OAKLEY CAPITAL INVESTMENTS LIMITED

Interim Report and Accounts

30 June 2009

Table of Contents

Chairman's Statement

I am pleased to report that Oakley Capital Investments Limited (the "Company") continued to perform well during the first half of 2009 despite a difficult economic environment. I am also pleased with the increase in NAV per share since the launch of the Company.

The Company was established in 2007 to provide investors with access to the investment strategy being pursued by Oakley Capital Private Equity L.P. (the "Limited Partnership"). The primary objective of the Limited Partnership is to invest in a diverse portfolio of private mid-market UK and European businesses, aiming to provide investors with significant long term capital appreciation.

In response to the investment opportunities identified by the Limited Partnership, the Company completed a secondary placing on 9 March 2009 raising proceeds of £18 million from new and existing investors. An additional commitment of €17 million was made to the Limited Partnership on 20 March 2009 resulting in total commitments of €167 million as at 30 June 2009. The Company's share of the total amount drawn down by the Limited Partnership to 30 June 2009 was €57.6 million, representing 34.5 per cent. of the Company's total capital commitment. The Company is pleased with the performance of the Limited Partnership portfolio and the value created since the launch of the fund.

Limited Partnership investments

Web Hosting

In April 2008, the Limited Partnership acquired Host Europe Corporation Limited ("Host Europe") a UK market leader in domain name registration, one of the UK's largest shared hosting providers and a leading provider of standardised managed hosting in Germany. Host Europe also included Vialtus Solutions, until its sale on 21 July 2009, a provider of complex managed hosting services to the UK corporate and SME market. The web hosting market is characterised by strong growth, driven by the rapid proliferation of broadband usage and the increasing sophistication of multimedia content. The Limited Partnership simultaneously acquired Host Europe's data centre in Germany and subsequently Domain Parking International LLP a small bolt-on acquisition. The total transaction value of these investments was £128 million. The consideration was satisfied by a mixture of cash, a vendor loan note, bank loans and mezzanine financing from the Company.

In connection with the acquisition, the Company provided Host Europe with £19.4 million of debt financing, in the form of a secured mezzanine instrument carrying a fixed interest rate of 15.25 per cent. This instrument matures on the earlier of 31 December 2015, or the date of a sale or IPO of Host Europe. The loan can be repaid at any time prior to this subject to an early repayment penalty.

Media

In January 2008, the Limited Partnership acquired Headland Media Limited ("Headland Media"), a leading provider of news services to the marine, hotel and retail industries. Headland Media's communication division provides news, e-mail, internet and weather services via satellite to cruise and merchant ships, as well as hotels in remote locations. The entertainment division of Headland Media provides in-store radio and music services to the retail industry.

During 2008, Headland Media completed two follow on investments, the acquisitions of Good Morning News SpA and Walport International Limited. These acquisitions expanded Headland Media's presence in the marine training and entertainment sectors. The total transaction value was £6.3 million, which includes a mezzanine loan from the Company of £3.1 million carrying a fixed interest rate of 12 per cent.

Financial Services

In July 2008, the Limited Partnership, together with management, acquired Monument Securities Limited ("Monument Securities") from Insinger de Beaufort Group. Monument Securities has traded successfully since 1991 and has built a considerable presence in the derivatives, equities and fixed income markets as an experienced and professional brokerage providing services to institutional investors, hedge funds and corporate investors. The total transaction value was £5.5 million, with the Limited Partnership investing £2.8 million representing a 51 per cent. investment.

Investment outlook

The Board believes that the businesses acquired by the Limited Partnership in the web hosting, financial services and media sectors provide a platform that is well positioned to deliver growth and value creation through active management. Further details of the investment portfolio companies are provided in the Manager's Report.

Since the launch of the Limited Partnership in 2007, Oakley Capital Limited, the investment adviser to the Limited Partnership ("Oakley" or the "Investment Adviser"), has built a strong pipeline of attractive acquisition opportunities, across a range of industry sectors. In addition, Oakley has established relationships with a number of banks which remain supportive of the Limited Partnership's investment strategies. As challenging economic conditions continue, the Company expects an increasing number of investment opportunities to emerge at attractive valuations.

Although cautious from a macroeconomic perspective, we continue to expect the next 24 months to yield a significant number of attractive investment opportunities for the Company, through its exposure to the Limited Partnership's investment strategies.

Events post period end

On 1 July 2009, the Company announced that the Limited Partnership's largest portfolio company, Host Europe, sold Vialtus Solutions one of Host Europe's three operating divisions, for £42 million to Daisy Group plc ("Daisy"). The acquisition completed on 21 July 2009. Host Europe received £13 million of cash and £29 million of ordinary shares in Daisy (36,250,000 Daisy ordinary shares), which is quoted on AIM. Following the disposal of Vialtus Solutions, Host Europe becomes a pure play web-hosting services provider. Host Europe's remaining two divisions, Webfusion and Host Europe Germany, both continue to perform ahead of their acquisition plan. Host Europe expects the £13 million of cash consideration to contribute towards the repayment of the £17.5 million vendor loan note issued upon the acquisition of Host Europe.

