LEO CAPITAL GROWTH SPC Plc

(an umbrella investment company with variable capital and with segregated liability between sub-funds with one closed-ended sub-fund incorporated with limited liability in Ireland under the Companies Acts 1963 to 2012 with registration number 507790 authorised by the Central Bank of Ireland pursuant to Part XIII of the Companies Act 1990)

Annual Report and Audited Consolidated Financial Statements for the Year Ended 31 December 2012

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GENERAL INFORMATION

Directors
Mr. Ian Cooper (British)*
Mr. Aogán Foley (Irish)*
Mr. Wolfgang Graebner (German)*
Mr. Claus Helbig (German)*
Mr. Pierre Kladny (Swiss)*
Mr. Jonathan Schwartz (Chairman) (British)*
Mr. Paul Sullivan (Irish)*
Mr. Richard Parkhouse (British) (appointed 17 January 2013)

*serve as independent non-executive Directors

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

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

Investment Manager & Promoter*
(Appointed 21 December 2011)
Leo Fund Managers Limited
1 Kingsway, 8th Floor
London WC2B 6AT
United Kingdom

*Acted as Sub-Manager up to 21 December 2011

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

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

Bankers
Intesa Sanpaolo Bank Ireland p.l.c
3rd Floor
KBC House
George's Dock
Dublin 1
Ireland

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

Custodian
SMT Trustees (Ireland) Limited
(formerly Daiwa Europe Trustees Ireland Limited)
Block 5
Harcourt Road
Dublin 2
Ireland

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland
resigned 20 September 2012

Independent Auditors
KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland
appointed 20 September 2012

Listing Agent
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P.O. Box 1800
1000 BV Amsterdam
Netherlands

Administrator
Quintillion Limited
24-26 City Quay
Dublin 2
Ireland

GENERAL INFORMATION (continued)

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

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

CHAIRMAN'S STATEMENT

Last year was in two halves with Leo Capital Growth having positive performance for seven months and negative performance in five. Overall the Fund was down 0.61%.

The year started on an encouraging note with good macro data from both Germany and the US extending the 2011 rally. However, the positive situation was not to last. The second quarter of 2012 started with a downturn and the situation worsened in April and May. The third and fourth quarters were better. Overall the markets' performance was positive with gains of 14.3%, 29.6%,15.23% and 5.84% reported in the Eurostoxx 600, Dax, CAC40 and FTSE 100 indices during 2012.

Within this mixed picture there was some good news for Leo Capital Growth. As the Investment Manager's Report shows LCG had a number of successful exits in 2012. Douglas Holding, Inmarsat, International Power, Kabel Deutschland, Misys and OC Oerlikon were all closed at a profit.

Some legacy positions like Mitchells & Butlers also performed well. M&B finished the year with a 38% gain and Symphony International advanced 16.4%.

However, this positive performance was undermined primarily by the losses that Leo Capital Growth experienced with Alpha and Beta Immobiliare. The Alpha share price dropped 30.2% in 2012 and Beta lost 33.5% of its value. The fund manager is working very closely with these companies to see if the underlying value of these funds assets can be realised. However, these discussions are ongoing and will take some time.

The coming year promises to offer a number of challenges and opportunities. As always the Investment Manager will be alert for both new investment opportunities and for ways to improve the performance of the legacy positions.

Jonathan Schwartz

Jonathan Schwartz
Chairman
25 April 2013

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSLIDATED FINANCIAL STATEMENTS

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2012.

Investment objective and policy

Leo Capital Growth SPC PLC (known as the "Company" or the "Parent") is a limited liability investment company with variable capital registered in Ireland on 21 December, 2011, under the Companies Acts 1963-2012. The Company was formed as a segregated portfolio company in the Cayman Islands and registered there on August 25, 2006 and was re-domiciled to Ireland on 21 December 2011. As at 31 December 2012 only one segregated portfolio has been created: the PS Segregated Portfolio (the "Fund"). The Company's investment objective is to achieve long-term appreciation of its assets. The Company for and on behalf of PS Segregated Portfolio seeks to achieve its objective by making significant equity investments either directly or indirectly primarily in European publicly traded companies which the Company believes are under-managed and under-valued. The strategy may require medium to longer-term commitment in order to unlock value. There may be at any point in time significant concentration exposures to individual issuers.

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

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

Financial risk management

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

Market risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements in market variables. Foreign currency risk is the risk of loss resulting from exposure to movements in exchange rates on investments priced in currencies other than the base currency of the Fund. The Company maintains systems of control that it believes are reasonably designed to provide management and the Directors with timely and accurate information about the operations of the Company. Note 4 contains a detailed analysis of these risks.

Interests of Directors & Secretary

As at 31 December 2012 Ian Cooper held 5 Participating Shares in the Company. No other Director or the secretary held an interest in the Company as at 31 December 2012. Details of fees paid to the Directors and the secretary are detailed in Note 9.

Results for the year and state of affairs at 31 December 2012 and future developments

The Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income for the year ended 31 December 2012 are set out on pages 16 and 18, respectively. Please refer to the Investment Manager's Report on page 8 to 12 for further detail of the performance.

Subsidiary

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

Political Donations

The Fund made no political donations during the years ended 31 December 2012 or 31 December 2011.

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSLIDATED FINANCIAL STATEMENTS (Continued)

Significant events during the period

On 10 January 2012 the Directors wrote to shareholders advising them of the second tranche of the 2011 share buyback offer. The offer closed on 30 January 2012 with 73 shares (2.5% of share capital) being repurchased by the Fund.

On 9 July 2012 the Directors wrote to shareholders advising them of a additional share buyback offer. The offer closed on 30 July 2012 with 142 shares (5% of share capital) being repurchased by the Fund.

Subsequent events

An EGM was held on 24 April 2013 during which shareholders approved by way of special resolution the extension of the Fund from 27 June 2014 to 27 June 2016. In addition a return on capital was approved by the Board of Directors in line with the proposed amounts in the shareholder circular distributed on 2 April 2013. The distribution is scheduled to take place in May 2013.

Directors' responsibilities

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

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

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

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

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial statements are prepared in accordance with IFRS as adopted by the EU and comply with the Companies Acts 1963 to 2012. The Directors are also responsible for safeguarding the assets of the Company and in fulfilment of this responsibility they have entrusted the assets of the Company to SMT Trustees (Ireland) Limited (the "Custodian") for safekeeping in accordance with the Memorandum and Articles of Association of the Company. The Directors are responsible for taking reasonable steps to prevent and detect fraud and other irregularities.

Books of account

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

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSLIDATED FINANCIAL STATEMENTS (Continued)

Appointment of auditors

At the Company Annual General Meeting held 20 September 2012 PricewaterhouseCoopers resigned from their role as auditor to the Company and KPMG were appointed as auditors to the Company.

Other

The Board also direct your attention to note 9 for 'Related Party Transactions' for the year to 31 December 2012.

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

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

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

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

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

Corporate Governance Statement

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

Relevant information on the Company's governance arrangements for the year ended 31 December 2012 are set out below. The Board is committed to providing shareholders with relevant and informative details of its approach to corporate governance, and proposes to further review, and where appropriate refine, its Corporate Governance Policies for the year ended 31 December 2012 in the light of experience of applying the new requirements and any relevant guidance or clarification of their requirements that may be issued.

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

The Board of Directors formally adopted the IFIA Code during the course of 2012.

