AcenciA Debt Strategies Limited

Annual Report and Audited Financial Statements 2011

ACENCIA

Contents

Investment Highlights

	Year ended 31 December 2011	Year ended 31 December 2010
Share price at year end	81.50p	81.00p
Dividend paid during year	3.51p	–
Total shareholder return for year	+5.0%	+14.5%
Net asset value per share at year end	97.37p	99.11p
Net asset value increase in year (dividend reinvested)	+1.8%	+9.3%

Summary Information

Principal Activity

AcenciA Debt Strategies Limited ("the Company" or "AcenciA") is an authorised closed-ended investment scheme domiciled in Guernsey. The Company is listed and traded on the London Stock Exchange.

Investment Objective and Policy

The Company's investment objective is to produce annual returns in excess of 3-month Sterling LIBOR plus 5 per cent over a rolling 3-year period, with annual standard deviation of under 5 per cent.

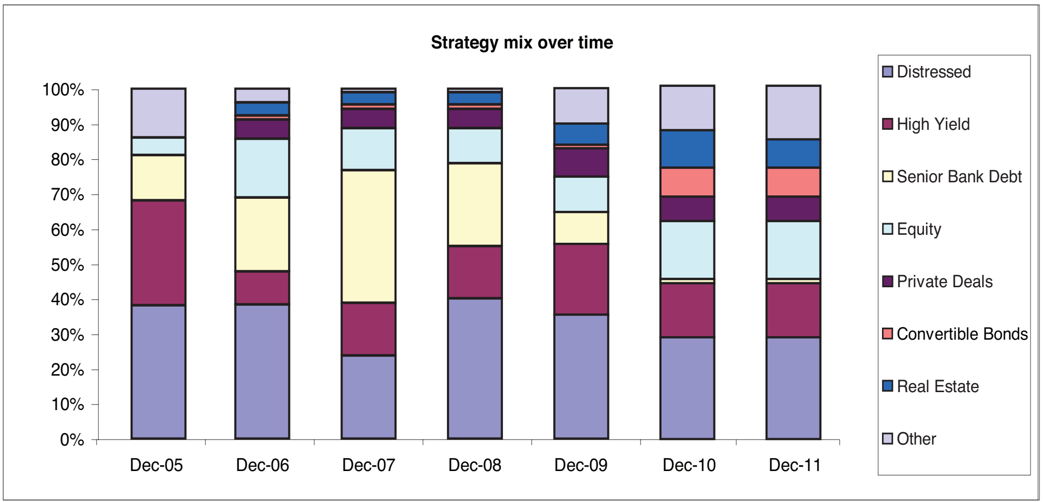
The Company's investment policy is to invest in an actively managed portfolio of predominantly debt-oriented hedge funds.

Dividend Policy

The Company's dividend policy is to pay an annualised dividend equivalent to 3.5 per cent of net assets by means of interim and final dividend payments.

Asset Allocation by Hedge Fund Strategy

The estimated allocation to underlying hedge fund strategies as at 31 December 2011 was as follows:*



Analysis of Significant Investments

The ten largest direct holdings of the Company as at 31 December 2011 are set out in the first table overleaf. Of these, five are fund of fund vehicles managed by Sandalwood Securities, Inc., the Company's Investment Adviser. The top ten holdings on a look-through basis (i.e. showing the effective exposure to underlying single manager hedge funds, ignoring the fund of fund vehicles) are set out in the second table overleaf.

* Estimate by Saltus Partners LLP based on interviews with a sample of underlying managers.

Summary Information

The Company's top 10 Direct Holdings

Name of Investment	Strategy	Market Value £	% of Portfolio Value
Funds of Funds Managed by Sandalwood			
Sandalwood Double S	Fund of funds	26,879,791	24.47%
Sandalwood Debt Fund A Limited Partnership	Fund of funds	21,812,251	19.86%
Bodleian Partners Class A Limited Partnership	Fund of funds	20,276,525	18.46%
Sandalwood Overseas Fund SPC Class L	Fund of funds	17,832,495	16.23%
Sandalwood SPV Debt Fund A	Fund of funds	3,150,432	2.87%
Sub Total		**89,951,494**	**81.89%**
Single Manager Funds			
Cerberus Institutional Partner	Distressed securities	7,302,320	6.65%
Elliott International Fund	Multi-strategy credit	4,138,973	3.77%
Centerbridge Credit Partners	Distressed securities	1,379,595	1.26%
Marathon Special Opportunities Fund	Multi-strategy credit	1,197,013	1.09%
GSO Liquidity Overseas Partners, L.P.	Multi-strategy credit	951,759	0.87%
Sub Total		**14,969,660**	**13.64%**
Total		**104,921,154**	**95.53%**

The Company's top 10 Holdings on a Look-through Basis

Name of Investment*	Strategy	Market Value £	% of Portfolio Value
Elliott Associates, LP	Multi-strategy credit	15,618,905	14.22%
Cerberus SPV, LLC	Distressed securities	15,501,988	14.11%
Redwood Domestic Fund, LP	Multi-strategy credit	8,631,491	7.86%
Cerberus Institutional Partner	Distressed securities	7,628,388	6.94%
Centerbridge Credit Partners	Distressed securities	7,509,452	6.84%
Scoggin Worldwide Investors, LP	Distressed securities	3,896,702	3.55%
Appaloosa Investment, LP	Distressed securities	3,781,563	3.44%
Canyon Balanced Fund, LP	Multi-strategy credit	3,572,408	3.25%
Thoroughbred Fund, LP	Multi-strategy credit	3,051,343	2.78%
Gabriel Capital, LP	Distressed securities	2,656,836	2.42%
		71,849,076	**65.41%**

* In several cases the exposure to these funds is made up of a combination of an indirect investment in the domestic funds and a direct investment in the overseas sister fund, which has similar but not identical portfolio composition.

Further analysis of the Company's investment portfolio is set out on page 12.

Chairman's Statement

I present below my report to shareholders in respect of the financial year ended 31 December 2011.

Performance Review

The net asset value per share increased by 1.8% to 97.37p (taking account of dividends paid) and total shareholder returns were 5.0%, comprising a share price increase of 0.5p to 81.5p and total dividends of 3.51p paid during the year. This makes AcenciA the best performing listed fund* of hedge funds over one, two and three years, on both an absolute and risk adjusted basis and the best performing credit hedge fund on both an absolute and risk adjusted basis for 2011.

Over the same period, the HFR Distressed Index declined 8.0%, US high yield bonds returned 4.4% and US equities were flat (source: Hedge Fund Research Inc, Merrill Lynch, S&P 500).

Investment Review

2011 began with the Arab Spring, followed by the devastating Tsunami in Japan, the re-emergence of the European sovereign debt crisis in Greece (which ultimately spread to Spain and Italy), a downgrade of US credit rating from AAA to AA, and continued dysfunction within the US political system. These events led to increased volatility throughout the year, which led to the often used phrases "Risk On" and "Risk Off", referring to investors' desire either to be in the market or in safer instruments such as cash or US Treasuries. Reflecting the volatile landscape, the S&P 500 index closed the year virtually flat after having been up +8.00% in April and down as much as -13.00% in early October. The S&P 500 experienced 35 days where the index was up or down 2%, up from 22 days in 2010. In contrast, the S&P 500 did not post a single move more than 2% in 2005 or 2006. As per the Wall Street Journal, in 2011 there were 69 days in which 90% of the stocks in the S&P 500 index moved in the same direction, more than the combined total from other volatile years, such as 2008 and 2009.

Against this backdrop AcenciA fared well during the first half, up 4.11%, but lost ground in the third quarter down 2.9% as credit spreads widened all summer as the markets retreated. The market's volatility during the summer caused many of the Company's long/short managers to de-risk their portfolios and raise cash, which meant the Company posted modest gains of 0.6% in the fourth quarter rather than benefiting from the full extent of the rebound when the market rallied late in the quarter.

Further detail about the Company's investment performance is given in the Sub-Manager's report.

Company news

The most significant event for the Company which took place during the year was the extraordinary general meeting held in September to consider whether or not to wind it up. The Board was gratified by the overwhelming support shareholders showed for the Company's continuance, with a high turnout of 76% voting 91% against winding up and 99% in favour of the Board's continuation proposals. As explained in detail in the circular sent to shareholders ahead of the EGM, the Board believe that the next few years should deliver strong risk adjusted returns for AcenciA because the Company continues to perform strongly and is benefiting from an unusually broad and diverse opportunity set within the distressed debt arena. This is expected to persist until at least 2014 as a result of the continuing fall-out from the Credit Crisis, and the Company's investment portfolio comprising a group of high quality credit and event driven hedge funds, many of which are closed to investors.

As part of the proposals put to Shareholders, the Board has committed to holding a further winding up vote toward the end of 2014 and also to return up to 20% to shareholders in 2013 if the shares trade at a continuous discount of more than 10% in the six months to 30 June 2013. By virtue of the weighted voting rights that have been put in place for the 2014 wind-up vote (such that if any shareholder votes in favour of winding-up, the resolution will pass), the Board anticipates the Company being wound up with effect from 31 December 2014 and is now managing the Company's assets accordingly. It is anticipated that substantially all of the Company's assets will be capable of being distributed to Shareholders during the first quarter of 2015 although there may be some amounts, for example residual illiquid positions (if any) and audit hold back amounts, which will take longer to return. The Board does not anticipate that these will be material nor that the costs of winding up the Company will be material.

* excluding funds in run-off.

Chairman's Statement

In addition to the proposals considered at the EGM, the Company continued with its significant share buyback programme to try to control the discount. In total some 30,989,846 shares were bought back and cancelled during the year, representing 20.5% of the opening share capital. The majority of this activity took place prior to the EGM because the Board had committed to an enhanced share buyback programme up to that time. In view of the three year mandate to 2014 and potential for returning 20% halfway through 2013, the Board does not anticipate continuing the share buyback programme in 2012 at the same level of intensity since it has the potential to impact negatively both the quality and liquidity of the underlying investment portfolio and the overall expense ratio of the Company. Nevertheless the Board does expect to continue to engage judiciously in share buyback activity, and has acquired and cancelled a further 2,286,169 shares since the EGM. The Board is also seeking shareholder approval at the forthcoming annual general meeting to renew its authority to acquire up to 14.99% of the issued share capital.

Board Changes

Immediately following the EGM, Jon Macintosh, a director of Saltus Channel Islands Limited, the investment manager for the Company, stood down from the Board. The reason for this was that best corporate governance practice recommends that the Board should be wholly independent of the investment manager. The Board would like to record its thanks to Mr Macintosh for the considerable contribution he made during his tenure since the Company's IPO.

Outlook

The current year has started well and the Company's net asset value is up 2.5% to the end of February. Your Company's prospects remain attractive. We believe that its assets are invested with the world's most talented distressed debt investment managers and we expect to see a meaningful rise in defaults in 2012 and 2013 as the second wave of corporate defaults hits, driven by the unprecedented wall of maturities on leveraged loans and high yield bonds coming due, combined with a drastically reduced universe of buyers of this paper.

Dividend

The Board is pleased to recommend a final dividend of 1.70p per share, representing 1.75% of the NAV per share on 31 December 2011 and in keeping with its policy to pay an annual dividend of 3.5% by means of interim and final payments. This represents an annualised yield of 4.2% based on the closing share price of the Company on 26 March 2012 of 80.5p. Subject to shareholders' approving the final dividend, it will be paid on 9 May 2012. The record date will be 10 April 2012 and the shares will go ex-dividend on 4 April 2012.

I would like to thank our shareholders', once again, for their continuing support.

J Le Pelley, Chairman

Date: 26 March 2012

Sub-Manager's Report

Performance Summary
For the year ending 31 December 2011, the Company's NAV per share increased 1.8% in total return terms, with dividends totalling 3.51p having been paid and a closing NAV of 97.37p. The share price increased 0.6% from 81.0p to 81.5p, with the discount narrowing to 16%. This made AcenciA the best performing listed fund of funds* for the year, as well as the best performing listed credit hedge fund. It also places AcenciA top of the table over three years on all absolute and risk-adjusted measures.

