Brookwell Limited
Annual report 2010

Contents

Investment objective

The objective of the Company is to realise value from its portfolios of AIM securities and listed securities and progressively return cash to shareholders.

Financial highlights

	A Shares	B Shares
Amount raised in placing	£25.5m	£13.0m
Amount returned to shareholders in the year to 30 June 2010	£5.2m	£8.3m
Amount returned to shareholders in the period from admission of shares to trading on AIM ("Admission")* to 30 June 2010	£10.7m	£10.7m
Number of securities acquired in the placing*	84	62
Number of Securities at 30 June 2010	4	12
Net asset value per Share at Admission**	97.00p	96.60p
Net asset value per Share at 30 June 2010	45.57p	110.53p
Weighted average net asset value *** at 30 June 2010	46.17p	110.76p

*The A Shares were admitted to trading on AIM on 26 June 2008 and the B Shares were admitted to trading on AIM on 19 February 2009.

**after share issue expenses

***$\frac{\text{net assets and cash returned to shareholders}}{\text{shares issued in placing}}$

Financial calendar

Annual General meeting	7 December 2010 at 11.00 a.m. Valley House, Hirzel Street St Peter Port Guernsey

The Annual Report can be downloaded in electronic format from www.brookwelllimited.com

Chairman's statement

The Investment Manager of the two funds within Brookwell Limited ("Brookwell" or "the Company") has completed a successful year maintaining a healthy pace of realisation and, in accordance with the Company's objective, returning £13.5 million to shareholders.

On 30 December 2009, the Company returned £2.7 million to A Shareholders, with a pro-rata redemption of 4,774,523 A Shares at a price of 56.6p per share, and on 30 June 2010 a further £2.5 million was returned to its A Shareholders through the pro-rata redemption of 5,502,959 A Shares at a price of 45.4p. This means that, to date, £10.7 million has been returned, representing in aggregate approximately 42 per cent of the placing value of the issued A Shares.

The net asset value ('NAV') per A Share, as at 30 June 2010, was 45.6p and the number of holdings had been reduced to 4 from 25 at 30 June 2009. Subsequently the NAV per A Share at 1 October 2010 was 38.2p and the number of holdings has remained the same. Despite the recent deteriorating market conditions, progress has continued and the A Share class fund held cash of £0.2 million on that date.

On 30 December 2009, £5.5 million was returned to B shareholders through the pro-rata redemption of 4,814,839 B Shares at a price of 114.2p per B share; and on 30 June 2010 a further £2.8 million was returned to B Shareholders through the pro-rata redemption of 2,554,972 B Shares at the price of 109.6p per B Share. This means that £10.7 million has been returned to date, representing approximately 82 per cent of the placing value of the issued B Shares. The NAV per B Share at 30 June 2010 was 110.5p and the number of holdings had been reduced from 36 to 12. Subsequently, the NAV at 1 October 2010 was 115.3p and the number of holdings was further reduced to 6. The B Share class fund held cash and receivables of £2.8 million on that date.

The next pro-rata redemptions for the A Shares and B Share are scheduled for the end of December 2010.

Further details on disposals of the respective A Share and B Share portfolios are provided in the Investment Manager's report. Portfolio concentration tends to occur at this stage in the life of most work-out funds and Brookwell is no exception to this rule. Summary profiles of the key holdings are given in the Investment Manager's report.

I am pleased to note that since the year end the Company has disposed of six holdings in the B Share portfolio including the three largest. The aggregate disposal proceeds from these holdings exceeded the aggregate carrying value at the year end. Moreover, based on the successful realisation programme so far, the directors and the Investment Manager are considering the appropriateness of launching a new class fund.

Continued economic uncertainty suggests that many of the investee companies will face further commercial challenges. However, I remain confident that the Investment Manager will continue to identify and exploit opportunities to extract liquidity and value wherever possible.

The AGM will be held at the offices of Legis Corporate Services Limited, Valley House, Hirzel Street, St Peter Port, Guernsey at 11.00 a.m. on 7 December 2010.

Christopher Clark
7 October 2010

Investment Manager's report

Brookwell was launched in June 2008 with one class of shares. Following approval at the Extraordinary General meeting held on the 29 January 2009, the shares issued at launch were re-designated as A Shares and B Shares were issued pursuant to a placing.

As with our previous work-out companies, we have sought to use a variety of methods to realise the Company's holdings. Last year we flagged the increasing difficulty we were experiencing in finding corporate solutions to the Company's more challenging investments. This trend has continued despite a bounce in UK equity indices during the year under review. Bank lending remains difficult and expensive for UK smaller companies. In addition, whilst the AIM market has rallied in line with broader UK equity indices, it is clear from the steady flow of company delistings that the AIM market is still going through a period of re-adjustment. In fact, over the last three years the number of companies on AIM has fallen by more than a quarter.

The rally since March 2009 has continued with the AIM All-Share Index ending the year more than 70% above its nadir. However, the A and B portfolios have become more concentrated as realisations occur and both stock and sector weightings deviate significantly from the AIM All-share Index.

Liquidity in the micro cap sector (sub £50m market cap), which dominates both portfolios, remains very difficult. Whilst global equity markets have rallied, the general economic environment has remained uncertain. Many western economies face very high, and in many cases, unsustainable budget deficits. Greece, in particular, has attracted much attention in recent months, but the UK faces similar challenges. In the run up to the general election the three major parties were reluctant to flag the scale of the inevitable spending cuts/tax rises. Now the election is out of the way, the new coalition government has started the slow and painful process of devising a programme to bring the budget deficit down to more prudent levels. The debate about the UK's ability to weather spending cuts without de-railing the economic recovery continues and the risk of a "double-dip" recession remains. Only a few months ago the US Federal Reserve appeared to be tilting towards tightening monetary policy on the back of an improving economy but with signs that growth maybe slowing again the crisis-era monetary policy remains firmly in place.

The Bank of England's August Inflation Report saw not only a reduction, as expected, in its economic growth forecasts, but also a warning that inflation was likely to stay higher for longer. The report highlighted the lack of bank lending and the impact this was likely to have on growth. All this suggests that the UK economy will struggle to deliver normal economic growth and the future still remains highly uncertain.

A Share portfolio
From an initial portfolio of 84, the A portfolio had been reduced to just 25 stocks at the start of the financial year. Further progress has been made over the year, with the number of holdings reduced to just four, one of which has been written down to zero. The most significant disposal during the year was Claimar Care Group which, as described in last year's annual accounts, was subject to a highly satisfactory cash takeover in the first half of the Company's financial year.

Inevitably, a number of investee companies have struggled as a result of both the difficult UK domestic economy and the challenges facing the UK banking sector. During the year, only one investment, Entelos, was delisted. This was written down to zero. In the previous period Synarbor delisted, and because we believed the business had some intrinsic value, we continued to value the investment at an amount equal to its pre-delisting share price. We are pleased to report that we managed to realise this investment at premium to this valuation.

The portfolio has inevitably become more concentrated, with only three holdings representing 100% of the aggregate value of £0.9m. These companies are described below:

Hotel Corporation: an owner, not an operator, of UK hotels which successfully renegotiated its bank facilities and raised £20 million of new equity;

Shieldtech: this company is a specialist in homeland security, providing body armour, mainly to UK police forces and the Ministry of Defence;

Rotala: the company operates bus, coach and transport services in the UK, focusing on local passenger transport with a strong presence in both the West Midlands and the South West (Bristol and Bath).

Every opportunity is being considered to realise value from these final investments and the fund remains on track to meet, if not exceed, its original expected timetable. As highlighted last year, the NAV of the A Shares has been impacted by the difficulties experienced by the AIM market since launch, rather than issues specific to Brookwell.

B Share portfolio
At the end of March 2009 the B portfolio was established with an initial 62 investments, which had been reduced to 36 by the end of June 2009. Over the Company's year a further 24 holdings have been sold taking the portfolio down to just 12 investments.

During the year the B portfolio benefited from an agreed bid for Medical House and managed to exit the investment in Fusion IP on the back of a successful fund raising. Elsewhere the fund had several investments, most notably IQE and Patsystems, where continued good trading news enabled us to exit at a substantial premium to book cost. In addition, the impressive turnaround at Portrait Software attracted a cash bid for the company at a significant premium to book cost, although we had been top-slicing the investment as the stock responded to improving newsflow ahead of the bid.

During the year Hexagon, which was experiencing trading difficulties and bank refinancing issues, delisted and was written down to zero.

As with the A portfolio, the continued reduction in the number of holdings has resulted in a further concentration in the portfolio, with the top 3 holdings accounting for over 58% of the aggregate value of £3.2m at 30 June 2010. Since the year end the Company has disposed of six further investments in the B Share portfolio including those top three holdings leaving a balance of six holdings. The aggregate disposal proceeds from the six holdings sold exceeded the aggregate carrying value at year end.

Outlook
As outlined above the economic conditions remain uncertain and we continue to assume liquidity in micro-caps will remain challenging. Despite this backdrop we remain confident we have the right approach to deliver value and liquidity from the remaining holdings.