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

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSLIDATED FINANCIAL STATEMENTS (Continued)

Shareholders' meetings and rights (continued)

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

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

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

Composition and operation of the Board of Directors

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

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

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

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

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

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

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

On behalf of the Board

Director
25 April 2013

Director
25 April 2013

INVESTMENT MANAGER'S REPORT
For the year ended 31 December 2012

The Leo Capital Growth Fund reported a 0.61% net loss for the year ended 31/12/2012. The fund's performance compares to gains of 14.37%, 29.06%, 15.23% and 5.84% in the Eurostoxx 600, DAX, CAC 40 and FTSE 100 indices respectively over the equivalent period.

Monthly Performances – For year 2012

LCG Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY 2012
Return	-0.49%	1.98%	1.61%	-2.94%	-4.16%	0.16%	1.87%	1.38%	-0.35%	0.94%	-0.52%	0.10%	**-0.61%**
NAV (Closing)	78,587	80,141	81,435	79,042	75,756	75,879	77,301	78,365	78,094	78,826	78,415	78,490	**78,490**

Market Review:
The year started on a positive note as encouraging macro data from Germany and the US extended the December 2011 rally. Successful debt auctions by European periphery countries coupled with the ECB's announcement that December's LTRO's appeared to reduce systemic risk by easing liquidity pressures extended the upward trend that endured throughout January. February continued the positive momentum on the back of upbeat manufacturing data from across Europe as well as positive employment releases from the US which helped markets reach six month highs. Markets took a breather in the central part of February as concerns over a second bailout for Greece and a muted outlook statement from the ECB softened sentiment, nonetheless the month finished strongly as positive US data provided a boost and the take-up in the second European LTRO came in as expected. The quarter ended with a choppy month as mixed macro data (especially from China), renewed uncertainties over the European sovereign debt crisis and a natural correction from previous month's gains led to softer performances across indices.

The second quarter started with downward momentum from the end of March. Equities stalled in April as weak debt auctions in European periphery reignited the region's ongoing sovereign debt woes whilst poor US employment data added to investors' gloom by casting doubts on the pace of the US economic recovery. Markets took a turn for the worse in May as the European sovereign debt crisis deepened following political uncertainty across the continent and lacklustre economic releases exacerbated market declines. Voters across Europe seemed to express resounding dissatisfaction against austerity measures implemented by most European governments as incumbents suffered severe beatings at the polls. Of particular relevance were the French and Greek elections, with the former seeing president Nicolas Sarkozy ousted and replaced by socialist Francois Hollande while the latter proved inconclusive as no political party managed to secure a majority. With no government in place to deliver on IMF commitments, Greece saw the material risk of bankruptcy and a forced Euro exit. The possibility of a disorderly Euro break up sparked by a Greek exit unnerved investors sending markets spiralling downwards through the end of May. Markets recovered some of the losses in June correcting from deeply oversold levels. The gains were sparked by supportive ECB statements, the ultimate formation of a pro-bailout government in Greece and successful negotiations at the European Summit concerning aid terms and growth measures.

The third quarter started positively as expectations of further monetary stimulus across the globe coupled with positive industrial macro data from Asia and the US led markets higher. As the earnings season kicked in equities reacted cheerfully to a handful of positive earnings surprises especially from the banking and chemical sectors. However, markets swiftly focused on surging Spanish yields which breached the treacherous 7% threshold as investors aggressively dumped Spanish treasuries seeing no sign of a forthcoming end to the Euro-zone crisis. Fears of a Euro breakup quickly resurfaced and European stocks plunged the most in three months. At this stage, the President of the ECB, Mario Draghi stepped in stating the ECB will do 'whatever it takes' to save the Euro as long as its actions fall within the ECB's mandate to preserve price stability. Markets soared on the news and extended gains into the closing stages of July as optimism mounted that the ECB would engage in further bond purchases. August was a quiet month although markets continued to rise fuelled by investor's growing belief that central banks would engage in additional monetary stimulus as well as improving US employment data. These expectations were eventually confirmed in September, as the ECB announced an agreement for an unlimited bond purchase program while the Fed announced QE3. Both these measures cheered markets and reinvigorated the upward trend witnessed for much of the quarter. Some of these gains were relinquished toward the end of the period as ubiquitous concerns on peripheral Europe started to resurface. In particular, discussions on Spain's budget and fresh stress tests on Spanish banks spooked investors leading indices lower.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2012

Market Review: (continued)
The fourth quarter saw the continuation of the upward momentum triggered by the additional quantitative easing manoeuvres announced worldwide towards the end of the third quarter as well as successful stress tests on the Spanish banking system and upbeat US employment data. Towards the start of the period equities wobbled as the earnings season kicked in and mixed results came through, yet they were quickly re-routed on their upward march as positive surprises emerged from Chinese macro data; especially manufacturing releases which had disappointed for a rather lengthy stretch. The US presidential elections took place in early November which were comfortably won by incumbent president Barack Obama. The spotlight toward the end of the year was on the US 'fiscal cliff' – the $600 Bn in federal spending cuts and tax increases which were scheduled to take effect in January – with investors focusing on the ensuing standstill between Republicans and Democrats made worse with Obama's re-election. Much of December was focused on this grueling negotiation with markets jumping on any indication of a deal being reached while retreating on any subsequent denial. Nonetheless the upward trend was maintained supported by a steady stream of US employment releases and the ultimate belief that an agreement on the fiscal cliff would be reached before year end. This was indeed the case although a last minute deal caused markets to retreat somewhat in the year's final sessions. Yet this proved a minor dent in an otherwise successful year for risk assets.

Fund Commentary
The fund generated a neutral performance for the year with losses from one of our core holdings weighing significantly on the result. Beta Immobiliare had a negative year as delays in the disposal of its property portfolio impacted the stock. Ultimately, the share declined 33.5% for the year which materially affected the fund's performance. Excluding Beta, a number of positions were successfully traded and exited after their investment thesis had played out generating substantial profits. Among these, OC Oerlikon, Kabel Deutschland and Misys were particularly lucrative and neutralised most of Beta's losses. A number of new investments with significant potential were also initiated during the year including Kenmare Resources, Puma, Shire Pharmaceuticals and Tessenderlo Chemie. Below we review the fund's investments.

Exited Positions:
Throughout the year investments in Douglas Holding, Inmarsat, International Power, Kabel Deutschland, Misys and OC Oerlikon were closed at a profit as the positions had reached our target price or the investment rationale had played out. Among them, OC Oerlikon, Kabel Deutschland and Misys were the best performers with the former advancing due to positive operational updates while the latter two on M&A grounds. LCG took advantage of these price rises to exit profitably.