	Share price and Discount		Performance	
	31/12/11	**31/12/10**	**From:**	**1 year**
NAV	97.37	99.11	NAV (TR)*	1.8%
Price	81.50	81.00	Price (TR)*	5.0%
Discount	*-16.3%*	*-18.3%*		*+2.0%*

* *includes dividends*

For the same period the S&P was flat, the HFR Distressed Index declined 8.0%, leverage loans declined 0.9% and high yield rose 4.4%.

AcenciA continued to exhibit both low volatility and a material lack of correlation to equity markets.

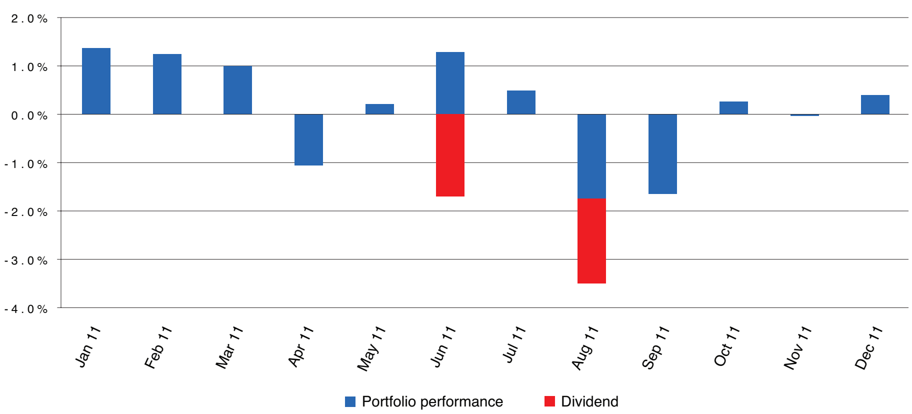
	2011	Since inception*	Volatility (inception)
AcenciA Debt Strategies (NAV TR)	1.8%	1.6%	8.5%
HFR Distressed	-8.0%	-4.6%	8.6%
S&P 500 – equities	0.0%	0.1%	17.3%
US Leveraged Loans	-0.9%	-0.6%	11.3%
ML US High Yield Master	4.4%	8.1%	12.9%

* *Annualised since inception (November 2005)*

Source: Datastream

Performance drivers
AcenciA enjoyed a strong first half, up 4.1% pre dividends, and a weaker second half down 2.3%.

Monthly performance for AcenciA's NAV 1 January to 31 December 2011



Performance for the year was mixed on a manager by manager basis. Elliott was the fund's best performer gaining 4.1% for the year, followed by Jet Capital and Cerberus which were both up approximately 4%, Pennant Credit up 3.9% and Brigade up 2.6%. On the negative side the Company incurred losses from Appaloosa -3.4%, York Credit was off 1.5%, and Canyon Balanced was down 4.4%.

* excluding funds in run-off.

Sub-Manager’s Report

On a quarter by quarter basis:

The first quarter of 2011’s performance of the Company was driven by our longer biased managers with gains ranging from approximately 5% to 9.5%. Appaloosa led all funds, followed by Third Point, Redwood, and Centerbridge. Jet Capital, an event-driven manager, had an outstanding quarter gaining 8.5%. The Fund’s long/short credit funds generated gains ranging from approximately 1.6% to up 3.5%.

Distressed and stressed bonds continued to post strong gains for the quarter driven in large part by a busy new issuance calendar, which once again caused record inflows into the high yield asset class allowing companies to push out their near term maturities. Stronger corporate earnings allowed for a general narrowing of credit spreads within individual names. Within distressed credit, gains in the portfolio were driven by restructurings of the debt of Centro, an Australian real estate company, Capmark, and Clear Channel bonds. Much like in previous quarters, financial holdings, specifically European bank preferred bonds, insurance companies and money center banks were strong contributors. Big winners within the group included Commerzbank, Lloyds, and RBS.

Post-reorganisation equity investments performed quite well. Stocks such as Delphi showed significant price appreciation as the new debt free business generated a considerable amount of excess cash. Many of the Company’s managers also made investments in the cyclical auto and chemical sectors which are levered to an economic recovery. These investments also generated strong profits.

During the second quarter many of AcenciA’s long-biased managers suffered a reversal of fortune, incurring losses ranging from approximately -1.70% to -4.70%. Appaloosa led all detractors, followed by Thoroughbred, Canyon Balanced, and Third Point. The Company’s other long-biased funds - Redwood, Centerbridge, and Archview - generated gains ranging from 1.00% to 1.90%. The Company’s long/short credit managers generated mixed returns ranging from approximately -0.70% to 1.80%. King Street led all long/short managers followed by Elliott, Brigade, and Anchorage. The Company’s event-oriented managers also posted mixed results ranging from -0.85% to 0.70%.

Our long-biased managers incurred losses from equity and post-reorganisation equity related holdings. Specifically, losses were incurred from equity investments in cyclical stocks, money center banks, and bank preferred holdings. CMBS was also a detractor for the quarter as the sector was hurt by economic and market weakness and the sale of AIG’s Maiden Lane portfolio by the U.S. Government. On the positive side, managers were quick to trade the positions to take advantage of the volatility in the market, especially after a strong start in April. Gains were generated from investments in Level 3/Global Crossing bonds as the combined company continues to benefit from de-leveraging activity. Standard Steel bonds and Rhodia equity were also positive contributors as both businesses were acquired.

The Company’s long/short managers generated small losses on the debt of Icelandic banks, U.S. Financials holdings, and GMAC. Icelandic bonds declined over sovereign debt concerns, while U.S. financials and GMAC declined due to concerns related to mortgage put-back liability, and in the case of GMAC, a delayed IPO. Gains were generated from short holdings in sovereign bonds as well as short positions in high yield and high grade bonds.

During the third quarter AcenciA’s long-biased managers had losses ranging from -1.20% to –12.90%. York was the largest detractor, followed by Redwood, Thoroughbred, Centerbridge, and Appaloosa. The Company’s long/short credit managers generated mixed returns ranging from up 1.20% to down -7.10%. Elliott was the largest contributor of all long/short managers, followed by Brigade, Gracie, King Street, and Anchorage. The Company’s two event-oriented managers incurred losses of -2.00% and -3.30% for the quarter.

Our long-biased managers suffered losses from structured product investments, specifically within CMBS. Within CMBS, the lower rated securities re-priced during the quarter over fears related to a global economic slowdown and concerns related to the underlying borrower’s ability to refinance their loans. Investments in European bank preferred securities were also negative contributors for the quarter. Losses were incurred from long positions in Lloyds, Barclays, HBOS, and Bank of Ireland. All of these banks were impacted by sovereign debt concerns, despite having very little exposure to Greece, Italy, Spain, or Portugal. Post–reorganisation equity investments in long-standing positions such as Delphi and GM declined due to overall market weakness. Lastly, our managers suffered losses due to an adverse court ruling in Washington Mutual and LightSquared Technology. In the case of Washington Mutual, the court allowed the Equity Committee to pursue "Equitable Disallowance" of note holder claims and sent all parties to mediation, thus further delaying the bankruptcy process. In the case of LightSquared, the company has been in a legal fight with the government over the use of wireless spectrum due to potential interference issues.

AcenciA's long/short managers generated gains from their short sovereign debt holdings, specifically Mexico, Belgium, France, Spain, and Portugal, as well as select municipal bond shorts. A long position in Nortel bonds was also a positive contributor for the quarter, as the bonds rallied after the company announced a sale of its intellectual property assets at a price well in excess of what the market had expected. Capital structure arbitrage trades İn Realogy, Eastman Kodak, and Research in Motion were also profitable for the third quarter. On the negative side, investments in the bank debt of MGM and Seat were laggards. The latter company is being restructured during a tumultuous time in Europe, while MGM incurred mark to market losses.

The Company's event-driven managers incurred small losses for the third quarter. The largest loss was from a long position in Harvest Natural Resource which sold off with other small cap cyclical stocks. The stock reached a valuation which implied the failure of its drilling projects and nationalisation by the Venezuelan government. A loss was also incurred from a position in Express Scripts and Medco, a merger arbitrage deal, as the spread widened due to antitrust concerns.

The biggest winners for the fourth quarter of the year were the Company's long-biased managers, with returns ranging from approximately -2.20% (Scoggin Worldwide) to approximately +4.00% (Redwood and Thoroughbred). AcenciA's long/short credit managers generated mixed returns, ranging from -1.60% (Anchorage) to approximately +0.60% (Saba). The two event-oriented managers (Jet and Loeb) in the portfolio were flat to down slightly.

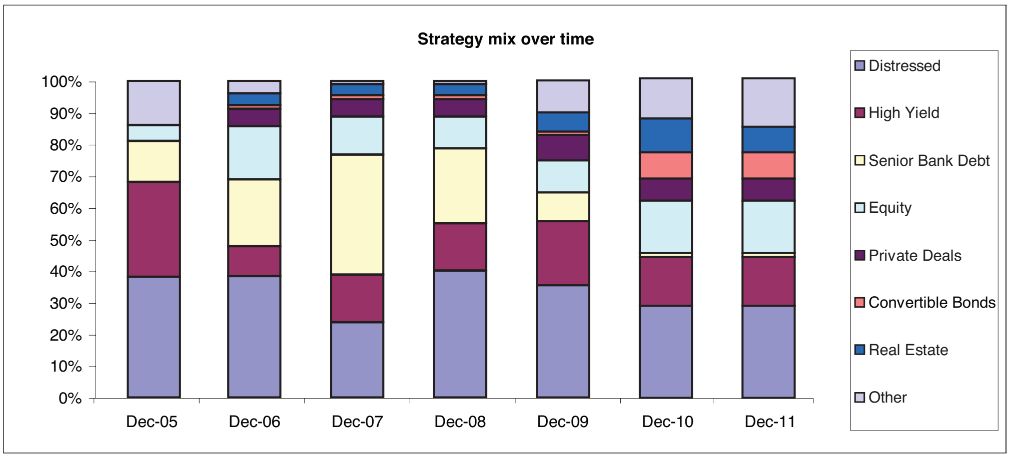
For the fourth quarter, our long-biased managers generated gains from their post-reorganisation equity positions, through companies such as Stellium, Cap Mark, and Tronox. Lehman Brothers, a position held across a number of the Company's managers, was also a winner as the company's reorganisation plan was approved by both the creditors and the bankruptcy court. The November IPO of Delphi, an automotive company, was also a positive contributor for many of our managers. The Company profited from structured product investments, specifically within CMBS, as the lower-rated securities re-priced during the quarter on increased risk appetite from investors and a stronger outlook for commercial properties. Our managers also generated gains from investments in residential structured products investments, specifically non–agency residential mortgages, which benefitted from a decrease in delinquency rates, a general improvement in unemployment trends, and some stability in home prices. Both CMBS and RMBS securities also have a high coupon stream, which helped mitigate the losses and in some cases enhanced the gains. The Company's long-biased managers incurred small losses in sovereign debt shorts, specifically in France, as well as in market related hedges. A position in Light Squared Technology, a company which has been in a legal fight with the government over the use of wireless spectrum due to potential interference issues, also detracted from performance.

AcenciA's long/short credit managers incurred small losses across the board with no single trade accounting for an outsized loss. Market volatility resulted in small losses from the short index positions in high yield and investment grade bonds as well as short sovereign European and Brazilian debt positions. Trades within the gold sector, event arbitrage, and select performing debt investments also resulted in small losses. In addition, the volatility caused many of the Company's long/short managers to de-risk their portfolio and raise cash. As a result many of our managers did not experience a rebound when the market rallied in the latter part of the quarter. Our event-driven managers generated gains from long holdings in El Paso, which is being purchased by Kinder Morgan, and Medco, which is in the midst of a merger transaction by Express Scripts. Short positions in US tobacco stocks produced small losses.