Progressive AIM Realisation Limited
7 October 2010

Details of individual holdings

A Share portfolio

As at 30 June 2010 Company	Percentage of relevant capital owned	Current value £,000	Percentage of portfolio %
Hotel Corporation	2.0%	500	57.5%
Shieldtech	15.5%	245	28.2%
Rotala	0.9%	124	14.3%
Entelos		–	0.0%
Total holdings		**869**	**100.0%**

B Share portfolio

As at 30 June 2010 Company	Percentage of relevant capital owned	Current value £,000	Percentage of portfolio %
Noble Investments UK*	5.6%	840	25.9%
Futura Medical*	2.3%	663	20.4%
Cello Group*	2.2%	400	12.3%
Armour Group*	3.1%	242	7.5%
Digital Marketing Group	1.3%	241	7.4%
Sanderson Group	2.3%	216	6.7%
Plant Impact	2.8%	205	6.3%
Prologic	8.0%	200	6.2%
Syntopix Group	1.5%	99	3.1%
Western & Oriental*	1.9%	65	2.0%
Xcounter	1.0%	48	1.5%
Synairgen*	0.2%	24	0.7%
Total holdings		**3,243**	**100.0%**

*Sold since the year end.

Directors' report

The directors present their report and accounts for the year ended 30 June 2010.

Investment policy

Investment objective

The objective of the Company is to realise value from its portfolios of securities admitted to trading on AIM ("AIM Securities"), securities admitted to the Official List and to trading on the Main Market of the London Stock Exchange ("Listed Securities") and progressively to return cash to Shareholders. This objective will not be varied without the approval of an ordinary resolution of each of the A Shareholders and the B Shareholders.

The Company has established two portfolios:

1. the A class fund through a placing in June and July 2008 in which A Shares were issued to investors in exchange for AIM Securities and Listed Securities;

2. the B class fund through a placing in February and March 2009 in which B Shares were issued to investors in exchange for AIM Securities and Listed Securities.

Once the portfolios are established the Company will not acquire any further equity securities for the A or B Class Funds except that it may exchange existing investments for other Qualifying Securities (as defined below) if, in the opinion of the Investment Manager, this would provide a better prospect of value and liquidity for the Company.

Investment restrictions at the time of establishment of the Class Funds

At the time of the placings the Company adopted the following mandatory and discretionary criteria to determine whether securities are Qualifying Securities and these were applied by the Investment Manager in evaluating the securities offered to the Company in the placings.

Mandatory criteria

The Company will not accept:

(i) securities which are not either admitted to trading on AIM or admitted to the Official List;

(ii) securities in companies which have a 50 per cent. controlling shareholder as defined below;

(iii) warrants, preference shares or debt securities, except where such preference shares or debt securities are convertible into Qualifying Securities (and in such circumstances, the Company may, but would not be obliged, to accept such preference shares or debt securities);

(iv) securities of companies in which any of the directors of the Company or of companies in the Investment Manager's Group is a director or has an interest (as defined in Schedule 1 of the UK Companies Act) in any class of securities of one per cent. or more;

(v) securities the acquisition of which would or might oblige the Company to make a general offer under Rule 9 of the City Code or would or might cause the Company to be in breach of the City Code or the AIM Rules; or

(vi) securities in companies whose assets are managed, wholly or in part, by the Investment Manager or any member of the Investment Manager's Group.

For the purposes of the criterion specified in paragraph (ii) above, a 50 per cent. controlling shareholder of a company is any person or persons (including Associates) acting jointly or by agreement (whether formal or otherwise) who is:

(a) entitled to exercise, or to control the exercise of, 50 per cent. or more of the rights to vote at general meetings of the company; or

(b) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the company.

Associates (as defined in the Listing Rules of the London Stock Exchange) will be presumed to be acting jointly or by agreement.

Discretionary criteria

The Company will only accept securities within the following categories if, having taken advice from the Investment Manager, the Company so agrees:

(i) securities in companies which have a 30 per cent. controlling shareholder as defined below;

(ii) securities which are suspended from trading;

(iii) securities of companies whose auditors' report on the latest published audited accounts contains a qualification or refers to a fundamental uncertainty;

(iv) securities of companies which are known or believed to be the subject of existing, pending or threatened criminal, tax, customs, excise, competition or other regulatory investigation;

(v) securities of companies which, in the opinion of the Investment Manager, do not have an established and sustainable business;

(vi) securities of split capital investment trusts or venture capital trusts;

(vii) securities of companies in respect of which, in the Investment Manager's opinion, a disproportionate expenditure of time and/or money would be required for the Investment Manager to gain a proper understanding of the business or investments or the ownership structure (for instance owing to features of the company concerned or of the industry or sector in which it operates);

(viii) securities of companies incorporated outside the United Kingdom or whose investments or operations are predominantly outside the United Kingdom;

(ix) securities which would result in the Class Fund being significantly unbalanced;

(x) securities the price of which is, or has been, in the view of the Investment Manager abnormally volatile or where the Investment Manager believes that the market bid price is substantially higher than the price at which such securities could realistically be realised in the context of the achievement by the Class Fund of the Company's objective; or

(xi) securities in companies which the Investment Manager believes may require the raising of funds for working capital within the next 18 months.

For the purposes of the discretionary criterion specified in paragraph (i) above, a 30 per cent. controlling shareholder of a company is any person or persons (including Associates) acting jointly or by agreement (whether formal or otherwise) who is entitled to exercise, or to control the exercise of, 30 per cent. or more of the rights to vote at general meetings.

Associates (as defined in the Listing Rules of the London Stock Exchange) will be presumed to be acting jointly or by agreement.

Where the Company has rejected a security under the discretionary criteria specified above and the potential transferor of such security proposes a lower price which satisfies the Investment Manager's concerns the Company may, on the advice of the Investment Manager, accept such security at such lower price."

Investment restrictions following the establishment of the Class Funds
The Directors have resolved that the Company adopt the following investment restrictions:

(i) the Company will not invest in securities carrying unlimited liability or deal short in securities or, to a significant extent, be a dealer in investments;

(ii) the Company will not exercise legal or management control of investments or control or seek to control, or be actively involved in the management of, investments;

(iii) the Company will not buy or sell commodities or commodity contracts or real estate or interests in real estate, although it may purchase and sell securities which are secured by real estate or commodities and securities in companies which invest in or deal in real estate or commodities;

(iv) dividends will not be paid unless they are covered by income received from underlying investments, and for this purpose a share of profit of an associated company is unavailable unless and until distributed to the Company;

(v) the Company's distributable income will be derived from investments and neither the Company nor any subsidiary company from time to time will conduct a trading activity which is significant in the context of the group as a whole;

(vi) the Company will not distribute as dividend surpluses arising from the realisation of investments;

(vii) the Company will not invest in the securities of any one company an amount that is more than 15 per cent. of the assets attributed to the A or B Class Fund (before deducting borrowed money, if any) including loans to or shares in any subsidiary of the Company at the time the investment or loan is made; and

(viii) not more than 10 per cent., in aggregate, of the value of the total assets attributed to the A or B Class Fund at the time of Admission will be invested in listed investment companies or listed investment trusts unless they have a stated investment policy to invest no more than 15 per cent. of their total assets in other listed investment companies or listed investment trusts.

None of the investment restrictions specified above will require the realisation of any assets of the Company where any investment restriction is breached as a result of an event beyond the control of the Company which occurs after the investment is acquired, but no further relevant assets of the kind giving rise to the breach may be acquired by the Company until it can again comply with the relevant restriction.

Nature of investments
Subject to the mandatory and discretionary criteria set out above, there are no restrictions on the geographical spread or business sector range of the portfolios. Moreover as investments are realised it is inevitable that the portfolios will become more concentrated and less balanced. An analysis of the major investments in each Class Fund is shown on page 3.

When engaging with an investee company, the Investment Manager seeks to adopt a constructive approach in relation to such investee company's board and management so as to encourage them to be active in the pursuit of enhanced value and liquidity in the shares of such investee company. Neither the Company nor the Investment Manager engages in the management of investee companies but, if appropriate, they encourage the investee company to engage a suitably qualified person to fulfil such a role.

The Company does not seek to exercise legal or management control of investments or control or seek to control, or be actively involved in the management of investments.

Gearing
The Company does not intend to have any structural borrowings. The Company obtained a loan facility under which it may borrow up to £1.5 million from Progressive Asset Management Limited, a member of the Investment Manager's Group, to be utilised, if necessary, to defray the expenses of the Placing and to provide initial working capital in respect of each Class Fund. In neither case has any amount been drawn under the facility.

Life of the Class Funds and the Company
At separate class meetings of each of the A Shareholders and the B Shareholders to be held in the third quarter of 2011, Shareholders holding Shares of each class will be invited to consider the future of the Class Fund attributed to the relevant class of Shares and will be given an opportunity to initiate the winding up of the relevant Class Fund by passing a resolution by a simple majority requesting the directors of the Company to wind up the relevant Class Fund. On any such resolution, any Shareholder who votes in favour of the resolution will be entitled to 100 million votes for every Share held.

Business activities
The Company is a closed-ended investment company incorporated and resident in Guernsey and quoted on AIM.

Results and dividends
The Company's profit on ordinary activities after taxation for the year was £1,594,000 (2009: loss £12,733,000). This consisted of a profit on ordinary activities relating to the A Shares of £915,000 (2009: loss £13,890,000) and a profit relating to the B Shares of £679,000 (2009: profit £1,157,000).

The Company's revenue loss on ordinary activities after taxation for the year amounted to £489,000 (2009: £207,000). Therefore the directors do not recommend a final dividend.

Investment report and outlook
The Chairman's Statement and Manager's Report incorporate reviews of the highlights of the year.