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

Alpha Immobiliare:
Alpha had a negative year with the share price dropping 30.2% throughout the period. Some downbeat news flow was released although fundamental data did not justify such a harsh reaction on the share price. NAV as at 31/12/2012 (released in February 2013) was reported at €384.4m (€3701 p/share) vs. €394.5m (€3798 p/share) at 31/12/2011. The 2.6% drop was principally due to a decrease in the value of the real estate portfolio. There were some other changes in the Balance Sheet vs. FY 11 including: a reduction in Financial Assets due to the sale of the shares in an investment, a decrease in cash (most of which was used to pay down debt), and a decrease in other liabilities as the fund paid some of its payables. Financial Liabilities were considerably lower as Alpha used its cash flow to pay down debt. Annual rental income at the end of the year was reported at €27.7m vs. €29.4m at the end of 2011 resulting from an increase in the vacancy rate. At the end of July Alpha announced its board agreed to make use of the provision in its Regulations to extend the life of the fund by a further 15 years due to the enduring difficulties in real estate markets. However, it was also reported that a number of asset sales are under scrutiny and that Management continued to work on the optimization of the fund's property portfolio.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2012

Current Positions: (continued)

Beta Immobiliare:
Beta had a poor year with the stock dropping 33.5% as its portfolio divestment process was delayed further. The open tender announced in November 2011 was terminated unsuccessfully in the early part of the year which triggered a negative share price reaction. Despite this, NAV as at 31/12/2012 (released in February 2013) was reported at €149.2m (€556 p/share) vs. €147.4m (€549 p/share) at 31/12/2011. The gain was principally due to an increase in cash as positive cash flow boosted the balance. Annual rental income at the end of the year was reported at €13.8m vs. €13.6m at the end of 2011. Management reports reaffirmed that efforts are being made to wind down the fund in an orderly manner although the negative economic environment is delaying the process.

Forsys Metals:
As seen in the past years, in 2012 Forsys continued to display fairly elevated level of volatility. Indeed the stock went up by nearly half vs. its opening price at the close of 2011 before coming down by ~50% from its peak but recovered to the end of the year with a net price gain of 7.2%. Uranium prices, one of the key drivers for the stock price, continued to stay at lower levels despite widespread expectations of higher future level in the medium term. During the year, Forsys released several updates of its Namibplaas drilling program that showed time and again of a high potential for a significant jump in the Company's mineral resource level. The Company is targeting to complete an updated Technical Report on the consolidated Valencia and Namibplaas project in the second half of 2013. During the year, Forsys continued its discussions with various interested parties with a view to generate potential strategic and financial alternatives to maximize shareholders' value. We continue to believe that uranium prices should see a significant jump as demand increases to meet the growing energy needs of the world in the medium and long term and therefore, Forsys continues to be an attractive asset to own by other strategic investors.

Infigen Energy:
During 2012, Infigen's share price was range bound at depressed levels and closed the year with a net loss of 7.4%. However, the company's largest shareholder (The Children's Investment Fund) continued to increase its stake as it enhanced its holding in the Company by another ~3% to 32.74% from its end-2011 level of 29.63%. This stake was approximately 23% at the end of 2010. In light of low level of current merchant power prices in the US, Infigen has postponed the informal US sale process by another ~2 years, a key event in our opinion to unlock the value in the stock. Operationally, the Company's electricity production was in line with revised expectations and operating costs increased again as expected. Further, as communicated by management over the last 2 financial years Infigen has repaid AUD 250m towards its main loan facility. It targets to repay AUD 55m in the current financial year. Recent publication of quarterly production and revenues figures confirmed that the Company continues to perform as per our current expectations. Last year, we continued to engage with the Company to monitor its progress on operational and strategic issues. At the current price, the stock trades at a steep discount to its replacement costs and even to its peers; therefore, we attribute significantly higher fair value for the stock price.

Kenmare Resources:
In 2012 the Fund initiated a position in the UK-listed stock 'Kenmare Resources'. Kenmare is a titanium mineral mining company that has its main asset in a relatively stable political regime. The Company is ramping up its operations and is beyond big capital expenditure programmes. Kenmare's products are experiencing extremely favourable demand – supply situation that is expected to keep prices high in the foreseeable future. The stock price however, moved against us finishing the year with a loss of c. 38% since the initiation of the Fund's investment. This was the result of 2 main factors: first, Kenmare's end markets began to display temporary weakness as fears of global slowdown hit sentiment negatively and, secondly, there were delays in the ongoing expansion project and current operations produced less than previously anticipated. We, however, believe that in the short term the Company will ramp up its expansionary programme and end markets should stay stable. In this context, the Fund should be able to exit this investment at levels significantly higher than current stock price.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2012

Current Positions: (continued)

Mitchells & Butlers:
The Fund's long standing position in Mitchells did significantly better than the wider markets as the stock finished the year with a 38% gain. The Company continued to outperform the industry with positive like-for-like sales despite the uncertainty surrounding the UK consumer and reconfirmed the robustness of Mitchells' portfolio. For the full year, the Company's costs and operating margins came in line with expectations. The stock price was also boosted from the announcement of the appointment of a permanent CEO in September. We continue to see a valuation gap between the current market price and our target exit price that could be bridged through the continuation of good operating performances.

Puma:
In February the fund initiated a position in sporting goods manufacturer 'Puma'. The company is controlled by the French luxury group PPR, which has been increasing its position in the Company over time. The Company is very well-managed with long term underlying trends of increased investment in health and fitness products and growth in leisurewear. Apart from being attractively priced, it is also a candidate that could be subject to a minority buyback from its controlling shareholder. However, since our investment to year end, the stock price fell 9%. Most of the underperformance has stemmed from a profit warning due to increased costs and lesser than expected top line growth. This led to downward revision of near term earnings' estimates. However, Puma re-iterated its full year 2012 guidance of sales growth in the mid single digit range. Further, the management maintained the Company's sales target for 2015 at €4bn. Meanwhile, PPR has been acquiring Puma shares in the market and its shareholding now stands at 82.4%. We continue to expect exit from this position thorough a formal buyback by PPR.

Shire Pharmaceuticals:
In March LCG initiated an investment in Shire Pharmaceuticals, a global specialty biopharmaceutical company. Shire belongs to a rare breed of double digit growth European pharma stocks, with attractive end markets and very solid bottom line delivery. The key underlying ingredient to Shire's success is its positioning within the growing ADHD market with a number of market leading products capturing most of this growth. Unfortunately though, 2012 was a mixed year for Shire as the company faced a number of set-backs which impacted the stock. Most notably, towards the end of June Shire announced that the FDA responded to its Citizen Petition for Adderall XR and approved Actavis' generic version of the drug. While this event was a known overhang for the stock, the approval came 2 years earlier than most analysts had expected and consequently had a material negative impact on the stock as the news was announced. Later in the year the company announced somewhat surprisingly that its CEO would retire in early 2013 adding to the uncertainty surrounding the company. Despite these, Shire's operational performance remained solid throughout the year showing persistent growth in its key ADHD markets. For this reason we continue to envisage substantial intrinsic value in Shire and maintain that the stock should gradually revert to trading on fundamentals as the event led sentiment fades away.

Symphony International:
Symphony advanced 16.4% during the year largely driven by the positive operational performance of its underlying investments -especially listed ones- which was encouraging throughout the period. The company's NAV rose steadily ($1.3353 p/share at 30/09/2012 vs. $1.1239 p/share at 31/12/2011), however, Symphony announced a large and discounted capital increase in early October which caused dilution to non-participants and decreased the company's NAV. The pro-forma NAV at 30/09/2012 was $1.0785, 19% lower than the reported figure. Other significant developments included the investment in February of $50m in the healthcare segment through IHT, a portfolio of healthcare assets ultimately owned by the investing holding arm of the government of Malaysia. Shares in this vehicle were subsequently converted into IHH healthcare, which was listed on the Singaporean and Malaysian stock exchanges in July providing liquidity for the investment. With regards to its unlisted holdings, Symphony's H1 reports contained an updated valuation of its holding in Minuet, which was valued at $88m at the end of June 2012 vs. $90m at the end of March 2012, with the decrease predominantly due to a weakening Thai Baht. Symphony's other non-listed investments (SG Land, C Larsen, AFC network, Macau residences and the Japan Hotel JV) reported positive operational developments although these assets represent a relatively smaller portion of Symphony's NAV. We continue to envisage substantial value embedded in Symphony's unlisted assets and will continue to work on strategies to unlock this.