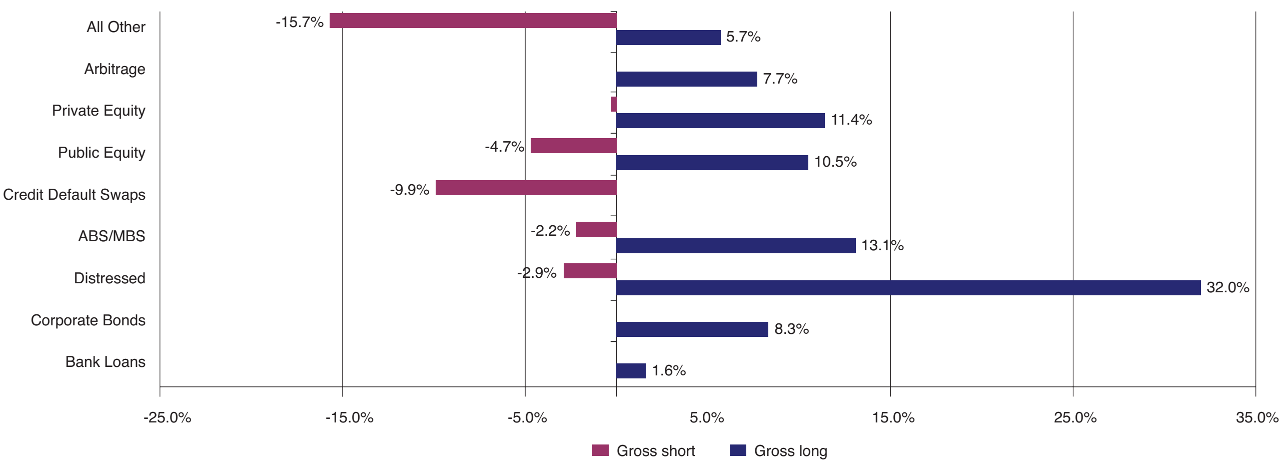
Sub-Manager's Report

Return drivers for AcenciA
The vast majority of managers are multi-strategy debt, giving them the flexibility to reallocate on a dynamic basis to the best opportunities across the debt markets.

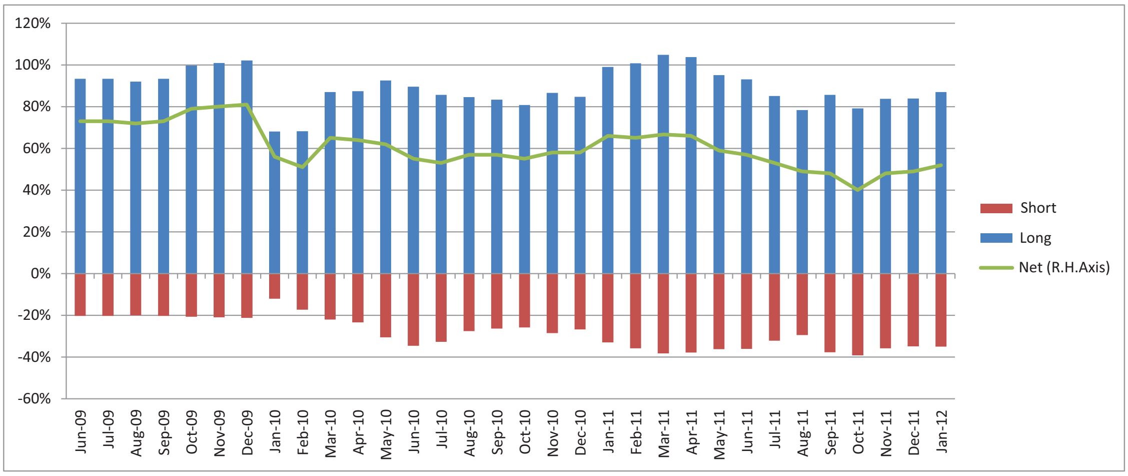
The chart below describes the sub-strategies within the credit arena employed by our managers on a look-through basis,



whilst the chart below shows AcenciA's exposure by investment type.



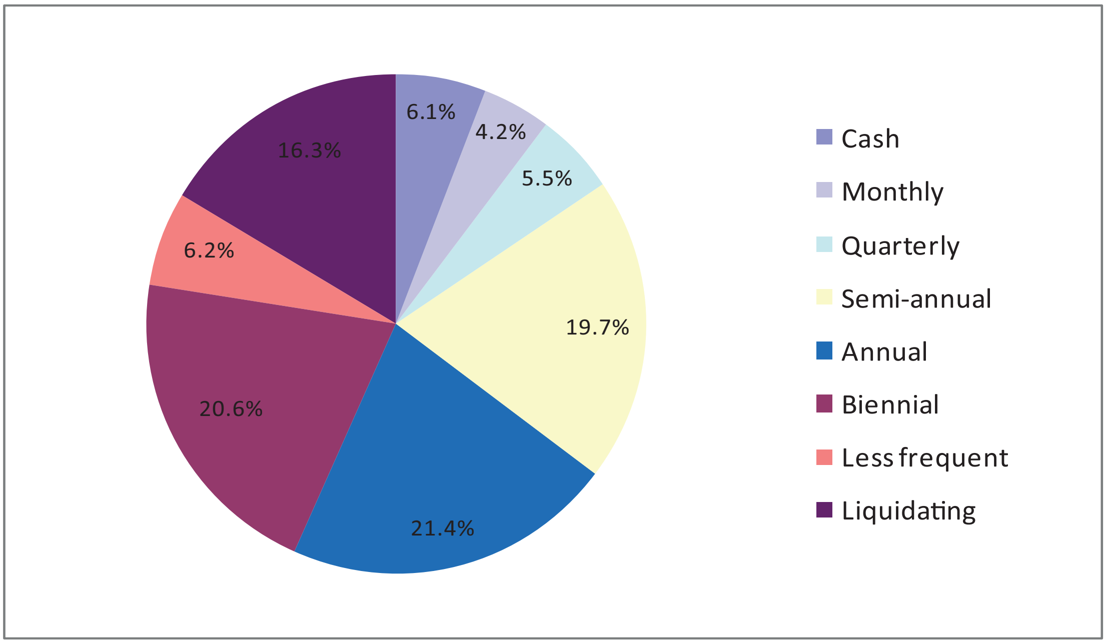
It is also interesting to note the aggregate trend amongst managers in net market exposure, as the chart below shows:



Managers were reducing their net long market exposure throughout the course of 2011 in advance of the market turmoil in the summer. Since then they have been rebuilding it, both through adding to long exposure and by reducing hedge positions. October 2011 looks to have been a turning point and presaged the introduction of various enhanced liquidity programmes by central banks in November which have caused risk markets to rally significantly. This has enabled our managers to protect capital as markets fell and yet capture a disproportionate share of the upside in the ensuing bounce.

Liquidity profile

The general liquidity profile of AcenciA's holdings as at 31 December 2011 is shown below:



* Liquidity analysis does not take into account initial lock-ups, gates or redemption suspensions. It also excludes uncalled commitments.

Sub-Manager's Report

Following Shareholders' overwhelming support for the Company's continuation for at least a further two years, the liquidity profile of the portfolio is being managed to try to optimize returns over that period whilst still retaining flexibility to be able to finance ongoing share buyback activity, dividend payments and withstand near term currency movements. As a consequence, over the period the proportion of the portfolio held in semi-annual, annual and biennial funds has increased by 12.6% whilst that held in cash, monthly and quarterly funds has decreased 11.4% to 15.8% of the portfolio overall.

Whilst the overall exposure to liquidating share classes ("LSCs") has remained constant over the year at a little over 16% of AcenciA's net asset value, this has reflected a steady stream of realisations on the one hand against the overall reduction in AcenciA's total net asset value pursuant to its share buyback activity on the other hand. In total AcenciA received $6m during the year from LSCs and benefitted from positive performance from these positions of 0.6%.

AcenciA does not have any material exposure to Side-Pocket Investments. Side-Pocket Investments are defined as investments made by an underlying manager which were expected at the point of investment to be illiquid and which were therefore created within a separate share class designed for investors who had elected to share in such investments.

In addition to the liquidating share classes, the Company has exposure to two longer lock-up funds — GSO Liquidity (0.8% of NAV) and Cerberus Institutional (6.5% of NAV), both of which are closed-ended funds, structured as private equity limited partnerships. GSO is fully drawn down. Cerberus Institutional drew down $0.6m (net) during the year and had $0.8m of outstanding commitments at the year end. Both have performed well during 2011.

Share Buyback activity
In an attempt to address the share price discount to NAV, during the year, the Company bought back 30,989,846 shares (2010: 2,038,678), at a weighted average discount of 13.3.% (2010: 19.4%). This represented over 20% of the Company's issued share capital. The majority of the programme was conducted during the first nine months of the year prior to the September extraordinary general meeting to consider the Company's future. Whilst share buyback activity continued in the fourth quarter, it was at a reduced level, as previously communicated to shareholders.

Investment Outlook
As we begin 2012 there are a number of headwinds which will present challenges for the broader economy. Many of the Company's managers believe that the US economy is still on a slow recovery path. However, the situation in Europe remains one of the biggest worries for 2012. The concern is that a forced deleveraging will push Europe into a recession (if it is not already in one), potentially causing more stress in the financial system. Extreme monetary easing, central bank buying assets, austerity measures and an opaque, overleveraged financial system are all factors that combine to make Europe a difficult market to navigate. Similar forces are at work in the US, which is also entering a presidential election year and the political gamesmanship that goes with it. Despite these issues, the Company has commenced the new year well, up a further 2.5% to the end of February.

Our managers continue to be defensively postured but are using the recent re-pricing in below investment grade bonds to purchase value longs, especially in event-driven senior secured investments. Our managers continue to take advantage of process and liquidation investments where the outcome is independent of the market direction or GDP growth. Lastly, managers continue to monitor the more aggressive deals for value short and intra-capital opportunities to execute at the appropriate time.

Saltus Partners LLP

Date: 26 March 2012

Investment Portfolio

At 31 December 2011 the Company's investment portfolio comprised the following principal holdings:

Name of Investment	Strategy	Market Value £	% of Portfolio Value
Sandalwood Double S	Fund of funds	26,879,791	24.47%
Sandalwood Debt Fund A Limited Partnership	Fund of funds	21,812,251	19.86%
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Centerbridge Credit Partners	Distressed securities	1,379,595	1.26%
Marathon Special Opportunities Fund	Multi-strategy credit	1,197,013	1.09%
Sub Total		**103,969,395**	**94.66%**
Other (individually less than 1% of portfolio value)		5,874,777	5.34%
Total		**109,844,172**	**100.00%**

Investment Portfolio

At 31 December 2011 the Company's investment portfolio on a look-through basis comprised the following principal holdings:

Name of Investment	Strategy	Market Value £	% of Portfolio Value
Elliott Associates, LP	Multi-strategy credit	15,618,905	14.22%
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Thoroughbred Fund, LP	Multi-strategy credit	3,051,343	2.78%
Gabriel Capital, LP	Distressed securities	2,656,836	2.42%
Jet Capital Concentrated Fund	Multi-strategy credit	1,950,008	1.78%
Pennant Credit Opportunties Fund	Multi-strategy credit	1,536,531	1.40%
Third Point Partners (QP), LP	Event Driven	1,519,710	1.38%
Marathon Structured Finance SPV	Multi-strategy credit	1,391,830	1.27%
AGSF Designated Investments	Multi-strategy credit	1,231,694	1.12%
Marathon Special Opportunities	Multi-strategy credit	1,200,448	1.09%
Sub Total		**80,679,297**	**73.45%**
Other (individually less than 1% of portfolio value)		29,164,875	26.55%
Total		**109,844,172**	**100.00%**

Board of Directors

The Directors of the Company, all of whom are non-executive, are listed as follows:

Jim Le Pelley* (Chairman), born 1949, was called to the Bar in England in 1971 and Guernsey in 1972 and was a partner of Le Pelley & Tostevin from 1972 until 1999, becoming senior partner in 1977. He is Chairman of UK Select Trust Limited, where he has been a director since 1983. He was formerly a non-executive director of International Energy Group Limited (1982 to 2005) and Bristol & West International Limited. He has served on the Board of the Company since its flotation in November 2005.

