)</u>	<u>(1.07)%</u>

Sark Master Fund Limited

Condensed Schedule Of Investments (continued) (Expressed in Euros)

December 31, 2007

	Quantity	Fair Value	% of NAV
Derivative Contracts - Short Positions (continued)			
Over The Counter Options (continued)			
United Kingdom			
Consumer, Cyclical		(152,567)	(0.01)%
United Kingdom Total		(152,567)	(0.01)%
United States			
Consumer, Cyclical		(382,204)	(0.02)%
Index		(6,381,798)	(0.32)%
United States Total		(6,764,001)	(0.34)%
Total Over the Counter Options		(139,125,909)	(6.93)%
Total Derivative Contracts - Short Positions		(141,682,908)	(7.06)%

Sark Master Fund Limited

Statement Of Operations (Expressed in Euros)

December 31, 2007

	€
Gain / (loss) from securities and derivatives transactions	
Net realized gain from securities and derivative transactions	78,851,244
Net change in unrealized depreciation on securities and derivative transactions	(106,907,616)
Net loss from securities and derivatives transactions	(28,056,372)
Investment income	
Interest	99,551,042
Dividends (net of withholding tax of €404,547)	54,845,549
Other income	4,310,913
Total investment income	158,707,504
Expenses	
Trading expenses	
Interest	(37,907,377)
Dividends	(50,408,681)
Stock borrowing fees	(9,795,213)
Total Trading expenses	(98,111,271)
Non-Trading expenses	
Administration fees	(1,873,086)
Professional fees	(419,038)
Insurance fees	(77,890)
Directors' fees	(40,000)
Other expenses	(31,519)
Total Non Trading expenses	(2,441,533)
Total expenses	(100,552,804)
Net investment income	58,154,700
Net increase in net assets resulting from operations	30,098,328

See notes to financial statements.

Sark Master Fund Limited

Statement Of Changes in Net Assets (Expressed in Euros)

For the year ended December 31, 2007

	€
Increase / (decrease) in net assets resulting from operations	
Net realized gain from securities and derivative transactions	78,851,244
Net change in unrealized depreciation on securities and derivative transactions	(106,907,616)
Net investment income	58,154,700
Net increase in net assets resulting from operations	<u>30,098,328</u>
Increase in net assets resulting from capital transactions	
Shareholder subscriptions	
Euro Class A Ordinary shares	772,885,806
USD Class B Ordinary shares	198,599,953
Shareholder redemptions	
Euro Class A Ordinary shares	(246,761,317)
USD Class B Ordinary shares	(108,396,565)
Net increase in net assets resulting from capital transactions	<u>616,327,877</u>
Net increase in net assets	646,426,205
Net assets at beginning of year	<u>1,363,008,302</u>
Net assets at end of year	<u><u>2,009,434,507</u></u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Cash Flows (Expressed in Euros)

For the year ended December 31, 2007

	€
Cash flows from operating activities	
Net increase in net assets resulting from operations	30,098,328
Adjustments to reconcile net change in net assets resulting from operations to net cash used in operating activities:	
Net realized gain from securities transactions	(257,724,485)
Net change in unrealized depreciation from securities transactions	4,168,901
Payments to purchase securities	(17,616,951,698)
Payments to covered securities sold short	(9,064,990,814)
Proceeds from sale of securities	16,077,989,373
Proceeds from securities sold short but not yet purchased	10,195,270,553
Derivative contracts, at fair value	40,082,473
Due from brokers	(153,807,126)
Interest and dividends receivable	(28,071,246)
Other Assets	(676,666)
Due to brokers	149,177,436
Interest and dividends payable	(7,479,217)
Accounts payable and accrued expenses	(6,184)
Net cash used in operating activities	<u>(632,920,372)</u>
Cash flows from financing activities	
Shareholders subscriptions	708,585,979
Shareholders redemptions	<u>(75,665,607)</u>
Net cash provided by financing activities	<u>632,920,372</u>
Cash and cash equivalents at beginning of the year	-
Net change in cash & cash equivalents	-
Cash and cash equivalents at end of the year	<u>-</u>
Supplemental disclosure of cash flow information	
Non cash subscriptions/redemptions - transfer of investors	
Subscriptions of Euro Class A shares	262,899,780
Redemptions from Euro Class A shares (transfer within)	(262,899,780)
Cash paid during the year for interest	<u>45,957,755</u>
<i>See notes to financial statements.</i>	

Sark Master Fund Limited

Notes to Financial Statements

December 31, 2007

1. Organization

Sark Master Fund Limited (the “Fund” or the “Master Fund”) was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law. The Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Fund. The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also had delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund.