INVESTMENT MANAGER'S REPORT (Continued)
For the year ended 31 December 2012

Current Positions: (continued)

Tessenderlo Chemie:
In October the fund initiated a position in a Belgian chemical company, 'Tessenderlo Chemie'. The company is a diversified European chemical company, involved in inorganics, agro-chemicals, gelatin, rendering and plastic pipes and profiles. Its main end markets are mainly in food, agriculture, water management and pharmaceuticals. The stock trades at a significant discount to the sector and is currently rationalizing its portfolio which has contributed to the ongoing rerating. Further divestment of non-core businesses will continue. From our investment to year end, Tessenderlo's stock price has gone up by more than a fifth. We intend to exit the position once our target price is reached.

Leo Fund Managers Limited
25 April 2013

STATEMENT OF CUSTODIANS RESPONSIBILITIES
For the year ended 31 December 2012

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

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

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

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

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

CUSTODIAN REPORT
For the year ended 31 December 2012

SMT Trustees (Ireland) Limited, as Custodian for Leo Capital Growth SPC Plc (the "Company"), has enquired into the conduct of the Company for the year ended 31 December 2012.

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

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

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

SMT Trustees (Ireland) Limited
25 April 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LEO CAPITAL GROWTH SPC Plc (the "Company")

For the year ended 31 December 2012

We have audited the financial statements of Leo Capital Growth SPC Plc for the year ended 31 December 2012 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Net Assets Attributable to Holders of Participating Shares, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated Schedule of Investments and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statements of Directors' Responsibilities set out on page 4-7 the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2012 and of its changes in net assets attributable to holders of redeemable participating shares for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the financial statements are in agreement with the books of account and, in our opinion proper books of account have been kept by the Company.

In our opinion the information given in the directors' report is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LEO CAPITAL GROWTH SPC Plc (the "Company") (Continued)

For the year ended 31 December 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012, which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Jonathan Lew
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

25 April 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
As at 31 December 2012
(Expressed in Euro)

	Note	2012 €	2011 €
Assets			
Current Assets			
Financial assets at fair value through profit or loss	2, 3	105,921,407	127,855,285
Cash and cash equivalents	2	108,978,316	99,537,147
Margin cash at broker	2	-	1,533,763
Interest and dividends receivable		57,547	58,894
Other assets and prepaid expenses		98,964	7,990
Total Assets		**215,056,234**	**228,993,079**
Liabilities			
Current Liabilities			
Financial liabilities at fair value through profit or loss	2, 3	5,850,606	2,402,531
Due to broker		-	9,394
Investment management fee payable	9	176,561	191,806
Directors' fee payable	9	2,500	125,000
Custodian fee payable	10	10,694	-
Administration fee payable	10	13,381	14,265
Audit fee payable		34,400	34,500
Accrued expenses and interest payable	2	258,116	557,966
Liabilities (excluding net assets attributable to holders of Participating Shares)		**6,346,258**	**3,335,462**
Net Assets attributable to holders of Participating Shares on a bid/ask basis	12	**208,709,976**	**225,657,617**
Net Asset Value per Share per published NAV			
Euro Class Shares		2,696	2,911
NAV per Share	12	€78,490.2047	€78,972.4270

On behalf of the Board

Director
25 April 2013

Director
25 April 2013

See notes to the financial statements

PARENT COMPANY STATEMENT OF FINANCIAL POSITION (Leo Capital Growth SPC Plc)
As at 31 December 2012
(Expressed in Euro)

	Note	2012 €	2011 €
Assets			
Current Assets			
Financial assets at fair value through profit or loss	2, 3	68,294,364	70,744,857
Investment in subsidiary (Liscartan)	2	12,500	12,500
Interest free loans to subsidiary (Liscartan)		3,836,154	4,266,154
Non-interest bearing convertible loans to subsidiary (Liscartan)	3	33,827,774	52,788,858
Cash and cash equivalents		108,968,401	99,466,464
Margin cash at broker	2	-	1,533,763
Interest and dividends receivable		57,547	58,894
Other assets and prepaid expenses		9,704	7,990
Total Assets		**215,006,444**	**228,879,480**
Liabilities			
Current Liabilities			
Financial liabilities at fair value through profit or loss	2, 3	5,850,606	2,402,531
Due to broker		-	-
Investment management fee payable	9	176,561	191,806
Directors' fee payable	9	2,500	125,000
Custodian fee payable	10	10,694	-
Administration fee payable	10	13,381	14,265
Audit fee payable		34,400	34,500
Accrued expenses and interest payable	2	208,326	453,761
Liabilities (excluding net assets attributable to holders of Participating Shares)		**6,296,468**	**3,221,863**
Net Assets attributable to holders of Participating Shares on a bid/ask basis	12	**208,709,976**	**225,657,617**

See notes to the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
For the year ended 31 December 2012
(Expressed in Euro)

	Note	2012 €	2011 €
Investment income			
Interest income	2	277,037	782,413
Dividend income	2	699,978	5,734,505
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	5	1,605,932	(41,247,288)
Total gain / (loss)		**2,582,947**	**(34,730,370)**
Expenses			
Management fees	9	2,171,013	3,522,690
Management termination fee	9, 12	-	2,786,639
Legal fee		163,431	343,855
Directors' fees	9	303,750	250,000
Administration fee	10	161,776	186,089
Custodian fee	10	71,900	-
Prime broker fees		3,526	10,741
Audit fee		42,149	42,250
Other operating expenses		250,359	241,537
Total expenses		**3,167,904**	**7,383,801**
Loss before tax and finance costs		**(584,957)**	**(42,114,171)**
Finance cost			
Interest expense on margin cash	2	(289,481)	(108,165)
Total finance cost		**(289,481)**	**(108,165)**
Loss before tax		**(874,438)**	**(42,222,336)**
Tax			
Witholding taxes	2	(22,023)	(94,368)
Other taxes	2	200,328	(642,229)
Total tax		**178,305**	**(736,597)**
Decrease in net assets attributable to holders of Participating Shares resulting from operations		**(696,133)**	**(42,958,933)**
Adjustment for bid/ask price to last traded price	2	-	(94,368)
Adjustment for management termination fee	9	-	(642,229)
Decrease in net assets attributable to holders of Participating Shares resulting from operations based per published NAV		**(696,133)**	**(43,695,530)**

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

As permitted by section 148(8) of the Companies Act 1963, no separate profit and loss account is presented in respect of the Company. The Company recorded a loss for the year of (€696,133) (2011: (€42,958,933)).

See notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING SHARES (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)
For the year ended 31 December 2012
(Expressed in Euro)

	2012	2011
	€	€
Euro Class		
Net assets attributable to holders of Participating Shares at 31 December 2011	225,657,617	275,225,829
Share buy back	(16,251,508)	(6,609,279)
Decrease in net assets attributable to holders of Participating Shares resulting from operations	(696,133)	(42,958,933)
Net assets attributable to holders of Participating Shares at 31 December 2012	**208,709,976**	**225,657,617**

See notes to the financial statements

PARENT COMPANY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING SHARES (Leo Capital Growth SPC Plc)
For the year ended 31 December 2012
(Expressed in Euro)

	2012	2011
	€	€
Euro Class		
Net assets attributable to holders of Participating Shares		
at 31 December 2011	225,657,617	275,225,829
Share buy back	(16,251,508)	(6,609,279)
Decrease in net assets attributable to holders of		
Participating Shares resulting from operations	(696,133)	(42,958,933)
Net assets attributable to holders of Participating Shares		
at 31 December 2012	**208,709,976**	**225,657,617**

See notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l)

For the year ended 31 December 2012
(Expressed in Euro)

	Note	2012 €	2011 €
Cash flow from operating activities			
Interest received		278,384	822,080
Interest paid		(289,481)	(108,165)
Dividends received		677,955	6,026,027
Proceeds from sale of investments		60,438,073	81,999,538
Purchase of investments		(34,615,592)	(65,141,952)
Return of capital		-	2,077,775
Tax paid		(86,067)	(330,155)
Net gain on derivative contracts		1,158,028	9,420,490
Decrease in cash at broker		1,533,763	2,424,837
Operating expenses paid		(3,418,116)	(7,283,768)
Net cash from operating activities		**25,676,947**	**29,906,707**
Cashflow used in financing activities			
Share buy back		(16,251,508)	(6,609,279)
Net cash used in financing activities		**(16,251,508)**	**(6,609,279)**
Net increase in cash and cash equivalents		**9,425,439**	**23,297,428**
Cash and cash equivalents at beginning of the year		99,537,147	76,076,383
Effect of exchange rate fluctuations on cash and cash equivalents		15,730	163,336
Cash and cash equivalents at end of the year	2	**108,978,316**	**99,537,147**

See notes to the financial statements

PARENT COMPANY STATEMENT OF CASH FLOWS (Leo Capital Growth SPC Plc)
For the year ended 31 December 2012
(Expressed in Euro)

	Note	2012 €	2011 €
Cash flow from operating activities			
Interest received		278,384	822,080
Interest paid		(289,481)	(108,165)
Dividends received		268,365	705,611
Proceeds from sale of investments		60,388,003	81,858,553
Purchase of investments		(34,600,163)	(64,787,875)
Tax paid		(2,657)	(94,368)
Net gain on derivative contracts		1,158,028	9,420,490
Decrease in cash at broker		1,533,763	2,424,837
Operating expenses paid		(3,241,597)	(7,224,727)
Cash received from subsidiary		-	1,620,000
Provision of loans		(235,000)	(1,755,000)
Repayment of interest free loans		430,000	7,000,000
Net cash from operating activities		**25,687,645**	**29,881,436**
Cashflow used in financing activities			
Share buy back		(16,251,508)	(6,609,279)
Net cash used in financing activities		**(16,251,508)**	**(6,609,279)**
Net increase in cash and cash equivalents		**9,436,137**	**23,272,157**
Cash and cash equivalents at beginning of the year		99,466,464	76,030,971
Effect of exchange rate fluctuations on cash and cash equivalents		65,800	163,336
Cash and cash equivalents at end of the year	2	**108,968,401**	**99,466,464**

See notes to the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. General information

Leo Capital Growth SPC Plc (the "Company") is an umbrella investment company with variable capital and with segregated liability between sub-funds incorporated with limited liability in Ireland under the Companies Acts 1963 to 2012 with registration number 507790 authorised by the Central Bank of Ireland pursuant to Part XIII of the Companies Act 1990. As at 31 December 2012 the Company has established one segregated portfolio, the PS Segregated Portfolio (the "Fund").

On or prior to the seventh anniversary of the first issue of the Participating Shares (being 27 June 2014), the Board of Directors will convene a general meeting of shareholders at which a resolution will be put to all holders of Participating Shares to continue the existence of the Company beyond that date for a period of up to two years. Initially, only one segregated portfolio has been created: the PS Segregated Portfolio. The PS Segregated Portfolio has only one Class of Shares: the Euro Class. The Participating Shares were listed on Euronext Amsterdam on 12 July 2007.

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Changes to accounting policy are detailed in note 16.

2.2 Basis of Consolidation

These consolidated financial statements combine the financial statements of Leo Capital Growth SPC Plc and Liscartan Investments S.a.r.l for the years ended 31 December 2012 and 31 December 2011 on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses, Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Investment in Subsidiary

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

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

The interest free loans made to the subsidiary are classified as loans and receivables in accordance with IAS 39 and are stated on the balance sheet of the Company at cost less any impairment applicable. As at 31 December 2012 and 31 December 2011 no impairment has been applied to the interest free loans.

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

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

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

Since the fair value of the investments in Liscartan is lower than the cost value of the non-interest bearing loans outstanding, the unrealised loss at Liscartan have been recognised in the Statement of Comprehensive Income. As at 31 December 2012 the interest free loans outstanding amounted to €3,836,154 (2011: €4,266,154) and non-interest bearing convertible loans were valued at €33,827,774 (2011: €52,788,858).

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities at fair value through profit or loss are recognised in the Consolidated Statement of Comprehensive Income within the fair value net gain or loss.

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

(a) Classification

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. Summary of significant accounting policies (continued)

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

(a) Classification

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

(b) Recognition/derecognition

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

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

(c) Measurement

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

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

(d) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of these financial instruments will be valued in a manner determined by the Directors as advised by the Investment Manager. As at 31 December 2012 the market value of the Fund's securities priced by the Investment Manager at fair value is € Nil (2011: € Nil).

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

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

2.6 Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.7 Cash and cash equivalents

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

	Consolidated 2012 €	Company 2012 €	Consolidated 2011 €	Company 2011 €
J.P. Morgan Chase	943,828	943,828	944,309	944,309
Citi deposit accounts	-	-	20,025,333	20,025,333
Goldman Sachs Funds PLC - Euro Liquid Reserve Fund *	13,610,135	13,610,135	73,397,105	73,397,105
Intesa SanPaolo Bank Ireland	90,000,000	90,000,000	-	-
Goldman Sachs International	4,416,706	4,414,438	5,134,463	5,099,717
ING Bank	7,647	-	35,937	-
	108,978,316	108,968,401	99,537,147	99,466,464

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

2.8 Margin cash at broker

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

	Consolidated 2012 €	Company 2012 €	Consolidated 2011 €	Company 2011 €
Goldman Sachs International	-	-	1,533,763	1,533,763
	-	-	1,533,763	1,533,763

2.9 Accrued expenses

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

	Consolidated 2012 €	Company 2012 €	Consolidated 2011 €	Company 2011 €
Administration out of pocket fees	772	772	837	837
Company Secretary fee	8,500	8,500	9,112	9,112
Investment committee fees	10,000	10,000	10,000	10,000
Liscartan board fees	-	-	6,000	6,000
Directors out of pocket fees	1,639	1,639	2,168	2,168
Listing fees	436	436	15,647	15,647
Subsidiary administration fees	8,000	-		
Interest payable	-	-	5,670	5,670
Legal fees	-	-	102,090	102,090
Accrued tax liability	228,769	186,979	406,442	302,237
	258,116	208,326	557,966	453,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. Summary of significant accounting policies (continued)

2.10 Due from and due to brokers

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

2.11 Interest income

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

2.12 Dividend income and expense

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

2.13 Taxation

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

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

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

As at 31 December 2012 accrued tax liabilities amounted to €228,769 (2011: €406,422).