Richard Battey* (Chairman of the Audit Committee), born 1952, is a non-executive director of a number of closed-ended investment funds. He is a Chartered Accountant having qualified with Baker Sutton & Co. in London in 1977. Mr Battey was formerly Chief Financial Officer of CanArgo Energy Corporation from May 2005 to July 2006. Prior to that role he spent 27 years with the Schroder Group. Mr Battey was a director of Schroders (C.I.) Limited in Guernsey from April 1994 to December 2004 where he served as Finance Director and Chief Operating Officer. He was a director of a number of Schroder Group companies involved in banking, investment management, insurance, trusts and private equity, retiring from his last Schroder Group company directorship in December 2008. Mr Battey is currently a non-executive director of the following investment companies: Better Capital Limited, Juridica Investments Limited, Princess Private Equity Holdings Limited, Prospect Japan Fund Limited, NB Global Floating Rate Income Fund Limited, Northwood Capital European Fund Limited and Northwood Capital Enhanced Fund.

William Scott*, born 1960, was from 2003 to 2004 Senior Vice President with the Financial Risk Management Group ("FRM"), a leading specialist manager of funds of hedge funds. From 1989 to 2002 he worked at Rea Brothers (subsequently Close Brothers) in investment management and latterly private banking, specialising in fixed income portfolio management. He holds a number of other non-executive directorships including PSource Structured Debt Limited, The Flight and Partners Recovery Fund Limited, SPL Guernsey ICC Limited, the Sandbourne Fund, Uttrup Investment Management Fund PCC Limited (the Cresco Fund) and various funds managed by FRM. With over 20 years' experience of the investment funds industry, he acts as a consultant to offshore investment organisations. He has served on the Board of the Company since its flotation in November 2005.

* Independent Non-Executive Directors.

Directors' Report

The Directors of AcenciA Debt Strategies Limited ("the Company") are pleased to submit their Annual Report and the Audited Financial Statements for the year ended 31 December 2011.

The Company

The Company was incorporated as a company with limited liability in Guernsey on 13 October 2005 and is an authorised closed-ended investment scheme domiciled in Guernsey. The Shares are listed on the London Stock Exchange.

Principal Activity and Investment Objective

The Company's primary investment objective is to provide annual returns in excess of 3-month LIBOR plus 5 per cent over a rolling 3 year period, and annual standard deviation of under 5 per cent. The Company's principal activity is to invest in an actively managed portfolio of predominantly debt-oriented hedge funds.

A review of the business and prospects is contained in detail in the Sub-Manager's Report.

Results and Distributions

The results for the year are shown in the Statement of Comprehensive Income on page 25.

A final dividend of 1.70p per share has been proposed for the year ended 31 December 2011, taking the total payable for the year to 3.48p (2010: 1.73p).

Independent Auditors

A resolution to re-appoint BDO Limited as auditors will be proposed at the next Annual General Meeting.

Investment Manager and Investment Adviser

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has, however, entered into an Investment Management Agreement with Saltus (Channel Islands) Limited under which Saltus (Channel Islands) Limited has been appointed with overall responsibility for the management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors.

The Investment Manager, Saltus (Channel Islands) Limited, and Sub-Manager, Saltus Partners LLP, have appointed Sandalwood Securities, Inc. to act as the Investment Adviser in relation to the investment of the Company's portfolio, pursuant to the Investment Advisory Agreement.

The Directors have reviewed the performance and terms of appointment of the Investment Manager, the Sub-Manager and the Investment Adviser and consider that it is in the best interests of all shareholders for the Company to continue with their appointment on their existing terms of appointment. A summary of these terms, including the management fee, performance fee and notice of termination period, is set out in note 10 of the Financial Statements.

Custody Arrangements

The Company's assets are held in custody by Bank Julius Baer & Co Limited pursuant to an agreement dated 5 November 2005. The custodian receives a quarterly fee of 0.05 per cent of the net asset value of the Company per annum. The agreement may be terminated by giving not less than three months' written notice or otherwise where either party goes into liquidation.

The Company's assets are registered in the name of the Custodian in each case within a separate account designation but may not be appropriated by the Custodian for its own account.

Both the Administrator and Sub-Manager reconcile the assets held in Custody on a monthly basis to statements received from underlying managers or their administrators.

The Board conducts an annual review of the Custody arrangements as part of its general internal control review and is pleased to confirm that the Company's custody arrangements continue to operate satisfactorily.

Directors’ Report

Authorised and Issued Share Capital
The Company has the power to issue an unlimited number of shares of no par value which may be issued as Redeemable Shares or C Shares or otherwise and which may be denominated in Sterling, Euro, US Dollars or any other currency.

Buy Back of Ordinary Shares and Authority to Buy Back Shares
By way of a special resolution passed at the Annual General Meeting of the Company on 28 April 2011 and subsequently refreshed at the extraordinary general meeting of the Company on 18 September 2011, the Company took authority to make market purchases of fully paid Shares, provided that the maximum number of Shares authorised to be purchased shall be 14.99 per cent of the issued Share Capital of the Company. Such authority will expire at the Annual General Meeting of the Company in 2012 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting. The Board intends to seek a renewal of such authority at the Annual General Meeting of the Company in 2012, notice of which is attached to the Financial Statements.

The minimum price which may be paid for a Share pursuant to such authority is one penny and the maximum price which may be paid for a Share is an amount equal to the higher of 105 per cent of the average of the middle market quotations for a Share taken from the Official List for the five business days immediately preceding the date on which the Share is purchased or the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

The Company acquired and cancelled 30,989,846 shares during the year at an average price of 87.75p per share. Further details are given in note 17 to the Financial Statements.

Directors
The Directors, all of whom are non-executive, are listed on page 50.

None of the Directors has a service contract with the Company and no such contracts are proposed. The basic fee paid to each independent non-executive director from 1 April 2010 was £22,500 (prior to 31 March 2010: £17,500), except for the Chairman who received £32,500 (prior to 31 March 2010: £30,000) and Mr R Battey who receives an additional £5,000 per annum for being Chairman of the Audit Committee. Mr J Macintosh waived his fee as a Director prior to his resignation as described in note 24.

At the reporting date the Directors’ shareholdings in the Company were as follows:

Name	No of Shares	Percentage
J Le Pelley (Chairman)	598,740	0.50%
R Battey	-	-
W Scott	5,173	-

Directors' Report

Substantial Shareholdings
The Company has been notified of the following shareholdings in excess of 3% of the issued Share Capital as at 6 March 2012:

- HSBC Private Bank - 15,023,940 shares representing 12.32%
- Seven Investment Management - 11,200,593 shares representing 9.19%
- Brewin Dolphin - 7,774,020 shares representing 6.38%
- Saltus Parners - 7,592,830 shares representing 6.23%
- JO Hambro Investment Management - 7,476,278 shares representing 6.13%
- Smith & Williamson - 6,032,377 shares representing 4.95%
- Midas Capital - 5,725,000 shares representing 4.70%
- Rathbones - 5,571,400 shares representing 4.57%
- Cornelian Asset Managers - 5,557,438 shares representing 4.56%
- UBS Wealth Management - 5,062,006 shares representing 4.15%
- Legal & General Investment Management - 4,582,674 shares representing 3.76%
- Sandalwood Securities - 4,497,138 shares representing 3.69%

All percentages given are based on the share register as at 6 March 2012 and may not take account of share buybacks for cancellation made but not yet processed on the register.

Related Parties
Details of transactions with related parties are disclosed in note 24 to these Financial Statements.

Directors' Responsibilities
The Directors are responsible for preparing the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and the Companies (Guernsey) Law, 2008 for each financial period which give a true and fair view of the state of affairs of the Company and its profit or loss for that period. International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing Financial Statements the Directors are required to:

- Ensure that the Financial Statements comply with the Memorandum and Articles of Association and International Financial Reporting Standards, as published by the International Accounting Standards Board;
- Select suitable accounting policies and apply them consistently;
- Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the 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 these requirements in preparing the Financial Statements.

Directors' Report

Each of the Directors, whose names and functions are listed below, confirms to the best of each person's knowledge and belief that:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with the requirements of the London Stock Exchange (LSE), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Sub-Manager's report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties they face.

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

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate Governance

As an authorised closed-ended investment scheme domiciled in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code as issued by the UK Listing Authority. However, the Board has publicly acknowledged adherence to the principles of the Combined Code.

Furthermore, the Board of AcenciA Debt Strategies Limited has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

(i) In respect of Section 1 of the Combined Code we do not comply in relation to the following provisions:

  - the role of chief executive,
  - executive directors' remuneration, and
  - the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

(ii) In respect of the AIC Code we did not comply throughout the year in relation to the provision that a majority of the Board should be independent as defined by the AIC, in as much as one of the directors, Mr J Macintosh, is a director of the Investment Manager and a partner in the Sub-Manager and another, Mr W Scott, was formerly also a director of another company managed by the Investment Manager. However, Mr Macintosh resigned from the Board immediately following the extraordinary general meeting of the Company on 18 September 2011, since which time a majority of the Board has been fully independent.

The Company also complies with the corporate governance guidelines issued by the Guernsey Financial Services Commission on 10 December 2004, whose underlying principles are similar to those of the Combined Code.

The Board
As at 31 December 2011 the Board of Directors comprised three non-executive Directors as set out below. The Company has no executive Directors nor any employees.

Mr J Le Pelley is the Chairman.

Mr R Battey is the Chairman of the Audit Committee.

Mr W Scott is a non-executive director and is deemed to be independent under the Listing Rules. However, prior to 1 March 2010 Mr Scott was a non-executive director of another investment company managed by the Sub-Manager and therefore under the AIC Code is still not regarded as independent. However, the Board considers that Mr Scott has considerable relevant knowledge of the markets in which the Company's underlying managers invest which is invaluable to the Board's effective oversight and that he provides effective and impartial scrutiny. Consequently the Board believes that the alternative to inflate the size of the Board would be neither efficient nor cost effective.

Mr J Macintosh, who is a Partner in the Sub-Manager and a Director of the Investment Manager served as a non-independent director of the Company during the year up to the Extraordinary General Meeting of the Company on 18 September 2011, following which he resigned.

Under the Company's Articles of Association it is required that all non-executive Directors are appointed for a fixed term lasting no more than three years after an individual Director's election or re-election by shareholders at a general meeting. Any Director who was elected or last re-elected at or before the Annual General Meeting held in the third year before the current year shall retire by rotation. Therefore, up to one-third of the number of Directors in office shall retire by rotation at each annual general meeting. In the event that their number is not a multiple of three, the number nearest to but not exceeding one-third shall retire from office. In addition, any director who is also a director or Partner of the Investment Manager or the Sub-Manager, will be subject to annual re-election. Consequently the director who retires by rotation and offers himself for re-election at the Annual General Meeting of the Company is Mr J Le Pelley.

Although no formal training in Corporate Governance is given to Directors, the Directors are kept up to date on Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary and the AIC.

The Board receives monthly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the share price premium and discount to determine what action is desirable (if any) to reduce it.

A procedure has been adopted for the Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Directors' Performance Evaluation

The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

The Directors undertake, on an annual basis, a verbal assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager and other key service providers. The Board also evaluates the effectiveness of each of the Directors and in particular any who are proposed for the re-election at each Annual General Meeting of the Company. The Directors absented themselves from those parts of the meeting that dealt respectively with their own performance or re-election. The Board is pleased to confirm that each of the Directors put forward for re-election continue to perform effectively and demonstrate commitment for their roles.

Directors' Remuneration

No director has a service contract with the Company and details of the Directors' fees are shown on page 16.