Market information
The Company's A Shares and B Shares are quoted on AIM, a market of the London Stock Exchange. The net asset values per A Share and B Share are calculated weekly and published through a regulatory information service.

Redemptions and purchases of shares
(i) A Shares
Pro-rata redemptions of shares

In June and December each year, commencing December 2008, the Company has applied and intends to apply all available funds to effect a redemption of outstanding A Shares at the NAV per A Share as at that date less any costs that may be attributable to such redemption. For this purpose "all available funds" means the entirety of the cash balances received from disposals of investments less funds used or required to settle liabilities of the Company and funds used to pay any dividends on A Shares and to repurchase and redeem A Shares in the market at a discount to NAV per A Share as described below. These redemptions will be effected pro rata to the number of A Shares held by each A Shareholder on the Company giving not less than 14 days' notice.

In December 2009 the Company carried out a redemption of 4,774,523 A Shares at a price of 56.55p per share. In June 2010 there was a redemption of 5,502,959 A Shares at a price of 45.43p per share.

Other redemptions of Shares

If the A Shares trade at a sufficient discount to the NAV per A Share, the Company intends to apply, on a rolling basis, up to 50 per cent. of the net cash proceeds of realisations since the Placing to repurchase and redeem A Shares in the market. Pursuant to the Articles (and as described in its Admission Documents dated 6 June 2008 and 15 January 2009) the Company has the authority to redeem the A Shares. Although there may be occasions when the Board is precluded from making redemptions and repurchases of Shares because it is in possession of unpublished price sensitive information relating to the Company, in general the Board intends to repurchase and redeem A Shares whenever the A Shares are trading at a sufficient discount to their underlying Net Asset Value and the Company has funds available for that purpose. Such repurchases and redemptions will be made at a price agreed between the Company and the redeeming A Shareholder provided that price is less than NAV per A Share. This will generally have the effect of increasing the Net Asset Value attributable to the remaining A Shares and accelerating the return of funds to A Shareholders.

There were no other redemptions of A Shares during the year.

At the year end and as at the date of this report, the remaining balance of A Shares in issue is 2,380,891.

(ii) B Shares
Pro-rata redemptions of shares

The B Shares are subject to pro rata redemptions on the same basis as described above in respect of the A Shares.

In December 2009 the Company carried out a redemption of 4,814,839 B Shares at a price of 114.23p per share. In June 2010 there was a redemption of 2,554,972 B Shares at a price of 109.59p per share.

Other redemptions of Shares

The B Shares may be repurchased and redeemed on the same terms as described above in respect of the A Shares.

There were no other redemptions of B Shares during the year.

At the year end and as at the date of this report, the remaining balance of B Shares in issue is 3,307,720.

Custody
Custody of the Company's investments was contracted to The Northern Trust Company throughout the year.

Investment management
Since its launch the management of the Company's investments has been contracted to Progressive AIM Realisation Limited, ("the Investment Manager") which is authorised and regulated by the FSA. The Company's investment portfolio and assets are managed by Robert Legget, Ross Courtier and Simon Toynbee.

The Investment Manager is entitled to receive the following fees in respect of the A Shares:

(i) a basic fee equivalent to one per cent. per annum of the aggregate value, at 100p, of the A Shares placed pursuant to the flotation for the period up to 30 June 2010, and thereafter one per cent. per annum of the NAV attributable to the A Shares as at 30 June 2010;

(ii) a capital return fee at the rate of one per cent. of A Share Capital Returns (up to 100p per A Share) made in any calendar month up to and including June 2010; and

(iii) an equity appreciation fee equal to ten per cent. of any value returned to A Shareholders in excess of 100p per A Share.

The Investment Manager is entitled to receive the following fees in respect of the B Shares:

(i) a basic fee equivalent to one per cent. per annum of the aggregate value, at the Placing Price, of the B Shares placed pursuant to the Placing for the period up to 31 March 2011, and thereafter one per cent. per annum of the NAV attributable to the B Shares as at 31 March 2011;

(ii) a capital return fee at the rate of one per cent. of B Share Capital Returns (up to 100p per Share) made in any calendar month up to and including March 2011; and

(iii) an equity appreciation fee equal to ten per cent. of any value returned to B Shareholders in excess of 100p per Share.

The entirety of any equity appreciation fee and 50 per cent. of basic fees and capital return fees are charged to capital.

Management engagement
The investment management agreement is terminable by either party thereto on not less than twelve months' written notice expiring on 30 June or 31 December in any year, subject to immediate termination in certain circumstances, including, inter alia, material breaches of the agreement that have not been remedied or the insolvency of either party.

Company secretary and administrators
Legis Corporate Services Limited ("Legis") was the secretary of the Company for the entire year under review, and remains so. Legis is also responsible for all administrative matters. Legis is appointed under a contract subject to 90 days' written notice. Cavendish Administration Limited has been appointed by Legis to act as administration agent in the United Kingdom. Cavendish is appointed under a contract subject to six months notice. The aggregate amount paid to Legis and Cavendish is detailed in note 3 to the accounts. Further detail on these agreements is provided in the Admission Documents.

Payment of suppliers
It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company contracts with its suppliers the terms on which business will take place and abides by such terms; a high proportion of expenses, including management and administration fees, are paid within the month when invoiced. There were no invoices outstanding from trade creditors at 30 June 2010.

Settlement of share transactions
Share transactions in the Company's A Shares and B Shares can be settled by the CREST share settlement system.

Donations
The Company did not make any donations during the year under review.

Going concern
The directors have adopted the going concern basis in preparing the accounts. The following is a summary of the directors' assessment of the going concern status of the Company:

Operational resources
The directors have considered the Company's working capital position including its cash levels and the liquidity of its investments and following that consideration have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Life of the Company
At separate class meetings of each of the A Shareholders and the B Shareholders to be held in the third quarter of 2011, Shareholders holding Shares of each class will be invited to consider the future of the Class Fund attributed to the relevant class of Shares and will be given an opportunity to initiate the winding up of the relevant Class Fund by passing a resolution by simple majority requesting the directors of the Company to wind up the relevant Class Fund. It is possible that shareholders may vote to wind up either or both Class Funds within 12 months of the date of this report. The directors believe that preparing the accounts on an orderly realisation basis would not have resulted in a material adjustment to these accounts and the balances therein. Having regard to all circumstances, the directors consider it appropriate to continue to prepare the accounts on a going concern basis until a proposal for liquidation is made by the board or, if earlier, shareholders vote to wind up both Class Funds or the Company.

Auditors
In accordance with The Companies (Guernsey) Laws 2008, a resolution for the re-appointment of Grant Thornton Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Colin Ferbrache

Philip Soulsby
7 October 2010

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the period and of the profit or loss for the period and are in accordance with The Companies (Guernsey) Law, 2008. In preparing these accounts, the directors are required to:

• Select suitable accounting policies and then apply them consistently;

• Make judgements and estimates which are reasonable and prudent;

• State whether applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the accounts; 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 are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with The Companies (Guernsey) Law, 2008, there is no relevant audit information of which the Company's auditors is unaware. Each director also confirms that they have taken all steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The financial statements are published on the Company's website (website address: www.brookwelllimited.com) and on the Investment Manager's website (website address: www.pro-asset.com). The maintenance and integrity of these websites, so far as it relates to the Company, is the responsibility of the Investment Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Corporate governance

The Company is incorporated in Guernsey but has decided to apply the Principles of Good Governance and Code of Best Practice (the "Combined Code") of the United Kingdom, issued in June 2008 by the Financial Reporting Council ("FRC") rather than the corporate governance requirements of Guernsey. The Company is committed to high standards of corporate governance and the Board has established a framework which it believes is appropriate for the Company and which satisfies the Combined Code, though companies trading on AIM do not have to adopt the Combined Code.

The Board

Composition

All the directors were appointed with effect from 28 May 2008 and hold their office in accordance with the Company's Articles of Incorporation. In compliance with the Articles Mr PA Clarke and Mr PD Soulsby will put themselves forward for re-election at the Annual General Meeting.

Christopher Clark, aged 68, is non-executive chairman of the Company. He became a partner in the stockbroking firm of Kemp-Gee & Co. in 1975. The firm subsequently merged with Scrimgeour and became Citicorp Scrimgeour Vickers following its acquisition by Citicorp. From 1986 to 1989 Christopher Clark was Head of Research at Citicorp Scrimgeour Vickers. In 1989 he joined Credit Lyonnais Laing, subsequently becoming Head of Research. For many years he was a top rated analyst, first in the Pharmaceutical Sector and subsequently in Quantitative Analysis. Christopher Clark was formerly a founder director and secretary of the Institute for Quantitative Investment Research (INQUIRE) and was a non-executive director of William Ransom & Son plc from 1998 to 2007. He was non-executive chairman of Advance Focus Fund Limited, a listed focus fund managed by a member of the Progressive Group, from 2002 until April 2008. He is a Fellow of the Chartered Institute of Secretaries, a Fellow of the Securities Institute and was an Associate of the UK Society of Investment Professionals. He is currently a non-executive director of Highcroft Investments plc, a listed real estate investment trust, and is a marketing consultant with the Monument Securities Limited and with Lehmann Communications plc.