Other taxes

For the year ended 31 December 2012 other taxes credited to the Income Statement on page 20 amounted to €200,328. The amount relates to a write off of a contingent tax liability of €113,168 and €87,160 in tax adjustments to the subsidiary Liscartan S.a.r.l.

For the year ended 31 December 2011 other taxes debited to the Income Statement on page 20amounted to €642,229. The amount relates to €302,237 a contingent tax liability and €339,992 in tax accruals related to the Subsidiary. The board considers the Company's tax position on an annual basis.

2.14 Derivatives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. Fair Value of Financial Instruments

In determining fair value, the Fund uses various valuation approaches. IFRS 7 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Investment Manager.

The Investment Manager considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Investment Manager's perceived risk of that instrument. The hierarchy is broken down into three levels based on the observability of inputs as follows:

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

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

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

Level 3 valuation methodology is based on inputs that are unobservable and significant to the overall fair value measurement. Examples of assets and liabilities utilizing Level 3 inputs are: certain mortgage-backed and asset-backed securities, retained interests in certain securitization transactions and private equity positions. As at 31 December 2012 and 31 December 2011 the Fund held no Level 3 investments.

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

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

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

Accordingly, the degree of judgment exercised by the Investment Manager in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. Fair Value of Financial Instruments (continued)

Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Investment Manager in the absence of market information. Assumptions used by the Investment Manager due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations.

Set forth below are the Fund's assets at 31 December 2012 and 2011 categorized based on the hierarchy set out in IFRS 7:

Consolidated 31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
	€	**€**	**€**	**€**
Assets				
Financial assets at fair value through profit or loss				
Equity securities	59,433,694	7,999,181	-	67,432,875
Exchange traded funds	-	37,627,043	-	37,627,043
Forward contracts	-	861,489	-	861,489
Total Assets	**59,433,694**	**46,487,713**	**-**	**105,921,407**
Liabilities				
Financial liabilities at fair value through profit or loss				
Contracts for Difference	-	5,850,606	-	5,850,606
Total Liabilities	**-**	**5,850,606**	**-**	**5,850,606**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. Fair Value of Financial Instruments (continued)

Set forth below are the Fund's assets at 31 December 2012 and 2011 categorized based on the hierarchy set out in IFRS 7:

Parent Company 31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
	€	**€**	**€**	**€**
Assets				
Financial assets at fair value through profit or loss				
Equity securities	59,433,694	7,999,181	-	67,432,875
Non-interest bearing convertible loans to subsidiary (Liscartan)	-	-	33,827,774	33,827,774
Forward contracts	-	861,489	-	861,489
Total Assets	**59,433,694**	**8,860,670**	**33,827,774**	**102,122,138**
Liabilities				
Financial liabilities at fair value through profit or loss				
Contracts for Difference	-	5,850,606	-	5,850,606
Total Liabilities	**-**	**5,850,606**	**-**	**5,850,606**

Parent Company 31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
	€	€	€	€
Assets				
Financial assets at fair value through profit or loss				
Equity securities	64,409,729	6,335,128	-	70,744,857
Non-interest bearing convertible loans to subsidiary (Liscartan)	-	-	52,788,858	52,788,858
Total Assets	**70,744,857**	**-**	**52,788,858**	**123,533,715**
Liabilities				
Financial liabilities at fair value through profit or loss				
Contracts for Difference	-	941,171	-	941,171
Forward contracts	-	1,461,360	-	1,461,360
Total Liabilities	**-**	**2,402,531**	**-**	**2,402,531**

The below table shows the level 3 movements for the Company

	2012	**2011**
	US$	**US$**
Opening balance	52,788,858	69,098,061
Provision of non-interest bearing loans	-	1,755,000
Repayment of non-interest bearing loans	-	(7,000,000)
Decrease in fair value of non interest bearing convertible loans	(18,961,084)	(11,064,203)
Closing balance 31 December 2011	**33,827,774**	**52,788,858**

The value of the level 3 non-interest bearing convertible loans are dependent on the value of the underlying investments of Liscartan Investments S.a.r.l. If the investments in Liscartan Investments S.a.r.l increased in value by 10% the value of the non-interest bearing convertible loans would increase by €3,762,704 (2011:€5,711,043). Alternativley if the the value of the underlying investments of Liscartan Investments S.a.r.l decreased by 10% in value of the non-interest bearing convertible loans would decrease by €3,762,704 (2011:5,711,043).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management

4.1 Strategy in using financial instruments

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

- Listed Equities
- Equity Swaps
- Investment Funds

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

Market Risk

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

Market risk is managed on a daily basis by the Investment Manager in accordance with policies and guidelines as outlined in the Fund's Prospectus. To provide a clearer picture and to avoid the limitations of value-at-risk (VaR), market price risk analysis has been changed for the 2012 notes to include a number of other measures instead of VaR.

4.2 Market price risk

The Investment Manager uses "LeoPos", its own in-house bespoke real-time P/L and risk system, to perform the risk calculations on a daily basis. Below are some of the quantitative data taken from LeoPos which were used by the Investment Manager in the 31 December 2012 risk analysis of the Fund:

- Gross exposure of 60% of the net asset value. This is the sum of the absolute values of the delta exposure of all positions. The metric is essentially a measure of leverage. Note that there were no options in the portfolio and all positions have a delta of one.
- Net exposure of 60% of the net asset value. This is the sum of the delta exposures of all positions. Long and short exposures would normally offset each other, but the fund had no short positions so the net exposure is the same as the gross exposure.
- The following positions involve significant ownership levels:

  - Beta Immobiliare Fund: 31.01% of the outstanding units owned
  - Alpha Immobiliare Fund: 11.31% of the outstanding units owned
  - Forsys: 12.1% of the company owned
  - Infigen: 5.19% of the company owned
  - Symphony: 2.07% of the company owned

The following positions are considered illiquid in that either the security does not trade much or consistently on its exchange or the Fund's position is large relative to what is consistently traded:

- Alpha Immobiliare Fund
- Beta Immobiliare Fund
- Forsys
- Infigen
- Mitchells & Butlers
- Symphony

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management (continued)

4.2 Market price risk (continued)

- Largest single equity position of 15.11% of NAV
- Largest exposure to a single country: 18% of NAV (Italy)
- Largest exposure to a single industry or sector: 20% of NAV (Consumer Cyclical)

The Sub-Custodian Goldman Sachs holds all non-cash positions for the Fund and provides daily sensitivity analysis of its portfolio. The Liscartan positions Alpha Immobiliare Fund and Beta Immobiliare Fund are held in a separate account, however, and are not included in the analysis. Below is the beta of the analysis for 31 December 2012 which has been adjusted for the full NAV ex-Liscartan:

- Beta (262 days) of the portfolio (excluding Liscartan positions Alpha Immobiliare Fund and Beta Immobiliare Fund) versus the MSCI Europe Index: 0.33. The Fund is generally less volatile than the relevant market index and this is partially due to the Fund not being fully invested. The Fund does not track the index, but it is chosen because it is well known and includes a diversified set of European equities.