The Fund is a “master” fund in a “master-feeder” fund structure whereby its current shareholder, Sark Fund Limited (the “Feeder Fund”), invests all, or substantially all, of its assets (to the extent not retained in cash) in the ordinary shares of the Fund. Boussard & Gavaudan Holding Limited, a close-ended fund registered and domiciled in Guernsey and listed on the Euronext Amsterdam exchange has substantially invested all its proceeds in the Sark Fund Limited. A second “feeder fund”, constituted as a Delaware limited partnership, has been established to invest its assets in the ordinary shares of the Fund. As at December 31, 2007, no capital has been received by the partnership, and the partnership has not made an investment into the Fund. 1729 Management (Cayman) Limited serves as manager to the Fund.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in Euros. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Transactions in securities are recorded on a trade-date basis. Realized gains and losses are computed by use of the first in, first out method. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date. All discounts/premiums on debt securities are accreted/amortized for financial reporting purposes.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Basis of Accounting (continued)

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" approximates the carrying amounts presented in the statement of financial condition.

Assets and liabilities denominated in foreign currencies are translated into Euros at the closing rates of exchange at December 31, 2007. Transactions during the year are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in net realized gains on securities and derivative transactions and net change in unrealized depreciation on securities and derivative transactions.

The industry classifications included in the condensed schedule of investments represents the Investment Manager's belief as to the most meaningful presentation of the classification of the principle business of each of the Fund's investments.

As the activity of the Fund, and hence of the Feeder Fund, is trading and investing in financial instruments, the statutory financial statements may not provide the most useful means by which to judge the underlying developments and performance of these funds. In particular, while these statutory financial statements included herein split the result of each trade or investment into various individual items, the Feeder Fund, the Fund and the Investment Manager focus on the overall change in assets. It also may not be particularly insightful to compare over time individual accounting items as they may vary for very different reasons, including trading and investment strategies deployed, foreign currency transactions outside the trading and investment activity of the relevant entity and total assets under management. Hence, the directors of the Fund and the Feeder Fund believe that the ultimate indicator is the performance of the fund, i.e. the return to its shareholders.

A significant proportion of the Feeder Fund's investors are invested in the Feeder Fund through a US Dollar share class. As the Fund is a Euro based investment vehicle mainly invested in Euro denominated assets, all funds received in US Dollars are swapped into Euros. Since US Dollar share class investors do not wish to expose their capital to the fluctuations of the Euro-US Dollar exchange rate, their funds are not converted into Euros but solely swapped into Euros on a rolling monthly basis, ensuring that their holdings remains in US Dollars. Therefore they receive the equivalent in US Dollars of the Euro performance of the Fund with minimal currency risk exposure on their capital.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Basis of Accounting (continued)

However, as the financial statements for both the Feeder Fund and the Fund are prepared in Euro, when the funds held by US Dollar share class investors are swapped into Euro, the impact of the change in the Euro-US Dollar exchange rate between the beginning and the end of a period may create a significant impact on the results of operations of the Feeder Fund and the Fund. The larger the proportion of the Feeder Fund held through the US Dollar share class and the more significant the change in the Euro-US Dollar exchange rate over the period, the more significant the impact in the accounts denominated in Euro. However, the directors of the Feeder Fund and the Fund believe that this impact should be neutral to investors in the Feeder Fund as its more relevant performance measure is the net asset value per share in Euro for the Euro share class and in US Dollars for the US Dollar share class. Therefore, the Fund's and the Feeder Fund's accounts are significantly affected by fluctuations in the Euro-US Dollar exchange rate.