Relations with Shareholders

The Company reports to shareholders twice a year by way of the Interim Report and the Annual Report and Financial Statements. In addition, net asset values are published monthly and the Manager publishes monthly fact sheets and quarterly news letters and portfolio transparency reports on its website www.saltus.co.uk.

The Board receives quarterly reports on the shareholder profile of the Company and regular contact with major shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Manager. Any issues raised by major shareholders are reported to the Board on a regular basis.

The Chairman and individual Directors are willing to meet major shareholders to discuss any particular items of concern regarding the performance of the Company. The Chairman, Directors and Manager are also available to answer any questions which may be raised by any shareholder at the Company's Annual General Meeting.

Audit Committee

The Audit Committee was originally appointed in December 2006 and comprises all Board members, and meets at least twice a year. Mr R Battey is Chairman of the Audit Committee.

The key objectives of the Audit Committee include a review of the Company's Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the external auditors. With respect to the external auditor, the Committee's role will include the assessment of their independence, review of auditor's engagement, remuneration and any non-audit services provided by the auditors.

Other responsibilities of the Committee include the review of the Company's internal controls, interim and annual reports.

Directors' Attendance

The table below shows the attendance at Board and Audit Committee meetings during the year:

	Board	Audit Committee
J Le Pelley	11	2
R Battey	10	2
J Macintosh (resigned 18 September 2011)	4	-
W Scott	8	2

Going Concern

The Directors are satisfied the Company is able to continue its business operation in the foreseeable future and have adopted the going concern basis in preparing the Financial Statements.

The shareholders have voted for the continuation of the Company as referred to in further detail in note 3.

The Investment Adviser makes its best endeavours to provide monthly redemptions in Sandalwood funds to procure liquidity for the Company, and to waive any lock-in, redemption or penalty payments which Sandalwood vehicles may have. The Company also has the ability to borrow in the short term from Bank Julius Baer & Co Limited to ensure settlements. The Sub-Manager regularly monitors the Company's liquidity position, and the Board of Directors reviews it on a quarterly basis. Refer to note 5 for further details relating to liquidity risk.

Internal Control Review

The Board of Directors is responsible for having in place a system of internal controls relating to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an ongoing process for identifying and evaluating the risks faced by the Company, and which are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that covers business strategy, operational, compliance and financial risks facing the Company.

The Board of Directors considers the arrangements for the provision of Investment Management and other services to the Company on an on-going basis and a formal review is conducted annually. As part of this review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the Investment process and the results achieved to date.

Annual General Meeting

The notice for the Annual General Meeting of the Company, which is to be held on 25 April 2012 at 10am, is set out at the end of this document. Enclosed with this document is a Form of Proxy for use at the meeting.

Ordinary Business

The ordinary business of the meeting includes resolutions to adopt the Financial Statements of the Company for the year ended 31 December 2011, to re-elect Mr J Le Pelley as director who is retiring by rotation, to approve the appointment of the auditors, BDO Limited, as auditors of the Company and to authorise the directors to fix their remuneration and to approve a final dividend in respect of the year ended 31 December 2011.

Special Business

The special business of the meeting comprises a special resolution authorising the Company to purchase its own shares in the market (up to a maximum of 14.99 per cent of the issued share capital of the Company) to be held either in treasury by the Company or subject to cancellation at a minimum price of one pence per share and a maximum price per share equal to the higher of (a) 105 per cent of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the date of purchase and (b) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase. If approved, the authority to purchase ordinary shares will continue until the Annual General Meeting in 2013. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

You will find enclosed with this document a Form of Proxy for use by shareholders at the Annual General Meeting. Whether or not you propose to attend the Annual General Meeting in person, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed thereon and return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by fax to +44 (0) 208 639 2180, as soon as possible but, in any event, so as to arrive no later than 10am on 23 April 2012.

The completion and return of a Form of Proxy will not preclude you from attending the Annual General Meeting and voting in person if you wish to do so.

J Le Pelley	R Battey
Chairman	Director

Date: 26 March 2012

Independent Auditor's Report to the Members of AcenciA Debt Strategies Limited

We have audited the Financial Statements of AcenciA Debt Strategies Limited (the "Financial Statements") for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective Responsibilities of the Directors and the Auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Independent Auditor’s Report to the Members of AcenciA Debt Strategies Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- proper accounting records have not been kept by the Company; or
- the Financial Statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Under the Listing Rules we are required to review:

- the part of the Corporate Governance Statement relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Richard Michael Searle FCA

For and on behalf of BDO Limited
Chartered Accountants and Recognised Auditor

Place du Pre, Rue du Pre, St Peter Port, Guernsey

Date: 26 March 2012

Statement of Comprehensive Income
For the year ended 31 December 2011

	Notes	2011 £	2010 £
Net (losses)/gains on fair value through profit or loss investments	13	(458,074)	14,839,893
Other gains and losses	7	426,521	(4,427,970)
		(31,553)	10,411,923
Income			
Other operating income	8	19,736	312,978
Expenses	10		
Management fees		143,263	(404,074)
Other expenses		(1,001,246)	(1,106,804)
		(857,983)	(1,510,878)
Net expenses		(838,247)	(1,197,900)
Finance costs	9	(335)	(2,134)
(Loss)/profit for the financial year		**(870,135)**	**9,211,889**
Other comprehensive income		-	-
Total comprehensive (loss)/income		**(870,135)**	**9,211,889**
Basic and Diluted (Loss)/Earnings per Share	12	**(0.65)p**	**5.70p**
Weighted average number of Shares outstanding	12	134,048,226	161,663,313

All items in the above statement derive from continuing operations.

All income is attributable to the Shares of the Company.

The accompanying notes on pages 29 to 47 form an integral part of the Financial Statements.

Statement of Changes in Shareholders' Equity
For the year ended 31 December 2011

	Notes	Share Premium £	Distributable Reserve £	Accumulated Profits/(losses) £	Total £
At 1 January 2010		**23,913,544**	**185,236,833**	**(37,129,884)**	**172,020,493**
Total comprehensive income for the year		-	-	9,211,889	9,211,889
Shares acquired and cancelled	18 (a)	(31,522,281)	-	-	(31,522,281)
Transfer to Share Premium	18 (a)	7,608,737	(7,608,737)	-	-
At 31 December 2010		**-**	**177,628,096**	**(27,917,995)**	**149,710,101**
Total comprehensive loss for the year		-	-	(870,135)	(870,135)
Shares acquired and cancelled	18 (a)	(27,193,719)	-	-	(27,193,719)
Transfer to Share Premium	18 (a)	27,193,719	(27,193,719)	-	-
Dividends paid	4	-	-	(4,728,540)	(4,728,540)
At 31 December 2011		**-**	**150,434,377**	**(33,516,670)**	**116,917,707**

The accompanying notes on pages 29 to 47 form an integral part of the Financial Statements.

Statement of Financial Position
At 31 December 2011

	Notes	2011 £	2010 £
Non-current assets			
Investments at fair value through profit or loss	13	109,844,172	128,349,819
Current assets			
Prepayments		61,788	41,837
Other receivables		102,441	108,744
Due from broker	13	-	5,109,699
Cash and cash equivalents	14	7,246,920	18,798,532
Total current assets		7,411,149	24,058,812
Current liabilities			
Forward currency deals awaiting settlement	23	133,583	2,057,100
Accrued expenses	16	173,441	197,893
Other payables		30,590	443,537
Total liabilities		337,614	2,698,530
Net current assets		**7,073,535**	**21,360,282**
Net assets		**116,917,707**	**149,710,101**
Equity attributable to equity holders			
Share capital	17	-	-
Share premium	18 (a)	-	-
Other distributable reserve	18 (b)	150,434,377	177,628,096
Accumulated losses		(33,516,670)	(27,917,995)
Total shareholder’s equity		**116,917,707**	**149,710,101**
Net asset value per Share	19 & 21	**97.37p**	**99.11p**

The Financial Statements on pages 25 to 47 were approved by the Board of Directors and authorised for issue on 26 March 2012. They were signed on its behalf by:-

J Le Pelley
Chairman

R Battey
Director

The accompanying notes on pages 29 to 47 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
(Loss)/profit for the year		(870,135)	9,211,889
(Increase)/decrease in prepayments and other receivables		(13,648)	146,717
(Decrease)/increase in accrued expenses and other payables		(264,683)	22,110
		(1,148,466)	9,380,716
Purchase of investments	13 & 20	(13,106,072)	(21,593,326)
Sales of investments	13 & 20	36,263,344	61,550,269
		22,008,806	49,337,659
Adjustment for:			
Realised gains on investments	13	(14,779,730)	(4,038,754)
Movement in unrealised gains on investments	13	15,237,804	(10,801,139)
Movement in unrealised losses on forward foreign exchange contracts	7 & 23	(1,923,517)	(3,468,930)
Net cash inflow from operating activities		**20,543,363**	**31,028,836**
Cash flows from financing activities			
Shares acquired and cancelled	18 (a)	(27,366,435)	(31,339,600)
Dividends paid	4	(4,728,540)	-
Net cash outflow from financing activities		**(32,094,975)**	**(31,339,600)**
Net decrease in cash and cash equivalents		**(11,551,612)**	**(310,764)**
Cash and cash equivalents at beginning of year		**18,798,532**	**19,109,296**
Cash and cash equivalents at end of year	14 & 20	**7,246,920**	**18,798,532**

The accompanying notes on pages 29 to 47 form an integral part of the Financial Statements.

1. General Information

The Company was incorporated as a company with limited liability in Guernsey on 13 October 2005 and is an authorised closed-ended investment scheme domiciled in Guernsey. The Shares are listed on the London Stock Exchange.

These Financial Statements have been prepared for the year ended 31 December 2011. The comparative period is for the year ended 31 December 2010.

The Company invests in a portfolio consisting primarily of debt-oriented hedge funds. The Company's investment strategy is to provide annual returns in excess of 3-month LIBOR plus 5% over a rolling 3 year period, and annual standard deviation of under 5 per cent.

2. Significant Accounting Policies

Basis of Accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") and Standing Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the London Stock Exchange.

Accounting Convention

The Financial Statements have been prepared under the historical cost or amortised cost basis, modified by the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. The preparation of financial statements in conformity with International Financial Reporting Standards requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these Financial Statements, the following Standards and interpretations, which have not been applied in these Financial Statements but will be relevant in future periods, were in issue but not yet effective.

IAS 1 (amended) - Presentation of Financial Statements - for accounting periods beginning on or after 1 July 2012.

IAS 19 (amended) - Employee Benefits - for accounting periods beginning on or after 1 January 2013.

IAS 28 (amended) - Investments in Associates - for accounting periods beginning on or after 1 January 2013.

IAS 27 (amended) - Consolidated and Separate Financial Statements - for accounting periods beginning on or after 1 January 2013.

IAS 12 (amended) - Income Taxes - for accounting periods beginning on or after 1 January 2012.

IFRS 7 (amended) - Financial Instruments - Disclosures - for accounting periods beginning on or after 1 July 2011.

IFRS 11 - Joint Arrangements - for accounting periods beginning on or after 1 January 2013.

IFRS 9 - Financial Instruments - Classification and Measurement - for accounting periods beginning on or after 1 January 2013.

IFRS 12 - Disclosures of interests in other entities - for accounting periods beginning on or after 1 January 2013.

2. Significant Accounting Policies (continued)

Standards and Interpretations in issue but not yet effective (continued)

IFRS 13 - Fair Value Measurement - for accounting periods beginning on or after 1 January 2013.
IFRS 10 - Consolidated Financial Statements - for accounting periods beginning on or after 1 January 2013.

The directors believe that other pronouncements, which are in issue but not yet operative or adopted by the Company, will not have a material impact on the Financial Statements of the Company.

The directors believe that the annual report contains all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the year to which it relates and does not omit any manner or development of significance.

Investments

The Directors value all investments in funds at the net asset values of those funds as at the relevant valuation date, as determined in accordance with the terms of the funds and as notified to the Company by the relevant fund manager or the relevant administrator. The valuation date of each fund may not always be coterminous with the valuation date of the Company and in such cases the valuation of the fund at the last valuation date is used.