The full portfolio does not include any options or other positions with non-linear exposure to the market. A price shock sensitivity analysis can be calculated from the market exposure of €126,048,175 and the total net asset value of €211,609,592. The price shock involves adjusting the value of all underlying equity positions by the specified amount to see how the portfolio performs as a percentage of the NAV:

Price Movement	% Impact to NAV
(20.00%)	(11.90%)
(15.00%)	(8.90%)
(10.00%)	(6.00%)
(5.00%)	(3.00%)
5.00%	3.00%
10.00%	6.00%
15.00%	8.90%
20.00%	11.90%

The table shows a linear change in the value of the portfolio at a rate which is consistent with the percentage of the Fund invested.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management (continued)

4.2 Market price risk (continued)

The Fund's overall market positions are monitored on a daily basis by the Investment Manager through use of its bespoke real time P/L software ("LeoPos"). The overall market exposure at 31 December 2012 is disclosed in the Consolidated Schedule of Investments.

4.3 Currency risk

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

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

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

The foreign currency exposure as at 31 December 2012 is as follows:

	Net Monetary Assets and Liabilities €	Net Non-Monetary Assets and Liabilities €	FX Forwards €	2012 Total net assets €	2012 Total net assets %
AUD	-	7,784,504	(11,068,735)	(3,284,231)	(1.57%)
CAD	-	7,999,181	(15,186,897)	(7,187,716)	(3.44%)
GBP	(20,184)	26,028,133	(23,727,471)	2,280,478	1.09%
USD	-	5,457,752	(6,063,948)	(606,196)	(0.29%)
	(20,184)	47,269,569	(56,047,051)	(8,797,665)	(4.21%)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management (continued)

4.4 Credit risk

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

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

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

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

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

The below tables show the credit ratings and exposure as a % of net assets as of 31 December 2012 and 31 December 2011.

Sub-Custodian / Primebroker / Broker	**% of net assets held 2012**	**% of net assets held 2011**	**2012 rating**	**2011 rating**	**Rating agency**
Goldman Sachs International	56.34%	90.69%	A-1	A-2	Standard and Poors
JP Morgan Securities Limited	0.45%	0.42%	P-1	P-1	Moodys
ING Bank	0.09%	0.02%	A-1	A-1	Standard and Poors
Citibank	0.00%	8.87%	A-2	A-2	Standard and Poors
Intesa San Paola Ireland	43.12%	-	A-2	A-1	Standard and Poors

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management (continued)

4.4 Credit risk (continued)

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

As at 31 December 2012 and 31 December 2011 the Fund had open contracts for difference with Goldman Sachs International. The investment Manager monitors the credit/counterparty exposure to the Fund on a daily basis.

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

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

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

4.5 Interest rate risk

The majority of the Fund's financial assets and liabilities are either non-interest bearing or held as cash and cash equivalents or cash at broker. As a result, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates at 31 December 2012 or 31 December 2011.

4.6 Liquidity risk

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

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

The Board considers the securities listed below to be relatively illiquid and as a result the Fund may not be able to liquidate its interest in these securities at an amount close to fair value. The table below shows the bid and ask valuations of the securities as at 31 December 2012 and 31 December 2011. In addition the table discloses the average monthly trading volume for the security during the year 2012 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management (continued)

4.6 Liquidity risk (continued)

As at 31 December 2012	Fund Holding	Average trades per month 2012	Bid valuation 2012	Ask valuation 2012
			€	€
Forsys Metals	13,292,116	2,240,000	7,999,181	8,910,480
Fimit SGR Alpha Immobiliare Fund	11,746	703	12,427,268	12,885,362
Beta Immobiliare Closed Fund	83,250	295	25,199,775	27,389,250
Total assets			45,626,224	49,185,092

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

Forsys Metals is classified as Level 2 in Note 3 of the financial statements, The position is highlighted as illiquid due to the fact that the Fund holds a significant position in Forsys Metals and the monthly trading turnover for the year ended 2012 was approximately 16.85% (2011: 13.24%) of the Funds holding.

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

The Board of Directors are acutely aware of the approaching end to the Company's seven year planned life on 27 June 2014 and have taken actions during the financial year in order to make the management of the Company's wind down as orderly as possible.

As the Company is closed ended there is no requirement to provide funding for capital redemptions. At 31 December 2012 all current liabilities that are stated in the Statement of Financial Position are payable within one month. In short selling and creating leverage the Prime Broker – Goldman Sachs International provide borrowing facilities to the Fund. The Investment Manager monitors this stock loan and leverage on a daily basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4. Financial risk management (continued)

4.6 Liquidity risk (continued)

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

	1-30 days	30-60 days	60 + days	Total
	€	€	€	€
As at 31 December 2012				
Assets				
FX forward contracts:				
Inflow	56,908,540	-	-	56,908,540
Outflow	(56,047,051)	-	-	(56,047,051)
Total assets	861,489	-	-	861,489

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

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

	2012	2011
	€	€
Net gain on financial assets and financial liabilities at fair value through profit or loss during the year comprises of:		
Realised gain on investments at fair value through profit or loss	10,137,770	20,765,468
Change in unrealised loss on investments at fair value through profit or loss	(7,055,330)	(63,511,637)
Net realised and change in unrealised gain / loss on investments at fair value through profit or loss	3,082,440	(42,746,169)
Realised (loss)/gain on foreign exchange	(3,796,399)	1,533,452
Change in unrealised gain/(loss) on foreign exchange	2,319,891	(34,571)
Net realised and change in unrealised (loss) / gain on foreign currency	(1,476,508)	1,498,881
Net gain / (loss) on financial assets and financial liabilities at fair value through profit or loss	1,605,932	(41,247,288)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

6. Derivative financial instruments

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

The Company may hold the following derivative instruments:

Contracts for difference (CFDs)

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

The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFD is valued at on the CFDs settlement date and is included in the Statement of Comprehensive Income. Contracts for difference are exposed to market risk of the underlying security. Accordingly, a relatively small price movement in a contract may result in a significant profits or substantial losses to the Fund. As at 31 December 2012 the market value of open CFD contracts was -€5,850,606 (2011: (-€941,171)). The unrealised loss attributable to CFD contracts relates to Kenmare Resources (€3,717,592) and Shire Pharmaceuticals (€2,133,014). Further information on these investments is detailed in the Investment Manager's Report.

Options

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

Premiums received from writing options are marked to market and the resulting gains or losses are recorded in the Consolidated Statement of Comprehensive Income. As at 31 December 2012, there were no option contracts open and the fair value of open option contracts was €Nil (2011: €Nil)

Forward foreign currency contracts

Forward foreign currency contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised / unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date and are included in the Statement of Comprehensive Income. As at 31 December 2012 the market value of open forward foreign currency contracts was a unrealised gain of €861,489 (2011: unrealised loss€1,461,360).

7. Exchange Rates

The consolidated financial statements are presented in Euro. The following exchange rates at 31 December 2012 have been used to translate assets and liabilities in other currencies to Euro.

	2012	**2011**
AUD	1.2699	1.2661
CAD	1.3127	1.3218
CHF	1.2069	1.2135
GBP	0.8111	0.8363
USD	1.3184	1.2984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

8. Share capital

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

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

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

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

On 10 January 2012 the Directors wrote to shareholders advising them of the second tranche of the 2011 share buyback offer. The offer closed on 30 January 2012 with 73 shares (2.5% of share capital) being repurchased by the Fund.

On 9 July 2012 the Directors wrote to shareholders advising them of the additional share buyback offer. The offer closed on 30 July 2012 with 142 shares (5% of share capital) being repurchased by the Fund.