Securities

Securities owned and securities sold, not yet purchased which are listed or quoted on any securities exchange or similar electronic system and regularly trade thereon will be valued at their last traded price. If no trades occurred on such day, securities will be valued at the closing bid price if held long and at the closing ask price if held short, and as adjusted in such manner as the directors' in their sole discretion, think fit, having regard to the size of the holding. Where prices are available on one or more exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply.

Any security, for which no prices as described above are available, will be valued at its fair value as determined by the directors. The fair value will be determined having regard to the security's cost price, the price at which any recent transaction in the security may have been effected, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation. At December 31, 2007, €148,875,329 (representing 7.40% of net assets) of securities owned at fair value which relate to loan participation interests, were determined by year end broker quotes received from the broker who held the said positions. The fair value of these securities may differ significantly from the value that would have been used had a ready market for the securities existed, and the difference could be material.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivatives

The Fund also enters into derivative contract transactions such as futures agreements, equity derivatives (warrants, contracts for differences, total return swaps, OTC Equity and Index options), foreign exchange derivatives (FX forward contracts, FX swap contracts) interest rate derivatives and credit derivatives (credit default swaps) and these derivative contracts are recorded at market or fair value. Typically, derivative contracts serve as components of the Fund's investment strategies and are utilized primarily to structure and hedge investments to meet economically the investment objectives of the Fund.

Derivative contracts have been recorded pursuant to the Financial Accounting Standards Board's SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activity".

Listed Derivatives

Non European derivative contracts, which are dealt in or traded through a clearing firm or an exchange, will be valued by reference to the most recent official settlement price quoted by that clearing house or exchange

European derivative contracts which are dealt in or traded through a clearing firm or an exchange will be valued by using the price of 17:35 continental European time

The directors may determine at their discretion which markets shall prevail and provided also that the directors or their appointed designee, at their absolute discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivatives (continued)

Over the Counter derivatives

Derivative contracts, which are dealt in or traded through a financial institution, will be valued on the basis of the latest available valuation at fair value provided by that financial institution.

The directors or their appointed designee may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice. The resulting unrealized gains and losses are reflected in the statement of operations.

Income Taxes

The Fund is not subject to income taxes in the jurisdiction in which it operates. The only taxes payable by the Fund on its income are withholding taxes applicable to certain income. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

FAS 150-3

The Fund changed its method of recognizing redemptions in 2005 in conjunction with its adoption of Financial Accounting Standard Board (FASB) statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, as effected by FASB Staff Position No. FAS 150-3. Redemptions, whether expressed as dollars/euros or shares, are recognized as liabilities, net of performance fee, when each of the dollar/euro and share amounts requested in the redemption notice become fixed which generally occurs on the last day of the fiscal period. As a result, redemptions paid after the end of the year, but based upon year-end net asset values, are reflected as redemptions payable at December 31, 2007. Redemption notices received for which the dollar/euro and share amounts are not fixed remain in capital until the net asset value used to determine the redemption and share amounts are determined. Accordingly, the Statement of Assets and Liabilities and the Statement of Changes in Net Assets show redemptions of €355,157,882. Of these amounts €24,686,260 relates to redemptions due to be paid on January 1, 2008, which under the terms of FASB 150 are mandatorily redeemable financial instruments and

Sark Master Fund Limited

Notes to Financial Statements (continued)

consequently a liability of the Fund and not part of equity. More information on post balance sheet events is given in note 11.

3. Due from and Due to Brokers

Due from and due to brokers primarily consists of cash and cash collateral with the Fund's clearing brokers and various counterparties and the amounts receivable or payable for securities transactions that have not settled at December 31, 2007.

The cash at brokers that relates to securities sold, not yet purchased is restricted until the securities are purchased. Securities sold, not yet purchased are collateralized by certain of the Fund's securities owned. Margin debt balances are collateralized by the Fund's securities and cash held at the broker.

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of its business, the Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk.

These financial instruments include foreign currency forwards, futures agreements, swap agreements, contracts for differences, written options and securities sold short. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specific future dates.

Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the market values of the securities underlying the financial instruments or the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

The derivatives contract amounts do not represent the Fund's risk of loss due to counterparty nonperformance. The Fund's exposure to credit risk associated with counterparty nonperformance for these contracts is limited to the unrealized gains in such contracts which are recognized in the statement of assets and liabilities.

Securities sold, not yet purchased represent obligations of the Fund to deliver the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as

Sark Master Fund Limited

Notes to Financial Statements (continued)

the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

Written options entered into by the Fund represent obligations of the Fund to buy or sell the underlying asset at a specified value, at a specific point in time based upon the agreed or contracted quantity. The ultimate gain or loss depends upon the prices at which the underlying securities are bought or sold to settle the Fund's obligation. Accordingly, these transactions result in off-balance sheet risk as the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

The Fund's principal trading activities are primarily with brokers and other financial institutions located in North America and Europe. All securities transactions of the fund are cleared by major securities firms pursuant to customer agreements. At December 31, 2007, 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. The Fund had substantially all its individual counterparty concentrations with these brokers and their affiliates. Additionally, the Fund holds a Euro denominated mandatory convertible issued by UBS and convertible into BBVA shares. The asset value of this bond of €81,197,585 exposes the Fund to a concentration of credit risk on UBS which is partly offset by the fact that the bond is hedged with a short position in BBVA shares for €(668,718,821).

5. Derivative Contracts

The Fund, in connection with its proprietary trading activities, enters into transactions in a variety of derivative financial instruments. As of December 31, 2007, the fair values of these derivative contracts are included in the statement of assets and liabilities as unrealized gains or losses on derivative contracts. These derivative contracts are marked to market or fair valued with the resulting gains and losses reflected in the statement of operations (as described in Note 2). For over the counter ("OTC") contracts, the fund enters into master netting agreements with its counterparties, therefore, assets represent the Fund's unrealized gains less unrealized losses for OTC contracts in which the Fund has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts.

Sark Master Fund Limited

Notes to Financial Statements (continued)

5. Derivative Contracts (continued)

Credit risk arises from the potential inability of counterparties to perform their obligations under the terms of a contract. The Fund's exposure to credit risk associated with counterparty nonperformance is generally limited to the fair value of OTC contracts reported as assets which is 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 counterparty exposure because of the margin requirements of the individual exchanges. All of the Company's counterparties are with major multi-national broker-dealers.

At December 31, 2007, the Fund's exposure to credit risk was €81,950,665. The Directors believe that the ultimate settlement of the transactions outstanding at December 31, 2007 will not have a material effect on the Fund's financial condition.

Contracts for differences (CFD's) represent agreements that obligate two parties to exchange cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise deemed notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Therefore amounts required for the future satisfaction of the CFD may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFD is valued at the CFD's settlement date and is included in the statement of operations.

Futures are contracts for delayed delivery of commodities, securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified commodity or instrument, at a specified price or yield. Gains and losses on futures are recorded by the Fund based upon market fluctuations and are recorded as realized or unrealized gains or losses in the statement of operations.

The Fund purchases or writes put and call options through listed exchanges and the OTC markets. Options purchased by the Fund provide the Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. Options written by the Fund provide the purchaser of the option the opportunity to purchase from or sell to the Fund the underlying asset at an agreed-upon value either on or before the expiration of the option. Premiums received from writing

Sark Master Fund Limited

Notes to Financial Statements (continued)

options are marked to market in accordance with Note 2 and the resulting gains or losses are recorded in the statement of operations.

5. Derivative Contracts (continued)

The Fund holds warrants, which are option-type securities which offer the Fund the right to purchase the shares of a particular issuer at a predetermined price and typically have a long term subscription period of typically more than one year. All warrant securities are marked to market, with any changes in fair value being taken into the statement of operations.

Forward contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realized / unrealized 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 are included in the statement of operations.

Credit default swaps are contracts in which one party pays an interest in return for the counterparty accepting all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential loss is the value of the interest flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection the maximum potential loss is the nominal value of the protection sold.