Paul Clarke, aged 64, is a non-executive director of the Company. A chartered accountant, he qualified with Ernst & Young in London before moving to France. After working for an engineering company he joined Mitchell Cotts plc, a listed mini conglomerate, in 1976. He became group chief financial officer in 1986. In 1987 he was appointed finance director of Bellwinch plc, a listed housebuilder. In 1991 he was appointed group finance director of Fuller, Smith & Turner P.L.C. the listed brewer. He retired from the board in April 2008. Mr Clarke is deputy chairman of the Quoted Companies Alliance, which represents the interests of smaller quoted companies. He is an associate of Critical Eye – The Network of Leaders, providing senior executives with peer interaction across industry sectors, business functions and business issues.

Colin Ferbrache OBE, aged 61, is a non-executive director of the Company. He is a director of Hamilton Trustees Limited, an administration company in Guernsey which specialises in trust and company structures for international clients. He served for 25 years as an officer in the Royal Navy during which time he held a number of posts including command of the frigate HMS Alacrity. He worked for Coutts Private Bank in Guernsey from 1993 to 1997, advising personal clients on trust and company structures. He was managing director of an aircraft charter and management company from 1997 until joining Hamilton Trustees Limited in 1999.

Alasdair McLaren, aged 44, is a non-executive director of the Company. He is a director of Saffery Champness in Guernsey. He commenced his career as a chartered accountant in Aberdeen. After qualifying he worked for two years for KPMG in Guernsey, primarily in respect of funds and fund management companies before joining Havelet Trust Company where he was a manager in both its Guernsey and British Virgin Islands offices. In 1996 he joined Dixcart Trust Corporation, where he was a director and was responsible for a portfolio of clients and for the asset management and fund administration departments. In 2001 he was appointed managing director of Turcan Connell's Guernsey office. In 2006 he joined Saffery Champness in Guernsey. He is a director of a number of private companies. He is a Fellow of the Securities Institute.

Philip Soulsby, aged 45, is a non-executive director of the Company. A mathematics graduate, he qualified as a chartered accountant in London with BDO Binder Hamlyn, before transferring to KPMG in Guernsey in 1990. There he spent two years specialising in the audit of financial services companies and offshore mutual funds. In 1992 he joined Credit Suisse Fund Administration Limited in charge of finance and compliance, later moving to a role more involved in structuring and marketing mutual fund services, helping the business grow from 12 staff to over 130. During this time he acted as director to a number of funds and fund managers, and gained a broad knowledge of hedge funds, derivatives and risk control. In 2006, he left Credit Suisse to establish his own business, The Mundi Group, now the largest fair-trade business in the Channel Islands. He is a member of the Securities Institute.

All directors are entirely independent of the Investment Manager, Progressive AIM Realisation Limited. There were no contracts subsisting during or at the end of the year in which a director was or is materially interested.

A policy of insurance against directors' and officers' liabilities is maintained by the Company.

At 30 June 2010 and at the date of this report the directors had no shareholdings in the Company.

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

There were four full Board meetings during the year ended 30 June 2010. All of the directors attended these meetings. There were two committee meetings to deal with the formal approval of documents and two committee meetings to approve the pro-rata redemptions of shares in December 2009 and June 2010.

Re-election of directors
In accordance with the Company's Articles of Association, Mr PA Clarke and Mr PD Soulsby will retire and put themselves forward for re-appointment at the Annual General Meeting.

The Board has reviewed the contribution made by both directors and in accordance with the performance evaluation detailed below recommends that they should be re-elected.

Board committees
The Company has established three permanent committees, whose terms of reference are summarised below. Other committees of the Board may be formed from time to time to deal with specific matters.

Audit Committee
The Audit Committee comprises Alasdair McLaren, Paul Clarke, Colin Ferbrache and Philip Soulsby. It meets formally at least twice a year for the purpose of reviewing the internal controls of its main service providers, the appointment and remuneration of the auditors and to review the production of the annual accounts and the half-yearly report. Alasdair McLaren is Chairman of the Audit Committee.

The Company's external Auditors also attend the Audit Committee meeting at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The Audit Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the auditors.

There were two Audit Committee meetings during the year ended 30 June 2010. All of the committee members attended both meetings.

Remuneration and Management Engagement Committee
All of the directors are members of the Remuneration and Management Engagement Committee. The committee meets formally on at least an annual basis for the purpose of considering the appointment and remuneration of the Investment Manager and of suppliers of services to the Company, as well as the fees of non-executive directors. Colin Ferbrache is Chairman of the Remuneration and Management Engagement Committee.

There was one meeting of the Remuneration and Management Engagement Committee during the year ended 30 June 2010. The meeting was attended by all the committee members.

Nominations Committee
All of the Directors are members of the Nominations Committee. It has been established for the purpose of identifying and putting forward candidates for the office of director of the Company. The Nominations Committee will meet as and when it is required. Philip Soulsby is Chairman of the Nominations Committee.

There was no meetings of the Nominations Committee during the year ended 30 June 2010.

Colin Ferbrache is the senior independent director.

Performance evaluation
A formal annual performance appraisal process is performed. The Chairman appraises the performance of the individual directors and the Board. The results are discussed so that any necessary action can be considered and undertaken. A separate appraisal of the Chairman is carried out by all the other board members and the results are reported back to the Chairman.

Internal controls
The Combined Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the FRC guidance on internal controls and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

The Board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company.

Financial aspects of internal control
The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by the investment manager, the administrator and the UK administration agent to provide reasonable assurance on the effectiveness of internal financial controls. The Board does not consider that an internal audit function would be appropriate to the nature and circumstances of the Company.

The key procedures include monthly production of management accounts and NAV calculations, monitoring of performance at regular board meetings, review by directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, the Board keeps under its own direct control all material payments out of the Company other than for investment purposes. Payment of management fees is authorised only by directors after they have studied the financial data upon which those fees are based.

The Statement of Directors' Responsibilities in respect of the accounts is on page 8 and a statement of going concern is on page 7. The report of the independent auditors is on page 13.

Other aspects of internal control
The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the administrator and the UK administration agent.

The Investment Manager reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary.

Directors receive and consider monthly reports from the UK administration agent, giving full details of all holdings in the portfolio and of all transactions and of all aspects of the financial position of the Company. The administrator and UK administration agent report separately in writing to the Board concerning risks and internal control matters within their purview, including internal financial control procedures and secretarial matters, highlighting any changes which have occurred. Additional ad hoc reports are received as required and directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the Investment Manager, administrator and UK administration agent enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis through the year and again, formally, at the year end.

Shareholder relations
The Company welcomes all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Meetings with shareholders
The Investment Manager regularly meets with shareholders to discuss the performance of the Company, including its trading results. The Investment Manager reports at each Board meeting on contact with shareholders. If any shareholder wishes to raise matters directly with the Board he may do so by contacting Christopher Clark, the Company Chairman or at the annual general meeting.

Exercise of voting powers
The Directors have instructed the Investment Manager to exercise the Company's voting power, as far as practicable, in respect of general meetings of investee companies. The Company considers shareholder voting to be an important issue in the pursuance of its investment objective. All investee company general meetings are reviewed by the Investment Manager and the Company takes action following the completion of this process.

Social and environmental policy
The Company has no staff, premises, manufacturing or other operations. However, the Company encourages responsible policies in this area by the appointed agents.

Compliance with the Combined Code
The Board considers that it has applied the principles of the Combined Code appropriately to the Company's circumstances.

Directors' Remuneration
A directors' remuneration report is included on page 12 of these financial statements.

Directors' remuneration report

Remuneration and management engagement committee
The Company has five non-executive directors, all of whom are independent of the Investment Manager. The Remuneration and Management Engagement Committee therefore comprises the whole Board. It considers directors' fees and the remuneration of contracted service suppliers including the Investment Manager.

Policy on directors' fees
The Board's policy is that the remuneration of non-executive directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive directors' fees are determined within the limits set out in the Company's Articles of Incorporation and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. It is intended that this policy will continue for the year ending 30 June 2011 and for subsequent years.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 30 June 2010.

Directors' service contracts
The directors do not have service contracts. The directors have appointment letters which do not state any specific term. The directors are all subject to re-election by shareholders at a maximum interval of three years.

Directors' emoluments for the year
With effect from 1 January 2010, the fees of the Chairman have been £32,500 per annum, of Mr McLaren (Chairman of the Audit Committee) £22,500 per annum and to the other directors £20,000 per annum. Between 19 February 2009 and 31 December 2009 fees of the Chairman were £29,000 per annum and to all the other directors £17,500 per annum. Prior to 19 February 2009 fees of the Chairman were £25,000 per annum and all other directors £15,000 per annum.

The following emoluments in the form of fees were payable in the year ended 30 June 2010 to the directors who served during that year.

	2010 £'000	*2009* *£'000*
CJ Clark (Chairman)	30.5	*27.0*
PA Clarke	19.0	*16.0*
CD Ferbrache	19.0	*16.0*
AR McLaren	19.5	*16.0*
PD Soulsby	19.0	*16.0*
Total	107.0	*91.0*

The Board has resolved that with effect from 1 January 2011 the fees payable to the Chairman will be at a rate of £25,000 per annum and to the other directors at a rate of £17,500. Mr McLaren will also receive an additional fee at a rate of £2,500 per annum to reflect his duties as Chairman of the Audit Committee.

Independent auditors' report

To the shareholders of Brookwell Limited
We have audited the financial statements of Brookwell Limited for the year ended 30 June 2010 which comprise the Statements of Comprehensive Income, the Statements of Financial Position, the Statements of Changes in Shareholders' Funds, the Statements of Cash Flow and the related notes. 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 has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities on page 8 the Company's 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 the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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.