The net asset values reported by the relevant fund managers and/or fund administrators and used by the Directors as at 31 December 2011 may be unaudited as at that date and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as at 31 December 2011.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's key management personnel.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in units of unit trusts or shares in Open Ended Investment Companies ("OEICs") are valued at the closing price released by the relevant investment managers or administrator.

Gains and losses arising from changes in the fair value of investments classified as fair value through profit or loss are recognised in the Statement of Comprehensive Income.

Foreign Exchange

Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling at the reporting date (31 December 2011: £1: US$1.5541; 31 December 2010: £1: US$1.5657). Transactions in foreign currencies are translated at the rate of exchange ruling on the transaction date. Differences thus arising are dealt with in the Statement of Comprehensive Income.

The Board of Directors considers Sterling the currency that most faithfully represents the economic environment in which the Company operates. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which capital is raised.

2. Significant Accounting Policies (continued)

Forward Currency Contracts

A forward currency contract obligates the Company to receive or deliver a fixed quantity of foreign currency at a specified price on an agreed future date. These contracts are accounted for when any contract becomes binding and are valued in the Statement of Financial Position at the period end present value of the quoted forward price. Realised and unrealised gains and losses are included in the Statement of Comprehensive Income.

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment has been established, normally the ex-dividend date.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Expenses

All expenses are accounted for on an accruals basis and are presented as revenue items, except for expenses that are incidental to the disposal of an investment which are deducted from the disposal proceeds.

Finance costs

Finance costs are accounted for on an accruals basis and relate to bank interest resulting from the Company drawing down on the facility with Bank Julius Baer & Co Limited. All finance costs are expensed through the Statement of Comprehensive Income as incurred.

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risk and rewards of ownership;
- when it has not retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

Fair Value Measurement Hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 5). The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

2. Significant Accounting Policies (continued)

Other Receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and Cash Equivalents

Cash includes amounts held in interest bearing overnight accounts and debt balances. Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity are recorded as the proceeds received, net of issue costs.

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

Other Accruals and Payables

Other accruals and payables are not interest-bearing and are stated at their nominal value.

Derivative Financial Instruments

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Company uses forward foreign exchange contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The Company does not use hedge accounting and all gains or losses on forward foreign exchange contracts are taken to the Statement of Comprehensive Income.

Interest-bearing Loans and Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Operating Segments

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in predominantly debt-oriented hedge funds.

3. Going Concern and other Critical Accounting Judgements

The Board assessment of the Company's position as at 31 December 2011 and the factors impacting the forthcoming year are set out in the Chairman's Statement and the Sub-Manager's Report on pages 4 to 11 and in the Directors' Report which incorporates the business review and corporate governance statements.

As part of its efforts to control the Company's share price discount to net asset value, the Board committed to shareholders to convene an Extraordinary General Meeting of the Company in September 2011 to put to the Company's shareholders a resolution for the winding-up of the Company as an investment trust. The shareholders voted against the winding-up of the Company. The financial position of the Company, its cash flows, and its liquidity position is set out on pages 25 to 28 of the Financial Statements. Note 5 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

3. Going Concern and other Critical Accounting Judgements (continued)

The Company has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future despite the continued uncertain economic outlook. Accordingly the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

In the application of the Company's accounting policies, which are described in note 2 to the Financial Statements, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The most critical judgement, apart from those involving estimates (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements is in respect of functional currency.

Functional currency and presentation currency

The Board of Directors considers Sterling the currency that most faithfully represents the economic environment in which the Company operates. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which capital is raised.

Key sources of estimation uncertainty

The following are the key assumptions and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investments at fair value through profit or loss

As disclosed in notes 2 and 5, the Company invests in debt oriented hedge funds. The investments are valued at the net asset value of that fund as at the relevant valuation date in accordance with the terms of the funds and as notified by the relevant fund manager / administrator. However the valuation date may be non-coterminous with the valuation date of the Company and hence in such cases the latest valuation is used.

The values used in the financial statements may be unaudited as at that date and hence may differ from the amount which may have been realised on redemption of the investment at the reporting date.

4. Dividends

The Company's dividend policy is to pay annual dividends totalling 3.5% of the Company's net asset value by means of interim and final payments.

On 28 March 2011 the Directors recommended a final dividend of 1.73p per share in relation to the year ended 31 December 2010 which was paid on 3 June 2011, at a total cost of £2,486,942.

The Directors declared an interim dividend of 1.78p per share in relation to the six months ended 30 June 2011 which was paid on 9 September 2011, at a total cost of £2,241,598.

The Directors have proposed a final dividend in relation to the year ended 31 December 2011 of 1.70p per share which will be paid on 9 May 2012 to shareholders on the register at 10 April 2012. The ex-dividend date will be 4 April 2012.

5. Financial Risk Management and Financial Instruments

Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the Financial Statements.

Categories of financial instruments

	Carrying value 2011 £	Carrying value 2010 £
Financial assets		
Fair value through profit or loss (FVTPL)		
- Designated as FVTPL (level 2)	109,844,172	128,349,819
Loans and receivables	7,349,361	24,016,975
Total assets	**117,193,533**	**152,366,794**
Financial liabilities		
Held for trading		
- Derivative instruments (level 2)	133,583	2,057,100
Amortised cost	204,031	641,430
Total liabilities	**337,614**	**2,698,530**

Loans and receivables presented above represents cash and cash equivalents, balances due from brokers and other receivables as detailed in the Statement of Financial Position.

Financial liabilities measured at amortised cost presented above represent balances due to brokers, bank debt and other payables and accrued expenses as detailed in the Statement of Financial Position.

Derivative instruments above represent forward foreign exchange contracts to hedge exposure to changes in foreign exchange rates.

Capital Risk Management

The Company's principal activity and primary investment objective is to produce annual returns in excess of 3-month Sterling LIBOR plus 5% over a rolling 3-year period, with annual standard deviation of under 5%. The Company's investment policy is to invest in an actively managed portfolio of predominantly debt-oriented hedge funds.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, share premium and distributable reserve and retained earnings as disclosed in notes 17 and 18. The Company does not have any externally imposed capital requirements.

The Company manages its capital to endeavour to ensure that its objective is met. It does this by investing available cash and drawing down on its bank facility whilst maintaining sufficient liquidity to meet on-going expenses.

5. Financial Risk Management and Financial Instruments (continued)

Capital Risk Management (continued)

The Manager ensures that on investment not more than 15% of the Company's total assets are invested in any one underlying individual hedge fund and not more than 20% of the Company's total assets are invested in aggregate in funds managed by any single underlying hedge fund manager, in each case at the point of investment. These limitations do not apply to fund of hedge fund vehicles managed or advised by the Investment Adviser.

The Investment Adviser makes its best endeavours to provide monthly redemptions in Sandalwood funds to procure liquidity for the Company, and to waive any lock-in, redemption or penalty payments which Sandalwood vehicles may have. To the extent that the Investment Adviser can only redeem by means of making early redemption penalty payments, these payments are netted off from the proceeds raised by the redemption.

All securities investments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The Company's overall market positions are monitored on a monthly basis by the Company's Investment Manager and are reviewed on a quarterly basis by the Board of Directors.

The Company's investments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Company's market price risk is managed through diversification of the investment portfolio ratio exposures. Refer to the Sub-Manager's Report for this information.

At 31 December 2011, the Company's financial instruments are affected by the following risks in actual market prices: interest rates, credit exposure, liquidity and foreign currency movements. Interest rate and foreign currency movements are covered separately within this note.

Market price risk

The Company invests in a portfolio consisting primarily of debt-oriented hedge funds, which are held to obtain long term gains. The market prices of the underlying hedge funds are affected by the managers of the underlying funds correctly assessing the future price movements of the securities held. If the underlying hedge fund prices at 31 December 2011 had increased by 5%, net of all performance fees, with all other variables held constant, this would have increased net assets attributable to holders of Shares in the Company by approximately £5.49 million (2010: £6.41 million). Conversely, if the underlying hedge fund prices had decreased by 5%, net of all performance fees, this would have decreased net assets attributable to holders of Shares in the Company by approximately £5.49 million (2010: £6.41 million).

Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess of cash or cash equivalents are invested at short-term interest rates.

The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

5. Financial Risk Management and Financial Instruments (continued)

Interest rate risk (continued)

The table below summarises the Company's exposure to interest rate risks:

2011	Floating rate Financial Assets 2011 £	Non interest bearing Financial Assets 2011 £	Total 2011 £
Assets			
Investments at fair value through profit or loss	-	109,844,172	109,844,172
Other receivables	-	102,441	102,441
Cash and cash equivalents	7,246,920	-	7,246,920
Total assets	**7,246,920**	**109,946,613**	**117,193,533**

	Floating rate Financial Liabilities 2011 £	Non interest bearing Financial Liabilities 2011 £	Total 2011 £
Liabilities			
Forward currency deals awaiting settlement	-	133,583	133,583
Accrued expenses	-	173,441	173,441
Other payables	-	30,590	30,590
Total liabilities	**-**	**337,614**	**337,614**
Total interest sensitivity gap	**7,246,920**	**109,608,999**	**116,855,919**

2010	Floating rate Financial Assets 2010 £	Non interest bearing Financial Assets 2010 £	Total 2010 £
Assets			
Investments at fair value through profit or loss	-	128,349,819	128,349,819
Other receivables	-	108,744	108,744
Due from broker	-	5,109,699	5,109,699
Cash and cash equivalents	18,798,532	-	18,798,532
Total assets	**18,798,532**	**133,568,262**	**152,366,794**

	Floating rate Financial Liabilities 2010 £	Non interest bearing Financial Liabilities 2010 £	Total 2010 £
Liabilities			
Forward currency deals awaiting settlement	-	2,057,100	2,057,100
Accrued expenses	-	197,893	197,893
Other payables	-	443,537	443,537
Total liabilities	**-**	**2,698,530**	**2,698,530**
Total interest sensitivity gap	**18,798,532**	**130,869,732**	**149,668,264**

5. Financial Risk Management and Financial Instruments (continued)

Interest rate risk (continued)

At 31 December 2011, should interest rates have lowered by 10 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of Shares for the year would amount to approximately £7,574 (2010: decrease of £18,273). If interest rates had risen by 10 basis points, the increase in net assets attributable to holders of Shares would amount to £7,574 (2010: increase of £18,273).

The Investment Manager monitors the Company's overall interest sensitivity on a regular basis by reference to prevailing interest rates and the level of the Company's cash balances or debt.

Credit risk

The Company 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 reporting date, if any.

Assets held by the Company which potentially expose it to credit risk primarily comprise receivables in respect of redeemed investments in underlying hedge funds and cash balances.

The following table shows assets subject to credit risk:

	2011 £	2010 £
Investments at fair value through profit or loss	109,844,172	128,349,819
Cash and cash equivalents	7,246,920	18,798,532
Interest and other receivables and payables	71,851	4,774,906
Total	**117,162,943**	**151,923,257**

Amounts in the above table are based on the carrying value of all accounts.

The Sub-Manager's Report includes a chart of the manager's strategies at a fund level, which gives information regarding the concentration of risk for the Company. The Investment Portfolio also includes details of the Company's principal investment holdings, including Sandalwood managed funds.

The Investment Manager monitors the Company's credit position on a monthly basis, and the Board of Directors reviews it on a quarterly basis. The Investment Adviser also assesses the risk associated with investments by performing financial analysis on the issuing companies as part of its normal scrutiny of prospective investments, which includes an assessment of the principal service providers to the hedge funds including administrator, auditors and prime brokers. Receivables for redeemed investments in underlying hedge funds are typically received within two months of the redemption date though may be subject to gating, liquidation or suspension provisions imposed by the underlying fund manager.

The bank facility is with Bank Julius Baer Ltd ("the Bank"). Bankruptcy or insolvency of the Bank may cause the Company's rights with respect to the facility to be delayed or limited. The Company monitors its risk by monitoring the credit rating of the Bank, which is currently Aa3.