	As at 31 December 2011	Issued in the year	Redeemed in the year	As at 31 December 2012
Number of participating shares	2,911	-	(215)	2,696

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. Related party transaction

Investment management fee

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

Investment management fees incurred during the year amounted to €2,171,013 (2011: €3,522,690, of which €2,348,460 was paid to Leo Fund Managers Ltd and €1,174,230 was paid to Leonardo Capital Management Limited) and investment management fees payable at 31 December 2012 amounted to €176,561 (2011: €191,806).

Investment management termination fee

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

Performance fee

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

In the event that the Manager's appointment is terminated by the Company prior to the winding-up of the Company or the redemption of all of the Participating Shares of the PS Segregated Portfolio for any reason, the Company shall pay a performance fee to the Manager equivalent to 20% of the appreciation in the Net Asset Value of the PS Segregated Portfolio over the period since a performance fee was last paid or, if no performance fee has been paid, since the date of the first issue of Participating Shares to the last Business Day on the month immediately prior to which such termination becomes effective. For the year ended 31 December 2012, the performance fee accrued amounted to €Nil (2011: €Nil).

Directors' fees

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

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

Directors' fees incurred during the year amounted to €303,750 (2010: €250,000) and Directors' fees payable at 31 December 2012 amounted to €2,500 (2011: 125,000).

Jonathan Schwartz receives €10,000 in directorship fees from Liscartan Investments S.a.r.l and €20,000 in investment committee fees from the Company.

Pierre Kladny receives €10,000 in directorship fees from Liscartan Investments S.a.r.l.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. Related party transaction (continued)

Directors' fees (continued)

At 31 December 2012:

- Ian Cooper, a Director of the Company held 5 Participating Shares.

The above share holdings were the same as at 31 December 2011.

10 Service Providers

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

The Administrator also charges an annual fee of €6,000 for audit assistance and is entitled to be reimbursed for reasonable out-of-pocket expenses. As at 31 December 2012, total administration fees for the year amounted to €161,776 (2011: €186,089) with €13,381 (2011: 14,265) payable at year end.

Custodian

SMT Trustees (Ireland) Limited (formally Daiwa Europe Trustees Ireland Limited) were appointed as Custodian to the Company on 21 December 2011.

The Custodian shall be entitled to a custody fee of 0.03% per annum on the first US$200 million of the Net Asset Value of the Portfolio, 0.0275 % per annum on the next US$200 million, 0.025 % per annum on the next US$200 million and 0.02 % per annum on the balance, subject to a minimum of €3,250. As at 31 December 2012, total Custodian fees for the year amounted to €71,900 (2011: €Nil) with €10,694 (2011: €Nil) payable at year end.

11. Re-Domiciliation expenses

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

The costs incurred by the Company in respect of re-domiciling the Company to Ireland were €Nil (2011: €72,656) in legal fees and €Nil (2011:€75,000) in consulting fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12. Reconciliation to published Net Asset Value

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

	Consolidated 2012 €	Consolidated 2011 €
Net asset value per financial statements	208,709,976	225,657,617
Revaluation gain on investments from bid prices to last traded prices	1,332,131	1,618,644
Capitalised termination management fee *	1,567,484	2,612,474
Net asset value per December valuation	211,609,591	229,888,735

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

13. Events since the year end

An EGM was held on 24 April 2013 during which shareholders approved by way of special resolution the extension of the Fund from 27 June 2014 to 27 June 2016. In addition a return on capital was approved by the Board of Directors in line with the proposed amounts in the shareholder circular distributed on 2 April 2013. The distribution is scheduled to take place in May 2013.

14. Statement of portfolio changes

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

15. Soft commission arrangements

There were no soft commission arrangements in the year ended 31 December 2012 or 31 December 2011.

16. Changes in accounting standards

Standards and amendments to existing standards effective 1 January 2012
The amendment to IAS 24, 'Related party disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity.

The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Fund.

IFRS 7 (amendment) 'Financial instruments: Disclosures'.
This amendment was part of the IASB's annual improvement project published in May 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the Fund's financial statements. There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Fund. 'Improvements to IFRS' were issued in May 2011 and contain several amendments to IFRS, which the IASB considers non-urgent but necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

16. Changes in accounting standards (continued)

'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2012. There have been no material changes to accounting policies as a result of these amendments.

Standards effective after 1 January 2012 that have not been early adopted by the Fund
IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013, has not been early adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid/ask spread.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted
IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Fund's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss. The new standard is not expected to have any significant impact on the Fund's financial position or performance.

IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Fund's financial position or performance.

IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Fund's financial position or performance.

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

16. Approval

The consolidated financial statements were prepared by Quintillion Limited and approved by the Board of Directors on 25 April 2013.

CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 31 December 2012

Financial assets at fair value through profit or loss

Equity Securities

Description	Holding	Issuing Country	Local Currency	Fair Value Euro	% Net asset value
Forsys Metals	13,292,116	Canada	CAD	7,999,181	3.83%
Infigen Energy	39,541,859	Australia	AUD	7,784,504	3.73%
Mitchells & Butler	8,000,000	Great Britain	GBP	31,878,738	15.27%
Puma Ord Shs	41,750	Germany	Euro	9,368,700	4.49%
Symphony International	10,660,000	Singapore	USD	5,457,752	2.61%
Tessenderlo Chemie	200,000	Belgium	Euro	4,944,000	2.37%
				67,432,875	**32.30%**

Investment Funds

Description	Holding	Issuing Country	Local Currency	Fair Value Euro	% Net asset value
Fimit SGR Alpha Immobiliare Fund	11,746	Italy	EUR	12,427,268	5.95%
Beta Immobiliare Closed Fund	83,250	Italy	EUR	25,199,775	12.07%
				37,627,043	**18.02%**

Forward contracts

Maturity Date	Contract	Buy amount	Sell amount	Counterparty	Fair Value EUR	% Net Asset Value
06/02/13	Buy EUR Sell GBP @0.8111	23,728,973	19,245,645	Goldman Sachs	111,046	0.05%
06/02/13	Buy EUR Sell USD@1.3102	6,101,940	7,995,000	Goldman Sachs	136,812	0.07%
06/02/13	Buy EUR Sell CAD @1.2920	15,432,818	19,938,769	Goldman Sachs	331,382	0.16%
06/02/13	Buy EUR Sell AUD @1.2486	11,261,772	14,061,054	Goldman Sachs	282,249	0.14%
					861,489	**0.42%**

Total financial assets at fair value through profit or loss	**105,921,407**	**50.74%**

Financial liabilities at fair value through profit or loss

Contracts for Difference

Description	Holding	Local Initial notional	Local current notional	Counterparty	Fair Value Euro	% Net asset value
Kenmare Resources	21,100,000	10,279,692	6,562,100	Goldman Sachs	(3,717,592)	(1.78%)
Shire Ord Shs	500,000	11,568,014	9,435,000	Goldman Sachs	(2,133,014)	(1.02%)
					(5,850,606)	**(2.80%)**

Total financial liabilities at fair value through profit or loss	**(5,850,606)**	**(2.80%)**
Total Investments	100,070,801	47.94%
Other net assets	108,639,175	52.06%
Net Assets	**208,709,976**	**100.00%**

CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 31 December 2011

Equity Securities

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

Investment Funds

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

Financial liabilities at fair value through profit or loss

Contracts for Difference

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

Forward contracts

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

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