6. Share Capital

The authorized share capital of the Fund is €100,000 divided into 10,000,000 ordinary shares, par value €0.01 each ("Class A Shares") and \$100,000 divided into 10,000,000 ordinary shares of a par value of \$0.01 each ("Class B Shares"). At December 31, 2007, there were 7,031,476 Euro Class A Shares issued and outstanding and 5,579,328 USD Class B Shares issued and outstanding.

As of December 31, 2007, all of the issued and outstanding share capital of the Fund was owned by the Feeder Fund.

Sark Master Fund Limited

Notes to Financial Statements (continued)

6. Share Capital (continued)

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

	Shares Outstanding at beginning of year	Shares Issued	Shares Redeemed	Shares Outstanding at end of year
Euro Class A Shares	4,270,223	4,079,550	(1,318,297)	7,031,476
USD Class B Shares	4,967,372	1,401,986	(790,030)	5,579,328

7. Related Party Disclosures

The management and performance fees earned by the Manager are charged to and paid by the Feeder Fund only.

8. Administration and Custodian Fees

GlobeOp Financial Services LLC (the “Administrator”) is responsible for providing administration services to the Fund. The administrator will receive from the Fund a monthly administration fee of one-twelfth of the following percentages of the net asset value of the Fund (before deduction for accrued performance fees): 0.05% on the first EUR €200 million, 0.04% on the next EUR €200 million, 0.03% on the next EUR €200 million and 0.02% on the next EUR €200 million and 0.02% on such net asset value greater than EUR €800 million. In addition, an affiliate of the Administrator receives from the Fund a monthly fee in respect of providing middle/back office and risk reporting services. Fees to be paid in this regard will be one-twelfth of 0.15% on the first EUR €200 million of such net asset value, one-twelfth of 0.12% on the next EUR €200 million, one-twelfth of 0.09% on the next EUR €200 million, one-twelfth of 0.08% on the next EUR €200 million and one-twelfth of 0.05% on the next EUR €800 million, one-twelfth of 0.04% on the next EUR €400 million and one-twelfth of 0.03% on such Net Asset Value greater than EUR €2 billion, subject to a minimum monthly fee of EUR €9,333.

Sark Master Fund Limited

Notes to Financial Statements (continued)

8. Administration and Custodian Fees (continued)

The administration fee totaled €1,873,086 for the year ended December 31, 2007, of which €NIL was payable at December 31, 2007.

Goldman Sachs International, Deutsche Bank AG London, Morgan Stanley & Co International Limited, Credit Suisse First Boston Limited and Merrill Lynch International have been appointed as the Fund's prime brokers and custodians. The prime brokers and custodians receive prime brokerage fees, which are based upon a combination of transaction charges and interest costs. The prime brokers and custodians charge interest on debit balances at a rate agreed with the Fund.

No fee is paid to Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited, Credit Suisse First Boston Limited and Merrill Lynch International for acting as custodian.

9. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the year ended December 31, 2007

Per share operating performance	<u>Euro Class A Shares</u>	<u>USD Class B Shares</u>
Net asset value, beginning of the year	€67.82	\$171.58
Income from investment operations:		
Net realized & unrealized gain on investments	8.43	12.21
Net investment income	<u>6.56</u>	<u>5.56</u>
Net gain	<u>14.99</u>	<u>17.77</u>
Net asset value, end of the year	<u>€82.81</u>	<u>\$189.35</u>
Total return	<u>8.94%</u>	<u>10.36%</u>

Total return is calculated for the participating class taken as a whole. An individual shareholder's return may vary from these returns based on the timing of capital transactions.

Sark Master Fund Limited

Notes to Financial Statements (continued)

9. Financial Highlights (continued)

Ratios to average net assets	<u>Euro Class A Shares</u>	<u>USD Class B Shares</u>
Net investment income	3.53%	2.90%
Trading expenses	(5.17)%	(5.54)%
Non Trading expenses	(0.14)%	(0.40)%
Total Expenses	<u>(5.31)%</u>	<u>(5.94)%</u>

The expenses and net investment income ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment income assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

10. Non-Executive Directors

Emmanuel Gavaudan, Françoise Henry, Pierre-Louis Lions and Angelos Metaxa served as non-executive directors for the year ended December 31, 2007. Each of the directors is entitled to a fee of in aggregate from the Fund and the Feeder Fund.