The Company 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 Company 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 Company to cover its commitments for re-sale or repurchase, if any, at the then current market price. Note 23 details the outstanding commitments in respect of forward foreign exchange contracts at the year end.

Credit risk on liquid funds and derivative financial instruments is limited because 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

5. Financial Risk Management and Financial Instruments (continued)

Credit risk (continued)

financial analysis on the issuing companies as part of its normal scrutiny of prospective investments.

The carrying amount of financial assets recorded in the financial statements best represents the Company's maximum exposure to credit risk.

Liquidity risk

The Company takes on exposure to liquidity risk, which is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

Some of the Company's investments may comprise securities which are traded in recognised financial markets. The Company may also invest in securities which may lack an established secondary trading market or are otherwise considered illiquid. Liquidity of a security relates to the ability to easily dispose of the security and the price to be obtained and does not generally relate to the credit risk or likelihood of receipt of cash at maturity.

The Investment Adviser makes its best endeavours to provide monthly redemptions in Sandalwood funds to procure liquidity for the Company, and to waive any lock-in, redemption or penalty payments which Sandalwood vehicles may have.

The Company has the facility to borrow in the short term to ensure settlement. No borrowings were utilised at 31 December 2011 (2010: nil).

The Investment Manager regularly monitors the Company's liquidity position, and the Board of Directors reviews it on a quarterly basis.

The table below analyses the Company's financial assets and liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2011	Less than 1 month £	1-3 months £	4-12 months £	No stated maturity £
Assets				
Investments at fair value through profit or loss	-	-	-	109,844,172
Other receivables	-	102,441	-	-
Cash and cash equivalents	7,246,920	-	-	-
Total financial assets	**7,246,920**	**102,441**	**-**	**109,844,172**
Liabilities				
Accrued expenses	45,345	99,398	28,698	-
Other payables	30,590	-	-	-
Forward currency deals awaiting settlement	-	133,583	-	-
Total financial liabilities	**75,935**	**232,981**	**28,698**	**-**
Total liquidity gap	**7,170,985**	**(130,540)**	**(28,698)**	**109,844,172**

5. Financial Risk Management and Financial Instruments (continued)

Liquidity risk (continued)

2010	Less than 1 month £	1-3 months £	4-12 months £	No stated maturity £
Assets				
Investments at fair value through profit or loss	-	-	-	128,349,819
Other receivables	-	108,744	-	-
Due from broker	5,109,699	-	-	-
Cash and cash equivalents	18,798,532	-	-	-
Total financial assets	**23,908,231**	**108,744**	**-**	**128,349,819**
Liabilities				
Accrued expenses	26,116	127,277	44,500	-
Other payables	443,537	-	-	-
Forward currency deals awaiting settlement	-	2,057,100	-	-
Total financial liabilities	**469,653**	**2,184,377**	**44,500**	**-**
Total liquidity gap	**23,438,578**	**(2,075,633)**	**(44,500)**	**128,349,819**

The Company's investments in funds are shown as having no stated maturity dates because redemptions had not been placed for 31 December 2011. These investments are typically subject to initial lock-up periods of different lengths and varying redemption frequency and redemption notice periods. They may also be liable to redemption gating, suspension or the creation of side-pockets for illiquid assets at the discretion of the underlying fund manager. A liquidity chart in respect of these investments is given in the Sub-Manager's Report.

Currency risk

The majority of the net assets of the Company are denominated in US dollar rather than Sterling, its functional currency, with the effect that the Statement of Financial Position and Statement of Comprehensive Income can be significantly affected by currency movements. The table below summarises the Company's exposure to currency risks.

2011	Cash £	Investments £	Forward contracts £	Other Net Assets £	Net Exposure £
US Dollar	(271)	92,011,677	(81,442,235)	80,123	10,649,294
	(271)	**92,011,677**	**(81,442,235)**	**80,123**	**10,649,294**

2010	Cash £	Investments £	Forward contracts £	Other Net Assets £	Net Exposure £
US Dollar	66,114	121,075,520	(112,652,420)	4,869,468	13,358,682
	66,114	**121,075,520**	**(112,652,420)**	**4,869,468**	**13,358,682**

The Company's investment portfolio comprises predominantly US dollar denominated investments. The Company engages in currency hedging in an attempt to reduce the impact on the Company of currency fluctuations and the volatility of returns which may result from such currency exposure. The Company seeks to obtain foreign exchange lines from institutions which are rated A1 or above by Standard & Poor's or an equivalent rating agency.

5. Financial Risk Management and Financial Instruments (continued)

Currency risk (continued)

The Company hedges the majority of its currency exposure back to Sterling through the use of rolling forward foreign exchange contracts. This policy, which is an integral aspect of the Company's investment strategy, eliminated volatility that would otherwise have occurred as a result of fluctuations in the Sterling/US dollar exchange rate over the period. Details of open forward foreign exchange contracts are detailed in note 23.

At 31 December 2011, had the exchange rate between Sterling increased or decreased compared to US Dollar by 5% with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of Shares would amount to approximately £0.50 million (2010: £0.46 million).

The Investment Manager monitors the Company's currency position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- The fair value of non-derivative financial assets and financial liabilities are determined as set out in note 2.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

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

In terms of the funds in which the Company invests, these are predominantly incorporated in the United States. The underlying investments in the funds however, may be in other countries.

Geographical information:

	Net (losses)/gains on fair value through profit or loss investments by location of assets		Non-current assets by location of assets	
	2011 £	2010 £	2011 £	2010 £
United States and the Caribbean	(458,074)	14,839,893	109,844,172	128,349,819
	(458,074)	14,839,893	109,844,172	128,349,819

Notes to the Financial Statements
For the year ended 31 December 2011

7. Other Gains and Losses

	2011	2010
	£	£
Held for trading: Derivative financial instruments:		
Net realised foreign exchange losses on forward foreign exchange contracts, currency transactions and translations	(1,496,996)	(7,896,900)
Net movement in unrealised foreign exchange losses on forward foreign exchange contracts (note 23)	1,923,517	3,468,930
	426,521	**(4,427,970)**

8. Other Operating Income

	2011	2010
	£	£
Other operating income arising on financial assets not at fair value through profit or loss:		
Bank interest	19,736	27,882
Other income	-	209,262
Investment income	-	75,834
	19,736	**312,978**

9. Finance Costs

	2011	2010
	£	£
Finance costs arising on financial liabilities not at fair value through profit or loss:		
Bank debt interest	**335**	**2,134**

The bank interest resulted from the Company's debt facility with Bank Julius Baer & Co Limited to fund the purchase of investments in the short term.

10. Expenses

	2011	2010
	£	£
Management fees	1,327,355	1,513,644
Sandalwood management fee rebate	(1,470,618)	(1,109,570)
	(143,263)	**404,074**
Other expenses:		
Tender Offer/abortive ZDP issue costs	-	327,657
Costs of winding-up vote	217,500	-
Other expenses	213,559	151,343
Accounting, secretarial and administration fees	126,277	128,805
Loan commission fees	124,724	186,638
Marketing expenses	121,363	87,957
Directors' remuneration	82,500	82,111
Custodian fees	66,367	75,682
Auditors' remuneration for audit services	27,770	30,528
Legal and professional fees	21,186	36,083
	1,001,246	**1,106,804**
Total expenses	**857,983**	**1,510,878**

10. Expenses (continued)

The Sandalwood Securities, Inc. (“Sandalwood”) management fee rebate is the management fee levied by Sandalwood in relation to the net asset value of Sandalwood funds invested in by AcenciA. This management fee is treated as a reduction to the AcenciA management fee, so as to avoid duplication in fees paid to Sandalwood. The management fee charged by Sandalwood in relation to its funds is 1.5% or 1.15% of the net asset value of each fund.

The Company has no employees. The Directors are the only key management personnel of the Company. Their remuneration disclosed above is all in respect of short-term benefits.

No amounts were paid to the auditors during the period in respect of non-audit services.

Management and Performance fees

The Company is responsible for the fees of the Investment Manager in accordance with the Management Agreement between the Company and the Investment Manager dated 2 November 2005.

For the services performed under the Management Agreement, the Company pays the Investment Manager a management fee equal to 1% per annum of total assets.

The Investment Manager compensates the Investment Adviser and the Sub-Manager for their services to the Company under the terms of the Investment Advisory Agreement and Sub-Management Agreement.

In addition to the management fee, subject to satisfaction of the High Water Mark Provision and the Performance Hurdle Provision, the Investment Manager will be entitled to a performance fee equivalent to 10 per cent of the amount by which the value of the Net Asset Value per share at the end of each Accounting Period exceeds the value of the Net Asset Value per share at the end of the previous Accounting Period. Under the High Water Mark Provision, the Net Asset Value per share at the end of each Accounting Period must be greater than the value of the Net Asset Value per share at the end of any previous Accounting Period after taking account of any dividend paid. Under the Performance Hurdle Provision the Net Assets must have increased by at least 3 per cent during the relevant Accounting Period after taking account of any dividend paid. The current High Water Mark for the Company is 104.47p per share and consequently no performance fee arose in respect of the year ending 31 December 2011 (31 December 2010: £nil).

The Investment Management Agreement may be terminated by either party giving the other not less than six months’ written notice. The Sub-Management Agreement will terminate at the same time as the Investment Management Agreement terminates or otherwise on either party giving twelve months’ written notice.

The Investment Advisory Agreement may not be terminated prior to the expiry of the initial period, which ran until 31 December 2010. Thereafter it may be terminated on six months’ written notice. In the event that the Investment Advisory Agreement is terminated, the Investment Adviser will remain entitled to a *pro rata* share of its fees to the extent that and for so long as the Company’s assets remain invested in funds which were recommended by the Investment Adviser, including any funds managed or advised by the Investment Adviser.

Administration fees

In respect of the services provided under the Administration Agreement, from 1 October 2011 the Company pays Butterfield Fulcrum Group (Guernsey) Limited (“BFG”) a fee of 0.125% per annum on the first £50 million of the net asset value of the Company, and 0.10% per annum on the excess. This is subject to a minimum monthly payment of £3,750. In addition, the Company pays BFG £15,000 per annum for corporate secretarial services and £7,500 per annum for financial statement preparation. Prior to 1 October 2011 the fee was 0.085% per annum of the net asset value of the Company, subject to a minimum annual payment of £10,000. BFG is also entitled to receive fees for any extraordinary duties performed to be charged on a time spent basis. The Administration Agreement is terminable by either side on three months’ notice.

10. Expenses (continued)

Custodian fees

The Company is responsible for the fees of the Custodian (Bank Julius Baer & Co Limited) in accordance with the Custodian Agreement made between the Company and the Custodian dated 2 November 2005.

In respect of services provided under the Custodian Agreement, the Company pays the Custodian a quarterly fee at the rate of 0.05% of the Net Asset Value of the Company per annum subject to a minimum fee of £3,325 per quarter. The Custodian Agreement is terminable by either side on three months' notice. The Custodian does not have any decision-making discretion relating to the investment of the assets of the fund.

11. Tax Status

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600.

12. Basic And Diluted (Loss)/Earnings Per Share

Basic and diluted (loss)/earnings per Share are calculated by dividing net income available by the weighted average number of Shares outstanding during the year.

	2011 Number of Shares	2010 Number of Shares
Weighted average number of Shares	134,048,226	161,663,313

The weighted average number of Shares as at 31 December 2011 is based on the number of Shares in issue during the period under review, as detailed in note 17.

13. Investments

	2011 £	2010 £
Fair value through profit or loss investments		
Opening fair value as at beginning of year	128,349,819	117,997,507
Purchases at cost	18,215,771	16,483,627
Sales - proceeds	(36,263,344)	(20,971,208)
- realised gains on sales	14,779,730	4,038,754
Movement in unrealised gains on investments for the year	(15,237,804)	10,801,139
	(458,074)	14,839,893
Closing fair value at end of year	109,844,172	128,349,819
Closing cost	96,893,060	100,160,902
Unrealised gains on investments	12,951,112	28,188,917
Closing fair value at end of year	**109,844,172**	**128,349,819**

Further information and analysis of the investments is included in the Summary Information and Sub-Manager's Report.