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 30 June 2010 and of its profit for the year then ended;

• have been properly prepared in accordance with IFRSs as adopted by the European Union; and

• have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

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:

• the Company has not kept proper accounting records; or

• the financial statements are not in agreement with the accounting records and returns; or

• we have not received all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton Limited
Chartered Accountants
Lefebvre House, Lefebvre Street
St Peter Port, Guernsey
Channel Islands

7 October 2010

Statements of comprehensive income

Company

For the year ended 30 June 2010	Notes	For the year ended 30 June 2010 Revenue £'000	For the year ended 30 June 2010 Capital £'000	For the year ended 30 June 2010 Total £'000	*For the period from 28 May 2008 to 30 June 2009 Revenue £'000*	*For the period from 28 May 2008 to 30 June 2009 Capital £'000*	*For the period from 28 May 2008 to 30 June 2009 Total £'000*
Gains/(losses) on investments designated at fair value through profit or loss		–	2,402	2,402	*–*	*(12,253)*	*(12,253)*
Investment income	2	129	–	129	*302*	*–*	*302*
Investment management fees	3	(255)	(319)	(574)	*(194)*	*(273)*	*(467)*
Other expenses	3	(352)	–	(352)	*(315)*	*–*	*(315)*
(Loss)/profit on ordinary activities before taxation		**(478)**	**2,083**	**1,605**	***(207)***	***(12,526)***	***(12,733)***
Taxation	6	(11)	–	(11)	*–*	*–*	*–*
(Loss)/profit attributable to shareholders		**(489)**	**2,083**	**1,594**	***(207)***	***(12,526)***	***(12,733)***
(Loss)/earnings per A Share	7	(2.45)p	11.36p	8.91p	*(0.81)p*	*(64.04)p*	*(64.85)p*
(Loss)/earnings per B Share	7	(2.88)p	11.09p	8.21p	*(0.26)p*	*9.25p*	*8.99p*

The total column of this statement represents the Company's Comprehensive Income, prepared under IFRS. The revenue and capital columns, including the revenue and capital earnings per share data, are supplementary information prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

The Company was incorporated on 28 May 2008 and its A Shares commenced trading on AIM on 26 June 2008. The B Shares were admitted to trading on AIM on 19 February 2009.

The notes on pages 19 to 25 form part of these accounts.

A Share

For the year ended 30 June 2010	For the year ended 30 June 2010 Revenue £'000	For the year ended 30 June 2010 Capital £'000	For the year ended 30 June 2010 Total £'000	*For the period from 28 May 2008 to 30 June 2009 Revenue £'000*	*For the period from 28 May 2008 to 30 June 2009 Capital £'000*	*For the period from 28 May 2008 to 30 June 2009 Total £'000*
Gains/(losses) on investments designated at fair value through profit or loss	–	1,318	1,318	*–*	*(13,559)*	*(13,559)*
Investment income	40	–	40	*225*	*–*	*225*
Investment management fees	(152)	(152)	(304)	*(158)*	*(158)*	*(316)*
Other expenses	(135)	–	(135)	*(240)*	*–*	*(240)*
(Loss)/profit on ordinary activities before taxation	**(247)**	**1,166**	**919**	***(173)***	***(13,717)***	***(13,890)***
Taxation	(4)	–	(4)	*–*	*–*	*–*
(Loss)/profit attributable to shareholders	**(251)**	**1,166**	**915**	***(173)***	***(13,717)***	***(13,890)***
(Loss)/earnings per A Share	(2.45)p	11.36p	8.91p	*(0.81)p*	*(64.04)p*	*(64.85)p*

B Share

For the year ended 30 June 2010	For the year ended 30 June 2010 Revenue £'000	For the year ended 30 June 2010 Capital £'000	For the year ended 30 June 2010 Total £'000	*For the period from 28 May 2008 to 30 June 2009 Revenue £'000*	*For the period from 28 May 2008 to 30 June 2009 Capital £'000*	*For the period from 28 May 2008 to 30 June 2009 Total £'000*
Gains/(losses) on investments designated at fair value through profit or loss	–	1,084	1,084	*–*	*1,306*	*1,306*
Investment income	89	–	89	*77*	*–*	*77*
Investment management fees	(103)	(167)	(270)	*(36)*	*(115)*	*(151)*
Other expenses	(217)	–	(217)	*(75)*	*–*	*(75)*
(Loss)/profit on ordinary activities before taxation	**(231)**	**917**	**686**	***(34)***	***1,191***	***1,157***
Taxation	(7)	–	(7)	*–*	*–*	*–*
(Loss)/profit attributable to shareholders	**(238)**	**917**	**679**	***(34)***	***1,191***	***1,157***
(Loss)/earnings per B Share	(2.88)p	11.09p	8.21p	*(0.26)p*	*9.25p*	*8.99p*

Statements of financial position

30 June 2010	Notes	A Share 30 June 2010 £'000	B Share 30 June 2010 £'000	Company 30 June 2010 £'000	*A Share 30 June 2009 £'000*	*B Share 30 June 2009 £'000*	*Company 30 June 2009 £'000*
Non-current assets							
Investments designated at fair value through profit and loss	8	869	3,243	4,112	*5,090*	*11,022*	*16,112*
Current assets							
Sales for future settlement		–	22	22	*–*	*31*	*31*
Other receivables		10	13	23	*33*	*14*	*47*
Cash and cash equivalents		275	502	777	*314*	*342*	*656*
		285	537	822	*347*	*387*	*734*
Total assets		**1,154**	**3,780**	**4,934**	***5,437***	***11,409***	***16,846***
Current liabilities							
Other payables		69	124	193	*67*	*132*	*199*
		69	124	193	*67*	*132*	*199*
Total assets less current liabilities		**1,085**	**3,656**	**4,741**	***5,370***	***11,277***	***16,647***
Capital and reserves attributable to shareholders							
Share capital and share premium	9	14,060	1,820	15,880	*19,260*	*10,120*	*29,380*
Capital reserve	10	(12,551)	2,108	(10,443)	*(13,717)*	*1,191*	*(12,526)*
Revenue reserve		(424)	(272)	(696)	*(173)*	*(34)*	*(207)*
Total shareholders' funds		**1,085**	**3,656**	**4,741**	***5,370***	***11,277***	***16,647***
Net assets per Share	11	45.57p	110.53p	n/a	*42.42p*	*105.61p*	*n/a*

Approved by the Board of Directors on 7 October 2010 and signed on their behalf by:

Colin Ferbrache

Philip Soulsby

The notes on pages 19 to 25 form part of these accounts.

Statements of changes in shareholders' funds

Company

	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the period from 28 May 2008 to 30 June 2009				
Issue of shares	*38,486*	–	–	*38,486*
Share issue expenses	*(1,206)*	–	–	*(1,206)*
Purchases and redemption of shares	*(7,900)*	–	–	*(7,900)*
Loss for the period	–	*(12,526)*	*(207)*	*(12,733)*
Closing shareholders' funds as at 30 June 2009	*29,380*	*(12,526)*	*(207)*	*16,647*
For the year ended 30 June 2010				
Purchases and redemption of shares	(13,500)	–	–	(13,500)
Profit/(loss) for the year	–	2,083	(489)	1,594
Closing shareholders' funds as at 30 June 2010	**15,880**	**(10,443)**	**(696)**	**4,741**

A Share

	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the period from 28 May 2008 to 30 June 2009				
Issue of shares	*25,525*	–	–	*25,525*
Share issue expenses	*(765)*	–	–	*(765)*
Purchases and redemption of shares	*(5,500)*	–	–	*(5,500)*
Loss for the period	–	*(13,717)*	*(173)*	*(13,890)*
Closing shareholders' funds as at 30 June 2009	*19,260*	*(13,717)*	*(173)*	*5,370*
For the year ended 30 June 2010				
Purchases and redemption of shares	(5,200)	–	–	(5,200)
Profit/(loss) for the year	–	1,166	(251)	915
Closing shareholders' funds as at 30 June 2010	**14,060**	**(12,551)**	**(424)**	**1,085**

B Share

	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the period from 28 May 2008 to 30 June 2009				
Issue of shares	*12,961*	–	–	*12,961*
Share issue expenses	*(441)*	–	–	*(441)*
Purchases and redemption of shares	*(2,400)*	–	–	*(2,400)*
Profit/(loss) for the period	–	*1,191*	*(34)*	*1,157*
Closing shareholders' funds as at 30 June 2009	*10,120*	*1,191*	*(34)*	*11,277*
For the year ended 30 June 2010				
Purchases and redemption of shares	(8,300)	–	–	(8,300)
Profit/(loss) for the year	–	917	(238)	679
Closing shareholders' funds as at 30 June 2010	**1,820**	**2,108**	**(272)**	**3,656**

The notes on pages 19 to 25 form part of these accounts.