As of December 31, 2007, there were no service agreements between the Fund and any of the directors. Directors' fees totaled €40,000 for the year December 31, 2007.

Emmanuel Gavaudan and Angelos Metaxa are Directors of the Manager of the Fund. Emmanuel Gavaudan is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the prospectus of the Fund.

Emmanuel Gavaudan holds no shares in the Feeder fund as at December 31, 2007. (In 2006, he held no shares in the Feeder fund).

11. Subsequent Events

Sark Master Fund Limited

Notes to Financial Statements (continued)

From January 1, 2008 and through to date of audit report, the Fund had shareholder subscription of €3,365,236 for Euro Class A shares and \$29,650,000 for USD Class B shares and redemptions of \$107,757 for USD Class B shares.

12. Financial Guarantees under FASB Interpretation No. 45

In the normal course of trading activities, the Fund will trade and hold certain fair valued derivative contracts, which constitute guarantees under FIN 45. Such contracts include credit default swaps where the Fund is providing credit protection on an underlying instrument.

The maximum payouts for these contracts are limited to the notional amounts of each swap. At December 31, 2007, the Fund had a maximum payout amount of €108,500,000 relating to credit default swap contracts with terms up to 10 years. Maximum payout amounts could be offset by the subsequent sale, if any, of assets obtained via the execution of a payout event. The fair value of these contracts as of December 31, 2007 is €2,644,037 as is included in the condensed schedule of investments.

13. Recent Accounting Standards

In February 2007, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FAS 159). This standard permits entities to elect to measure financial instruments at fair value. As investment companies are required to report their investments at fair value in accordance with the AICPA Audit and Accounting Guide: Investment Companies, the impact of FAS 159 upon adoption is that the Company will be permitted to elect to fair value any of its non-investment, financial liabilities. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and upon adoption, the Company will record the effect of the first measurement of non-investment, financial liabilities as a cumulative-effect adjustment to the beginning net assets balance.

Sark Master Fund Limited

Notes to Financial Statements (continued)

13. Recent Accounting Standards (continued)

At this time, management is evaluating the implications of FAS 159, and its impact to the financial statements has not yet been determined.

In September 2006, the FASB issued *Statement on Financial Accounting Standards No. 157, "Fair Value Measurements"* (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of December 31, 2007, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for non-public entities for fiscal years beginning after December 15, 2007 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and its impact in the financial statements has not yet been determined.

14. Capital commitments

As at December 31, 2007, the Fund held a position in a private equity investment fund, which represented approximately 0.26% of the net asset value of the Fund. This represented 55% of the total commitment on this investment, which was called. The remaining 45% of the Fund's total capital commitment remains callable at the discretion of the Directors of the underlying private equity investment fund.

Sark Master Fund Limited

Notes to Financial Statements (continued)

15. Prior Year Reclassification of Balances

There has been a reclassification between the due from/to broker and cash and cash equivalents caption on the Statements of Assets and Liabilities in the prior year figures in order to be consistent with the presentation of the current year's figures. Correspondingly, the cash and cash equivalents balance at the beginning of the year in the Statement of Cash flows has changed accordingly.

APPENDIX 1 — STRESS TEST PARAMETERS

The parameters that are changed by the Investment Manager to produce its simulations for the stress test analyses are as follows:

Spot

Spot means that the spot price of each underlying equity security within the fund is changed by that specific percentage.

Volatility

Volatility means that the volatility surface used for computing prices of derivatives within the fund is changed by that specific percentage.

Credit

Credit means that the credit default swap rate curve is shifted by that specific percentage in order to recalculate the risky zero coupon curves, i.e. riskless zero coupon curves plus the credit default swap spread.

Rate

Rate means that all interest rate curves for all currencies are shifted by that specific percentage to recalculate the riskless zero coupon curves.