As at 31 December 2010 £5,109,699 of investment purchases with a trade date of 1 January 2011 had been settled in advance.

14. Cash and Cash Equivalents

	2011 £	2010 £
Opening cash and cash equivalents	18,798,532	19,109,296
Net movement in the year	(11,551,612)	(310,764)
Closing cash and cash equivalents	7,246,920	18,798,532

14. Cash and Cash Equivalents (continued)

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

15. Current Assets and Liabilities

The Directors consider that the carrying amount of other receivables and other payables approximates to their fair value.

16. Accrued Expenses

	2011 £	2010 £
Management fees	99,398	127,277
Auditors' remuneration	22,320	20,000
Directors' remuneration	20,625	-
Accounting, secretarial and administration fees	12,913	10,819
Registrar fee	6,599	5,797
Printing costs	6,378	24,500
Trustee fee	4,970	6,364
Sundry expenses	238	3,136
	173,441	**197,893**

17. Share Capital

Authorised Capital

The Company has the power to issue an unlimited number of Shares of no par value.

Issued Capital

	Shares	Total
31 December 2011		
At 1 January 2011	151,061,992	151,061,992
Shares acquired and cancelled during the year	(30,989,846)	(30,989,846)
Shares of no par value at 31 December 2011	**120,072,146**	**120,072,146**
31 December 2010		
At 1 January 2010	189,763,556	189,763,556
Shares redeemed during the year through tender offer	(36,662,886)	(36,662,886)
Shares acquired and cancelled during the year	(2,038,678)	(2,038,678)
Shares of no par value at 31 December 2010	**151,061,992**	**151,061,992**

The Company acquired and cancelled 30,989,846 shares during the year at an average price of 87.75p per share.

Buy Back of Shares and Authority to Buy Back Shares

By way of an ordinary resolution passed by a written resolution dated 2 November 2005 the Company took authority, in accordance with Clause 5 of The Companies (Purchase of Own Shares) Ordinance 1998, to make market purchases of fully paid Shares, provided that the maximum number of Shares authorised to be purchased shall be 14.99% of the issued Share Capital of the Company issued pursuant to the Initial Public Offering ("IPO"). The minimum price which may be paid for a Share pursuant to such authority is one penny and the maximum price which may be paid for a Share is an amount equal to the higher of 105% of the average of the middle market quotations for a Share taken from the Official List for the five business days immediately preceding the date on which the Share is purchased or the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

17. Share Capital (continued)

Buy Back of Shares and Authority to Buy Back Shares (continued)

By way of a special resolution at the Annual General Meeting held on 28 April 2011, shareholders approved the renewed authority that the Company be authorised to purchase its own shares.

The Board committed to utilising this authority in full up to the Extraordinary General Meeting held on 20 September 2011 subject to the shares trading at a discount wider than 10% and the Company having sufficient available resources. The authority was duly fully utilised and then renewed at the Extraordinary General Meeting. Such authority will expire at the Annual General Meeting of the Company in 2012 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting.

18. Reserves

a) Share Premium Account

	2011 £	2010 £
Share Premium Account as at beginning of year	-	23,913,544
Shares acquired and cancelled during the year	(27,193,719)	(31,522,281)
Transfer from distributable reserve	27,193,719	7,608,737
Share Premium Account as at end of year	-	-

As at 31 December 2011 £30,590 (2010: £203,306) of Share transactions were unsettled.

b) Distributable Reserve

	2011 £	2010 £
Distributable Reserve as at beginning of year	177,628,096	185,236,833
Transfer to Share Premium Account	(27,193,719)	(7,608,737)
Distributable Reserve as at end of year	**150,434,377**	**177,628,096**

With confirmation of the Royal Court in Guernsey on 25 November 2005 the amount standing to the credit of the Share Premium account, net of issue costs, immediately following the issue of the Ordinary Shares was transferred to a Distributable Reserve and the Share Premium amount was cancelled. Approval was also granted by the Royal Court in Guernsey on 27 July 2007 to reduce the amount standing to credit of the Share Premium account, net of issue costs. The amount standing following the C Share issues of June 2006 and February 2007 was transferred to the Distributable Reserve and the Share Premium amount cancelled.

The Distributable Reserve may be applied in any manner in which the Company's profits available for distribution are able to be applied, including purchase of the Company's own Shares and the payment of dividends.

19. Net Asset Value per Share

The net asset value per Share of £0.9737 (31 December 2010: £0.9911) is based on the net assets at the year end of £116,917,707 (31 December 2010: £149,710,101) and on 120,072,146 (31 December 2010: 151,061,992) Shares, being the number of Shares in issue at the year end.

20. Notes to the Cash Flow Statement

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. The cash flows arising from these activities are shown in the Statement of Cash Flows.

Cash and cash equivalents (which are presented separately on the face of the Statement of Financial Position) comprise cash at bank.

21. Reconciliation of Accounting NAV and Published NAV per Share

31 December 2011	Net Asset Value £	NAV per share £
Published Net Asset Value	116,922,513	0.9738
Adjustments to expense accruals	(4,806)	(0.0001)
Net Asset Value	116,917,707	0.9737
31 December 2010		
Published Net Asset Value	149,713,518	0.9911
Adjustments to expense accruals	(3,417)	-
Net Asset Value	149,710,101	0.9911

22. Bank Facilities

The Company has a multi-purpose multi-currency revolving overdraft and foreign exchange credit facility with Bank Julius Baer & Co Limited (the "Bank") which was entered into on 11 March 2010. The Bank has agreed to provide the Company with a loan facility in the aggregate principal amount of up to the lower of £25,000,000 or 10% of the market value of the Company's assets deposited with the Custodian, extendable to 15% in relation to foreign exchange exposure. This facility is secured by a charge over all of the Company's underlying assets and is in accordance with the conditions of the Security Interest Agreement dated 2 November 2005 between the Company, the Bank and the Custodian. The interest rate chargeable is the Bank's floating lending rate plus a margin of 1.75% per annum payable quarterly in arrears.

The facility is terminable at any time by the Bank on 120 days notice.

At 31 December 2011 the Company had drawn down £nil (31 December 2010: £nil) on this facility.

Refer to note 5 for further details relating to liquidity risk.

23. Commitments and Contingent Liabilities

At the reporting date the following commitments in respect of forward foreign exchange contracts existed with the Custodian:

As at 31 December 2011:

Maturity Date	Contract amount	Buy	Sell	Unrealised loss £
27 February 2012	USD (126,500,000)	GBP	USD	(133,583)
				(133,583)

(Forward rate for 27 February 2012 £1: US$1.5533).

As at 31 December 2010:

Maturity Date	Contract amount	Buy	Sell	Unrealised loss £
23 February 2011	USD (176,300,000)	GBP	USD	(2,057,100)
				(2,057,100)

(Forward rate for 23 February 2011 £1: US$1.5651).

The movement in the unrealised gain/loss on the forward foreign exchange contracts is a gain of £1,923,517 as at 31 December 2011 (31 December 2010: gain of £3,468,930).

At 31 December 2011 the Company had total outstanding capital commitments of US$765,571 regarding its investment in Cerberus (31 December 2010: US$1,417,774).

The Company has no contingent liabilities at the reporting date.

24. Related Party Transactions

Saltus (Channel Islands) Limited (the "Investment Manager"), Saltus Partners LLP (the "Sub-Manager"), Sandalwood Securities, Inc. (the "Investment Adviser") and the Directors are regarded as related parties. The only related party transactions are described below:

The fees and expenses payable to the Investment Manager are explained in Note 10. The management fee balance due at the end of the year was £99,398 (31 December 2010: £127,277).

There were no direct transactions with the Investment Adviser during the year.

Mr J Macintosh is a director of the Investment Manager and a partner in the Sub-Manager, and prior to his resignation he had waived his right to remuneration as a director of the Company.

The basic fee paid to each non-executive director from 1 April 2010 was £22,500 (prior to 31 March 2010: £17,500), except for the Chairman who received £32,500 (prior to 31 March 2010: £30,000) and Mr R Battey who receives an additional £5,000 per annum for being Chairman of the Audit Committee.

25. Events after the Reporting Period

From 1 January 2012 to the date of approval of these Financial Statements, the Company acquired 1,289,269 of its own Shares for cancellation at an average price of 80.12p per Share.

ACENCIA DEBT STRATEGIES LIMITED
(Incorporated in Guernsey with Registered No. 43787)
Notice of Annual General Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ACENCIA DEBT STRATEGIES LIMITED (the "Company") will be held at its registered office, 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3NQ on Wednesday 25 April 2012 at 10.00 am, to consider and, if thought fit, pass the following resolutions.

Ordinary business:
To consider and if thought fit, pass resolutions 1 — 4 as ordinary resolutions

1. To receive and adopt the directors' report and financial statements for the period ended 31 December 2011.
2. To re-elect Jim Le Pelley as a director.
3. To re-appoint BDO Limited as Auditors to the Company and to authorise the Directors to fix the Auditors' remuneration.
4. To approve a final dividend to shareholders amounting to 1.70p per share in respect of the year ended 31 December 2011.

Special business:

To consider and if thought fit, pass resolutions 5 and 6 as special resolutions

5. THAT the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market purchases (as defined in that Law) of its own shares provided that:
    (a) The maximum number of shares authorised to be purchased is 17,814,302;
    (b) The minimum price which may be paid for a share is one penny;
    (c) The maximum price which may be paid for a share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (b) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase;
    (d) Such authority shall expire at the annual general meeting of the Company in 2013, unless such authority is varied, revoked or renewed prior to such date by an ordinary resolution of the Company in general meeting; and
    (e) The Company may make a contract to purchase shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of shares pursuant to such contract.
6. THAT pursuant to a special resolution passed on 22 October 2010 to disapply pre-emption rights the Directors continue to be empowered to issue or allot shares for cash (within the meaning of the Articles) as if the pre-emption rights in article 45 of the Articles do not apply to such issue or allotment provided that this power shall be limited to:
    a) The issue or allotment of Shares or any class thereof in connection with an offer of securities in favour of the holders of Shares or any class thereof on the register of members at such record date as the Board may determine where the Shares or any class thereof respectively attributable to the interests of the Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Shares or any class thereof held by them on any such record date, subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts of any other matter; and

b) The issue or allotment (otherwise than pursuant to sub-paragraph i of this Resolution 2) to any person or persons of Shares up to an amount not exceeding 10 per cent of the Company issued share capital at the time of the allotment,

And shall expire at the next AGM of the Company, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require shares to be issued or allotted after such expiry and the Board shall be entitled to issue or allot shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

26 March 2012

Registered Office
2nd Floor
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

1. Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend and vote on their behalf.
2. To have the right to attend and vote at the meeting you must hold shares in the Company and your name must be entered on the share register of the Company in accordance with note 4 below.
3. To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by Capita Registrars, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU as soon as possible, but, in any event, so as to arrive no later than 10.00 am on 23 April 2012. A Form of Proxy accompanies this notice. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so.
4. The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 6.00 pm on 23 April 2012. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes, the subject of those proxies, are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable interest under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any person holding 5% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of the voting rights, and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
6. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Issuer's agent RA10 by 10.00 am on 23 April 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by Capita Registrars no later than 10.00 am on 23 April 2012.
7. As at 26 March 2012, the latest practicable date prior to publication of this document, the Company had 118,782,877 shares in issue with a total of 118,782,877 voting rights.

Management and Administration

Directors
J Le Pelley (Chairman)
R Battey
J Macintosh + (resigned 20 September 2011)
W Scott

+ Representative of the Manager and Sub-Manager

Registered Office and Directors' Address
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Guernsey GY1 3NQ

Investment Manager
Saltus (Channel Islands) Limited
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Sub-Manager
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72 New Bond Street
London W1S 1RR

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Registrar
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