Statements of cash flow

For the year ended 30 June 2010	Notes	A Shares For the year ended 30 June 2010 £'000	B Shares For the year ended 30 June 2010 £'000	Company For the year ended 30 June 2010 £'000	*A Shares For the period from 28 May 2008 to 30 June 2009 £'000*	*B Shares For the period from 28 May 2008 to 30 June 2009 £'000*	*Company For the period from 28 May 2008 to 30 June 2009 £'000*
Operating activities							
Cash inflow from investment income and interest		70	96	166	*195*	*69*	*264*
Cash outflow from management and other expenses		(448)	(508)	(956)	*(492)*	*(100)*	*(592)*
Cash inflow from disposal of investments		5,539	8,872	14,411	*6,876*	*3,214*	*10,090*
Net cash inflow from operating activities	12	**5,161**	**8,460**	**13,621**	***6,579***	***3,183***	***9,762***
Financing							
Expenses of issue of share capital		–	–	–	*(765)*	*(441)*	*(1,206)*
Payments to purchase own shares		(5,200)	(8,300)	(13,500)	*(5,500)*	*(2,400)*	*(7,900)*
Net cash outflow from financing activities		**(5,200)**	**(8,300)**	**(13,500)**	***(6,265)***	***(2,841)***	***(9,106)***
(Decrease)/increase in cash and cash equivalents		**(39)**	**160**	**121**	***314***	***342***	***656***
Opening balance		314	342	656	–	–	–
Cash flow		(39)	160	121	*314*	*342*	*656*
Closing balance		**275**	**502**	**777**	***314***	***342***	***656***

The notes on pages 19 to 25 form part of these accounts.

Notes to the Company's financial statements

1 Accounting policies
The Company is a closed-ended investment company incorporated and resident in Guernsey.

Basis of accounting
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect at the date of this document. The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). The Company has elected to present the 'Statements of Comprehensive Income' as one statement.

Under IFRS, the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies in January 2009 has no formal status, but the Company has taken the guidance of the SORP and information contained in the Company's Admission Document into account to the extent that is appropriate and compatible with IFRS as adopted by the European Union.

The particular accounting policies adopted are described below:

(a) Accounting convention

The accounts are prepared under the historical cost convention, except for the measurement at fair value of investments.

(b) Going concern

The directors have adopted the going concern basis in preparing the accounts. The following is a summary of the directors' assessment of the going concern status of the Company:

Operational resources

The directors have considered the Company's working capital position including its cash levels and the liquidity of its investments and following that consideration have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Life of the Company

At separate class meetings of each of the A Shareholders and the B Shareholders to be held in the third quarter of 2011, Shareholders holding Shares of each class will be invited to consider the future of the Class Fund attributed to the relevant class of Shares and will be given an opportunity to initiate the winding up of the relevant Class Fund by passing a resolution by a simple majority requesting the directors of the Company to wind up the relevant Class Fund. It is possible that shareholders may vote to wind up either or both Class Funds within 12 months of the date of this report. The directors believe that preparing the accounts on an orderly realisation basis would not have resulted in a material adjustment to these accounts and the balances therein. Having regard to all circumstances, the directors consider it appropriate to continue to prepare the accounts on a going concern basis until shareholders vote to wind up both Class Funds or the Company.

(c) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as fair value through profit or loss on initial recognition in accordance with IAS 39. At this time, fair value is the consideration given, excluding material transaction or other dealing costs associated with the investment.

After initial recognition such investments are valued at fair value. For quoted investments this is established by reference to market bid price. For quoted investments that are not actively traded, an alternative valuation technique is used that makes use of market inputs which the directors believe better reflect the fair value of the investment. The valuation of suspended or delisted securities requires significant judgment. Suspended or delisted securities are valued at directors' best estimate of fair value after taking into account conditions that led to that investment's delisting or suspension and in particular the financial health and business outlook for the investee company concerned. Investments are derecognised when realised. Gains or losses are recognised in the capital column of the Statements of Comprehensive Income. All purchases and sales of investments are accounted for on a trade date basis.

(d) Income from investments

Investment income from ordinary shares is accounted for on the basis of ex-dividend dates. Special dividends are assessed on their individual merits and are credited to the capital column of the Statements of Comprehensive Income if the substance of the payment is a return of capital; with this exception all other investment income is taken to the revenue column of the Statements of Comprehensive Income. Bank interest receivable is accounted for on an accruals basis.

(e) Capital reserve

Profits and losses achieved in cash by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are dealt with through the capital reserve.

(f) Revenue reserves

Investment income from and bank interest income are allocated to the revenue column of the Statements of Comprehensive Income. Administration expenses and one half of basic investment management fees and capital return fees are charged to the revenue column of the Statements of Comprehensive Income.

(g) Investment management fees

One half of the basic investment management fees and capital return fees are allocated to the capital column of the Statements of Comprehensive Income. The entirety of the equity appreciation fee is allocated to the capital column of the Statements of Comprehensive Income. Fees allocated to the capital column are taken to the capital reserves. This is in accordance with the Company's stated intention in its Admission Document.

(h) Foreign currency

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Company.

(i) Cash and cash equivalents

Cash and Cash Equivalents in the Statements of Cash Flows comprises cash held at bank or by the custodian and does not include loans, long term debt or bank overdrafts that are akin to long term debt.

(j) Operating segments

The Company has adopted IFRS 8, 'Operating segments'. This standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The Board has considered the requirements of the standard and is of the view that the Company is engaged in a single segment of business, which is to realise value from its portfolios of AIM securities and listed securities and progressively return cash to shareholders.

The Board of directors is responsible for ensuring that the Company's investment objective is followed. The day-to-day implementation of this has been delegated to the Investment Manager but the Board retain responsibility for the overall direction of the Company. The Board review the investment decisions of the Investment Manager at regular Board meetings. The Investment Manager has been given full authority to make investment decisions on behalf of the Company in accordance with the investment objective.

(k) New standards issued but not effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project.

The main phases are:

Phase 1: Classification and Measurement

Phase 2: Impairment methodology

Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

2 Investment income

	2010 £'000	*2009 £'000*
Income from investments		
Dividends from UK listed or UK quoted investments	122	*259*
	122	***259***
Other income		
Interest receivable	7	*43*
	7	***43***
Total investment income	**129**	***302***

3 Investment management fees and other expenses

	Revenue £'000	Capital £'000	2010 Total £'000
Investment management fees			
– basic	190	190	380
– capital return fee	65	65	130
– equity appreciation fee	–	64	64
	255	319	574
Administration fees	134	–	134
Custodian's fees	12	–	12
Registrar's fees	9	–	9
Directors' fees	107	–	107
Auditors' fees	16	–	16
Nominated Adviser fees	25	–	25
Miscellaneous expenses	49	–	49
Total other expenses	**352**	**–**	**352**
Total expenses	**607**	**319**	**926**

	Revenue £'000	*Capital £'000*	*2009 Total £'000*
Investment management fees			
– basic	*153*	*153*	*306*
– capital return fee	*41*	*41*	*82*
– equity appreciation fee	–	*79*	*79*
	194	*273*	*467*
Administration fees	*104*	–	*104*
Custodian's fees	*8*	–	*8*
Registrar's fees	*11*	–	*11*
Directors' fees	*91*	–	*91*
Auditors' fees	*15*	–	*15*
Nominated Adviser fees	*25*	–	*25*
Miscellaneous expenses	*61*	–	*61*
Total other expenses	***315***	**–**	***315***
Total expenses	***509***	***273***	***782***

Further details on the management agreement are provided on page 6 of the directors' report.

4 Directors' fees
The fees paid or accrued were £106,934 (2009:£90,946). There were no other emoluments. Full details of the fees of each director are given in the Directors' Remuneration Report on page 12.

5 Transaction charges

	2010 £'000	*2009 £'000*
Transaction costs on sales of investments	17	*17*
Total transaction costs included in gains on investments at fair value through profit or loss	**17**	***17***

6 Taxation
The Company is resident for tax purposes in Guernsey.

With effect from 1 January 2008, Guernsey abolished the exempt tax regime. However, the Company continues to apply for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 and is charged an annual exemption fee of £600.

The tax charges shown in the Statements of Comprehensive Income relate to overseas withholding tax on dividend income.

7 Earnings/(loss) per share
A Shares
Earnings per A Share is based on the profit of £915,000 (2009: loss £13,890,000) attributable to the weighted average of 10,262,575 (2009: 21,419,910) A Shares of no par value in issue during the year ended 30 June 2010.

Supplementary information is provided as follows: revenue earnings per A Share is based on the revenue loss of £251,000 (2009: loss £173,000) and capital earnings per A Share is based on the net capital profit of £1,166,000 (2009: loss £13,717,000) attributable to 10,262,575 (2009: 21,419,910) A Shares of no par value.

B Shares
Earnings per B Share is based on the profit of £679,000 (2009: profit £1,157,000) attributable to the weighted average of 8,269,707 (2009: 12,867,313) B Shares of no par value in issue during the year ended 30 June 2010.

Supplementary information is provided as follows: revenue loss per B Share is based on the revenue loss of £238,000, (2009: loss £34,000) and capital earnings per B Share is based on the net capital profit of £917,000 (2009: profit £1,191,000) attributable to 8,269,707 (2009: 12,867,313) B Shares of no par value.

8 Investments

	2010 £'000	*2009 £'000*
AIM quoted shares	4,112	*14,994*
UK listed shares	–	*1,118*
Total fixed asset investments at fair value*	**4,112**	***16,112***
Movement during the period:		
Opening balance	21,359	*–*
Additions, at cost	–	*38,486*
Disposals, at cost	(14,328)	*(17,127)*
Cost of investments at 30 June	**7,031**	***21,359***
Revaluation of investments to fair value		
Opening balance	(5,247)	*–*
Net movement	2,328	*(5,247)*
Balance at 30 June	**(2,919)**	***(5,247)***
Fair value of investments at 30 June	**4,112**	***16,112***

*The total value of suspended and delisted securities included in investments at 30 June 2010 was nil (2009: £21,713). Hotel Corporation has been valued by an alternative valuation technique, using quotes provided by market makers, which the directors believe better reflects that fair value of the investment than the market bid price.