Utilising these four parameters, the Investment Manager stress tests the portfolio of the Sark Fund by applying the scenarios below to the Sark Fund.

Description of Stress Test Scenarios

Spot: 10%; Credit: 0%; Vol: 0%; Rates: 0%	Spot: 0%; Credit: 25%; Vol: 10%; Rates: 0%
Spot: -0%; Credit: 0%; Vol: 0%; Rates: 0%	Spot: 0%; Credit: 25%; Vol: -10%; Rates: 0%
Spot: 0%; Credit: 0%; Vol: 10%; Rates: 0%	Spot: 5%; Credit: -25%; Vol: -10%; Rates: 0%
Spot: 0%; Credit: 0%; Vol: -10%; Rates: 0%	Spot: 5%; Credit: -25%; Vol: 0%; Rates: 0%
Spot: 0%; Credit: 25%; Vol: 0%; Rates: 0%	Spot: 5%; Credit: -25%; Vol: 10%; Rates: 0%
Spot: 0%; Credit: -25%; Vol: 0%; Rates: 0%	Spot: 10%; Credit: -25%; Vol: -10%; Rates: 0%
Spot: -10%; Credit: 50%; Vol: 30%; Rates: 0%	Spot: 10%; Credit: -25%; Vol: 0%; Rates: 0%
Spot: -20%; Credit: 75%; Vol: 50%; Rates: 0%	Spot: 10%; Credit: -25%; Vol: 10%; Rates: 0%
Spot: -30%; Credit: 100%; Vol: 70%; Rates: 0%	Spot: 5%; Credit: -25%; Vol: -10%; Rates: 12.5%
Spot: -10%; Credit: 50%; Vol: 30%; Rates: -12.5%	Spot: 5%; Credit: -25%; Vol: 0%; Rates: 12.5%
Spot: -20%; Credit: 75%; Vol: 50%; Rates: -12.5%	Spot: 5%; Credit: -25%; Vol: 10%; Rates: 12.5%
Spot: -30%; Credit: 100%; Vol: 70%; Rates: -12.5%	Spot: 10%; Credit: -25%; Vol: -10%; Rates: 12.5%
Spot: -10%; Credit: 50%; Vol: 30%; Rates: 12.5%	Spot: 10%; Credit: -25%; Vol: 0%; Rates: 12.5%
Spot: -20%; Credit: 75%; Vol: 50%; Rates: 12.5%	Spot: 10%; Credit: -25%; Vol: 10%; Rates: 12.5%
Spot: -30%; Credit: 100%; Vol: 70%; Rates: 12.5%	Spot: 5%; Credit: -25%; Vol: -10%; Rates: 25%
Spot: 5%; Credit: 25%; Vol: 0%; Rates: 0%	Spot: 5%; Credit: -25%; Vol: 0%; Rates: 25%
Spot: 5%; Credit: 25%; Vol: 10%; Rates: 0%	Spot: 5%; Credit: -25%; Vol: 10%; Rates: 25%
Spot: 5%; Credit: 25%; Vol: -10%; Rates: 0%	Spot: 10%; Credit: -25%; Vol: -10%; Rates: 25%
Spot: -5%; Credit: -25%; Vol: 10%; Rates: 0%	Spot: 10%; Credit: -25%; Vol: 0%; Rates: 25%
Spot: -5%; Credit: -25%; Vol: -10%; Rates: 0%	Spot: 10%; Credit: -25%; Vol: 10%; Rates: 25%

The scenarios used by the Investment Manager in the monthly stress tests are those that the Investment Manager believes are useful in structuring, and judging the risk of, the investments made by the Sark Master Fund and, therefore, ultimately of the investment of the Sark Fund in the Sark Master Fund. These scenarios do not represent all of the possible scenarios that may adversely impact the performance of the Sark Fund, and thus the value of the shares of the Sark Fund. The scenarios used, and the results of the stress tests, are based on assumptions and projections made by the Investment Manager. The impact of the Sark Fund to the occurrence of any particular scenario is dependent on its portfolio of investments at any one time and thus may differ significantly from time to time.