9 Share capital

	At 30 June 2010 Authorised	At 30 June 2010 Allotted, issued and fully paid
Founder shares		
Number	100	2
Nominal Value	£100	£2
A Shares (no par value)		
Number	110,000,000*	2,380,891
B Shares (no par value)		
Number	110,000,000*	3,307,720

	At 30 June 2009 Authorised	*At 30 June 2009 Allotted, issued and fully paid*
Founder shares		
Number	*100*	*2*
Nominal Value	*£100*	*£2*
A Shares (no par value)		
Number	*110,000,000**	*12,658,373*
B Shares (no par value)		
Number	*110,000,000**	*10,677,531*

*The authorised share capital of the Company does not distinguish between A Shares and B Shares.

(i) Capital structure and life of the Company

The Company's issued share capital consists entirely of A Shares, B Shares and two Founder Shares. The Founder Shares have negligible rights. The A Shares and B Shares are participating redeemable preference shares of no par value and both share classes are admitted to trading on AIM. Further detail on the share issues and redemptions for each of the A Share and B Share class are set out below.

Class Funds

The assets of the Company immediately prior to the completion of the placing of the B Shares were attributed to the A Class Fund whilst securities obtained in the placing of the B Shares were attributed to a separate B Class Fund. The liabilities attributable solely to the A Class Fund or the B Class Fund are allocated to the A Class Fund and the B Class Fund, respectively. Liabilities not attributable solely to a particular Class Fund are allocated to each of the A Class Fund and the B Class Fund pro rata based on the net asset values attributable to the A Shares and the B Shares on reference dates detailed in the Admission Document dated 15 January 2009, except where the Directors determine that it would be inequitable to do so. In such instances the allocation of such liabilities is determined by the Directors.

As described in the Directors' Report, the Company may redeem the A Shares or B Shares. Neither the A Shares nor the B Shares are redeemable at the request of Shareholders.

The A Shares and the B Shares carry the exclusive right to any dividend distributed by the Company, any such dividend being paid in respect of a class of Shares solely out of the returns or assets of the Class Fund attributed to that class of Shares.

On a winding up of a Class Fund, any surplus assets available for distribution will be distributed solely to Shareholders who hold shares of the relevant class pro-rata based on the number of Shares of that class held by each Shareholder. On a winding up of the Company, any surplus assets of a Class Fund available for distribution will be distributed to Shareholders who hold Shares of the relevant class pro-rata based on the number of Shares of the relevant class held by each Shareholder.

Any assets not attributed to a Class Fund will be returned to the holders of the Founder Shares pro-rata based on the number of Founder Shares held by each holder of the Founder Shares.

At separate class meetings of each of the A Shareholders and the B Shareholders to be held in the third quarter of 2011, Shareholders holding Shares of each class will be invited to consider the future of the Class Fund attributed to the relevant class of Shares and will be given an opportunity to initiate the winding up of the relevant Class Fund by passing a resolution by a simple majority requesting the directors of the Company to wind up the relevant Class Fund. On any such resolution, any Shareholder who votes in favour of the resolution will be entitled to 100 million votes for every Share held.

(ii) Authorised share capital

The authorised share capital of the Company on incorporation was 100 Founder Shares of £1.00 each and 100,000,000 Shares of no par value. The authorised number of Shares was increased to 110,000,000 upon adoption of new Articles of Association of the Company on 29 January 2009.

(iii) Founder Shares

On incorporation two Founder Shares were issued at £1.00 per share. Founder Shares are not redeemable and do not carry any rights to a dividend. The Founder Shares do not have any rights to vote at general meetings of the Company.

(iv) A Shares

Issue of A Shares

Pursuant to the AIM Admission Document dated 6 June 2008 the Company:-

a) On 26 June 2008, allotted 25,226,853 A Shares, all of which were issued for consideration in the form of investments received. The total consideration was £25,226,853.

b) On 17 July 2008 allotted a further 297,890 A Shares, all of which were issued for consideration in the form of investments received. The total consideration was £297,890.

During the year, the Company applied, in accordance with the Admission Document dated 6 June 2008, all available funds to effect pro-rata redemptions of outstanding A Shares.

Redemption of A Shares

Pro-rata redemptions of A Shares

On 30 December 2009, 4,774,523 A Shares were redeemed at a price of 56.55p per share. On 30 June 2010 5,502,959 A Shares were redeemed at a price of 45.43p per share.

On 31 December 2008, 8,356,533 A Shares were redeemed at a price of 43.08p per share. On 30 June 2009 4,509,837 A Shares were redeemed at a price of 42.13p per share. These redemptions were effected pro-rata to the number of A Shares held by each holder at the time of redemption.

As stated in the Company's Admission document it is the Company's intention to apply all available funds to pro-rata redemptions in June and December each year. These were effected at the Company's net asset value per share at the close of business immediately on the business day preceding the redemption less any costs attributable to the redemption.

Other redemptions of shares

There were no other redemptions of A Shares during the year.

Voting rights of A Shares

At General Meetings of the Company every member present in person or proxy shall have one vote for every A Share of which they are the registered holder.

(v) B Shares

Issue of B Shares

Pursuant to the AIM Admission Document dated 15 January 2009 the Company:

c) On 17 February 2009, allotted 12,372,932 B Shares, all of which were issued for consideration in the form of investments received. The total consideration was £12,372,932.

d) On 12 March 2009 allotted a further 587,912 B Shares, all of which were issued for consideration in the form of investments received. The total consideration was £587,912.

During the year, the Company applied, in accordance with the Admission Document dated 15 January 2009, all available funds to effect pro-rata redemptions of outstanding B Shares.

Redemption of B Shares

Pro-rata redemptions of shares

On 30 December 2009, 4,814,839 B Shares were redeemed at a price of 114.23p per share. On 30 June 2010 2,554,972 B Shares were redeemed at a price of 109.59p per share.

On 30 June 2009 the Company redeemed 2,283,313 B Shares at a price of 105.11p per B Share.

Other redemptions of Shares

There were no other redemptions of B Shares during the year.

Voting rights of B Shares

At General Meetings of the Company every member present in person or proxy shall have one vote for every B Share of which they are the registered holder.

10 Capital reserve

	2010 £'000	*2009 £'000*
Disposal of investments		
Opening balance	(7,279)	*–*
Transfer from investments held	(3,232)	*–*
Gains on disposal of investments by reference to revalued book costs	3,306	*(7,006)*
Investment management fees charged to capital	(319)	*(273)*
Balance at 30 June	**(7,524)**	***(7,279)***

Investments held		
Opening balance	(5,247)	*–*
Transfer to disposal of investments	3,232	*–*
Revaluation of investments	(904)	*(5,247)*
Balance at 30 June	**(2,919)**	***(5,247)***
Capital reserve balance at 30 June	**(10,443)**	***(12,526)***

11 Net assets per share

The figure for net assets per A Share is based on £1,085,000 (2009: £5,370,000) divided by 2,380,891 (2009: 12,658,373) A Shares in issue at the year end.

The figure for net assets per B Share is based on £3,656,000 (2009: £11,277,000) divided by 3,307,720 (2009: 10,677,531) B Shares in issue at the year end.

12 Reconciliation of profit/(loss) before taxation to net cash flow from operating activities

	2010 £'000	*2009 £'000*
Net profit/(loss) after taxation	1,594	*(12,733)*
Decrease/(increase) in receivables	33	*(78)*
(Decrease)/increase in payables	(6)	*199*
Realisation of investments at book cost	14,328	*17,127*
Adjustment for unrealised (gains)/losses on investments	(2,328)	*5,247*
Net cash inflow from operating activities	**13,621**	***9,762***

During the placings of the Company's shares in the period ended 30 June 2009, the Company received investments with an aggregate value of £38,485,588 through a stock swap in exchange for Shares in the Company. No cash consideration was received for shares issued by the Company pursuant to the placings.

13 Related party transactions

Details of the management and UK administration contracts can be found in the Directors' Report. Fees payable to the Investment Manager are detailed in note 3. Other payables include accruals of a monthly management fee of £32,070 (2009: £32,070) capital return fee accruals of £55,550 (2009: £47,833), an equity appreciation fee accrual of £62,503 (2009: £78,279) and UK administration fees of £11,349 (2009: £10,477).

14 Fair value hierarchy
Under IFRS7 investment companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The valuation techniques used by the Company are explained in the Accounting Policies Note 1(c). All investments held by the Company as at 30 June 2010 are considered to fall within Level 1, except for Hotel Corporation which has been classified as Level 2 and Entelos which has been valued at zero.

The classification of the Company's investments held at fair value as at 30 June 2010 is detailed in the table below:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments designated as fair value through profit and loss	3,612	500	–	4,112

Hotel Corporation has been valued by an alternative valuation technique, using prices provided by market makers, which the directors believe better reflects the fair value of that investment than the market bid price. The security was reclassified from a Level 1 to a Level 2 investment during the year ended 30 June 2010 as shown below:

	£'000 Level 1	£'000 Level 2
Opening balance at 1 July 2009	1,150	–
Valuation adjustments	(650)	–
Transfer of fair value hierarchy	(500)	500
Disposals during the year	–	–
Closing balance at 30 June 2010	**–**	**500**

15 Risk profile and financial assets/liabilities
The investment objective of the Company is stated on page 4.

Market risks
(i) Investments

All the securities listed on page 3, except for Entelos, are quoted on AIM or listed on the London Stock Exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than the risk attached to larger or more established companies. AIM securities are not admitted to the Official List of the London Stock Exchange. The Investment Manager apply their skills and experience to ensure the portfolio valuations are reasonable.

(ii) Foreign currency risks

As at 30 June 2010 all investments were denominated in sterling. Some of the Company's underlying holdings may have exposure to foreign currency risk but is not considered significant.

(iii) Interest rate risk

With the exception of cash, the Company holds equity investments and does not therefore suffer significant direct interest rate risk on those investments. The Company's underlying holdings are subject to interest rate risk but not considered significant.

The Company realises its investments and holds cash pending the return of capital to shareholders. Interest is received depending on prevailing money market rates. The Bank of England base rate at 30 June 2010 was 0.5% per annum.

(iv) Management of market risks

The objective is to realise value from a portfolio of AIM or listed securities and progressively return cash to shareholders. Due to the nature of the Company the policy is to minimise risks as they are unable to eliminate them. Once the Company completed its stock swaps the Investment Manager has been restricted to achieving value and liquidity from the portfolio provided.

The Investment Manager focuses on a continuous review of the portfolio, keeping up to date with announcements and market information on a daily basis. Stocks are prioritised depending on the risk profile with specific regard to the company's debt levels, underlying trading in the stock and dependency on single customers and markets. The team have regular contact with the brokers to the securities in the Company's portfolio for updates and realisation opportunities.

On a macro level the Investment Manager constantly reviews market conditions. The directors also provide support to the Investment Manager, with their knowledge and advice.

(v) Quantitative analysis

The Company's financial assets and liabilities as at 30 June 2010 were as follows:

2010	Cash flow interest rate risk £'000	No interest rate risk £'000	Total £'000
Non-current investments at fair value	–	4,112	4,112
Cash at bank			
Floating rate – £ sterling	777	–	777
Short term debtors	–	45	45
Short term creditors	–	(193)	(193)
Total	**777**	**3,964**	**4,741**

2009	*Cash flow interest rate risk £'000*	*No interest rate risk £'000*	*Total £'000*
Non-current investments at fair value	–	*16,112*	*16,112*
Cash at bank			
Floating rate – £ sterling	*656*	–	*656*
Short term debtors	–	*78*	*78*
Short term creditors	–	*(199)*	*(199)*
Total	***656***	***15,991***	***16,647***

(vi) Sensitivity analysis

The Company had cash in the portfolio at the year end and no borrowings. Therefore, for illustrative purposes only, a 10% increase or decrease in the valuation of the A Share or B Share portfolio at the end of 30 June 2010 would have resulted in a respective £86,900 or £324,300 corresponding increase or decrease in the A Share or B Share Statement of Comprehensive Income, all other things being equal.

Foreign exchange risk and interest rate risk are not considered significant, therefore no sensitivity risk is required.

Credit risks
The Company's credit risk is limited to risk of default on cash held at the bank. Cash at bank at 30 June 2010 included £760,514 (2009: £640,685) held at the Company's custodian, The Northern Trust Company. Interest receivable is based on the prevailing money market rate.

All of the assets of the Company are held by The Northern Trust Company. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Company monitors the credit quality of the custodian.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis.

Liquidity risks
Many of the stocks in the Company's portfolio are less liquid than mid and large cap UK companies. The ability of the Investment Manager to dispose of investments may be affected if levels of market liquidity deteriorate.

Based on average volumes for the quarter ending 30 September 2010, it is estimated that the portfolio at 30 June 2010 could be liquidated on the following timescales:

	A Share Class Fund	B Share Class Fund
Less than one month	0.0%	87.2%
Less than three months	71.8%	0.0%
Less than one year	0.0%	6.6%
More than one year	28.2%	6.2%

As mentioned in note 14 Hotel Corporation, which is held in the A Class Fund, is categorised in Level 2 under the IFRS7 hierarchy.

Since the year end the Company has sold investments which comprised 68% of the carrying value of the B Class Fund at 30 June 2010.

Capital Management
The Company's authorised share capital consists of 110 million Shares of no par value. At 30 June 2010 there were 2,380,891 A Shares (2009:12,658,373) and 3,307,720 B Shares (2009: 10,677,531) in issue.

The Company's investment objective is to realise value from a portfolio of AIM securities and progressively return cash to shareholders. The return of capital is achieved through the redemption of the Company's shares which is described in the Directors' Report.

The Company has not and does not intend to incur borrowings and does not therefore have any externally imposed capital requirements.

Notice of meeting

Notice is hereby given that the Annual General Meeting of Brookwell Limited will be held at the offices of Legis Corporate Services Limited, Valley House, Hirzel Street, St Peter Port, Guernsey at 11.00 a.m. on Tuesday 7 December 2010.

Ordinary Business:

1 To receive and adopt the financial statements for the year ended 30 June 2010, with the reports of the directors and auditors thereon.

2 To re-elect Mr PA Clarke as a director of the Company.

3 To re-elect Mr PD Soulsby as a director of the Company.

4 To re-appoint Grant Thornton Limited as auditors to the Company and to authorise the directors to fix their remuneration.

5 In accordance with Section 315 of the Companies (Guernsey) Law, 2008, the authority for market acquisitions set forth in Article 72(1)(b) of the Company's Articles of Incorporation be approved and restated on the basis that:-

(a) the amount that may be paid per Share shall be the price agreed by the Company with the selling shareholder provided such price is less than the NAV per Share in accordance with the Articles and the minimum amount shall be 1 pence per Share; and

(b) this authority shall expire on the date falling eighteen (18) months after the date of this resolution or such later date as the Companies (Guernsey) Law, 2008 may from time to time permit.

Notes

1 A Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude members from attending or voting at the meeting, if they so wish. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A member may appoint more than one proxy provided each proxy is appointed to exercise voting rights in respect of a different share or shares held by him.

2 To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of attorney) must be deposited at the UK office of the Company's Registrar, Capita Registrars, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time for holding the Meeting.

3 CREST members may utilise the CREST proxy appointment service by following the directions set out on the form of proxy. Completion and return of the form of proxy will not prevent a Shareholder from subsequently attending the meeting and voting in person if he so wishes.

4 A holder of Shares must first have his or her name entered on the register of members not later than 11.00 a.m. on 5 December 2010. Changes to entries in that register after that time shall be disregarded in determining the rights of any holders to attend and vote at such meeting.

5 As at 6 October 2010 (being the last practicable date prior to the posting of this notice) the Company's share capital consists of 2,380.891 A Shares and 3,307,720 B Shares, carrying one voting right each. No Shares were held in Treasury. Therefore, the total voting rights in the Company as at that date are 2,380,891 A Shares and 3,307,720 B Shares.

Form of proxy

I/We ______________________________ of ______________________________ (BLOCK CAPITALS PLEASE)

being (a) member(s) of Brookwell Limited holding A Shares and/or B Shares (delete as applicable) appoint the chairman of the meeting

or (see note 1) ______________________________ of ______________________________

as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the offices of Legis Corporate Services Limited, Valley House, Hirzel Street, St Peter Port, Guernsey on 7 December 2010 at 11.00 a.m. and at any adjournment thereof.

Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution	For	Against	Withheld
1 To receive and adopt the directors' report, the annual accounts and the auditors' report for the year ended 30 June 2010.	☐	☐	☐
2 To re-elect Mr PA Clarke as a director.	☐	☐	☐
3 To re-elect Mr PD Soulsby as a director.	☐	☐	☐
4 To appoint Grant Thornton Limited as auditors to the Company and the authorise the directors to fix their remuneration.	☐	☐	☐
5 To authorise market acquisitions of Shares.	☐	☐	☐

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ______________________________ Dated this __________ day of ____________2010

Notes

1 If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.

2 The proxy form must be lodged at the Company's registrars, Capita Registrars, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.

3 Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. 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 Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

4 To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

5 A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.

6 If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the proxy form.

7 In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, so as to arrive before 11.00 a.m. on 5 December 2010.

Cut along dotted rule

Directors, Investment Manager and advisers

Directors
CJ Clark (Chairman)
PA Clarke
CD Ferbrache OBE
AR McLaren
PD Soulsby

Broker
Marshall Securities Limited
145-157 St John Street
London EC1V 4RE

Auditors
Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey GY1 3TF

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Advisers as to Guernsey law
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

Solicitors
Debevoise & Plimpton LLP
Tower 42
Old Broad Street
London EC2N 1HQ

www.brookwelllimited.com

Investment Manager
Progressive AIM Realisation Limited
145-157 St John Street
London EC1V 4RU

Nominated adviser
Deloitte Corporate Finance
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Secretary and administrator
Legis Corporate Services Limited
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

UK administration agent
Cavendish Administration Limited
145-157 St John Street
London EC1V 4RU

Registrar
Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampson
Guernsey GY2 4JN

Registered office*
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

*Registered in Guernsey No. 48958

progressive

Progressive AIM Realisation Limited
145-157 St John Street
London EC1V 4RU, United Kingdom

T +44 (020) 7566 5550
F +44 (020) 7336 0865

www.pro-asset.com