Portfolio valuation

At 30 June 2009, the Limited Partnership's portfolio was revalued by the Investment Adviser reflecting the prospects of the underlying business and the sale price of Vialtus Solutions. The fair value analysis of Host Europe was reviewed by an independent third party. The Limited Partnership's investments in Monument Securities and Headland Media have been held at cost as the Investment Adviser does not believe there have been any material changes in the fair values of Monument Securities or Headland Media since 31 December 2008. As a result of the revaluation, the Company's participation in the Limited Partnership has been revalued to £76.9 million at the period end, representing an increase of £30.8 million compared to an initial investment of £46.1million.

As a result of the revaluation of the Limited Partnership's portfolio, the Company's NAV per share increased to £1.25.

James Keyes
Chairman

The Limited Partnership

The Limited Partnership's primary objective is to invest in a diversified portfolio of private mid-market UK and European businesses, aiming to provide investors with significant long term capital appreciation.
The Limited Partnership's investment strategy is to focus on buy-out opportunities in industries with the potential for growth, consolidation and performance improvement. In addition, the Limited Partnership seeks to invest in companies with scale in their industry subsectors, thereby creating a sustainable earnings stream which should command an exit premium.

The Limited Partnership will focus on investments of with an enterprise value of between £20 million and £100 million per transaction, which secure a controlling position in the portfolio investment. The Limited Partnership aims to deliver over 25 per cent. gross internal rate of return (IRR) per annum on investments and a blended gross multiple of three times. The life of the Limited Partnership is expected to be approximately 10 years, including a five year investment period from the date of the final closing.

Oakley Capital (Bermuda) Limited (the "Manager"), a Bermudian company, has been appointed as manager to the Company and the Limited Partnership. The Manager has appointed Oakley as Investment Adviser to the Manager. The Investment Adviser is primarily responsible for advising the Manager on the investment of the assets of the Limited Partnership and the Company as well as advising on the fair value determination of the assets on a periodic basis.

OAKLEY CAPITAL

The Manager's Report

Market background

Economic conditions continued to be challenging during the first half of 2009 and corporate valuation expectations are likely to remain constrained by the ongoing economic uncertainty. This environment should enable the Limited Partnership to acquire targets at attractive valuations.

Oakley has implemented a rigorous investment analysis and selection methodology which includes the following stages:

- **Identification** – Upon identification, an investment opportunity is recorded on the deal register which records key details of the opportunity. The deal register acts as a basis for discussion at weekly meetings
- **Selection** – Where an investment opportunity progresses, an overview document is generated to assess the proposed investment and to determine if it satisfies the Limited Partnership's investment profile
- **Analysis** – In advance of committing to due diligence, further analysis is undertaken and a "Concept Paper" is prepared to analyse the investment rationale, the industry, competitive positioning, pricing, structure, funding and transaction risk
- **Approval** – Following due diligence, an approval paper is submitted to the investment committee summarising key due diligence findings and identifying any material issues
- **Confirmation** – Immediately prior to funding, an "Investment Certificate" is compiled to identify any changes which have occurred between final approval and funding

Investment and portfolio monitoring

Oakley believes portfolio monitoring and investment plan implementation are critical to value creation. As such, Oakley commits significant resources to ensuring portfolio companies meet or exceed their investment plan and that any unforeseen issues are resolved.

- **100 day plan** – Where necessary Oakley executives will be onsite for an interim period to assist management teams. In the case of Host Europe, two senior Oakley executives were onsite for the first 100 days of ownership to ensure that restructuring measures identified during due diligence were implemented
- **Directorships** – In addition to attending monthly senior management meetings, Oakley executives are appointed to portfolio company boards to ensure that strict corporate governance and reporting procedures are adhered to. In addition, Oakley appoints non executive directors to bring in industry expertise and to provide support to the management team
- **Strategic guidance** – Oakley will hold strategic planning sessions with management teams to review progress and to ensure key milestones are met

- **Financial discipline** – Oakley maintains strict control over the capital budgeting process to ensure capital expenditure is justified. Oakley believes that detailed financial planning and analysis play a significant role in the process of value creation

Investments

The Limited Partnership primarily invests in unquoted securities of private companies ("Portfolio Investments"). Portfolio Investments are valued by the Manager in compliance with the International Private Equity and Venture Capital Guidelines with particular consideration of the following factors:

- Fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction
- In estimating fair value, the Manager uses a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations
- An appropriate methodology incorporates available information about all factors that are likely to materially affect the fair value of the investment. The valuation methodologies are applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly disclosed in the financial statements

The most widely used methodologies are:

- Cost of recent investment and transactions
- Earnings multiples
- Discounted cashflow
- Net assets
- Available market prices and data

In assessing which methodology is appropriate, the Manager is predisposed towards those methodologies which draw upon market-based measures of risk and return.

Gains or losses arising from changes in fair value are presented through the income statement in the period in which they arise. Significant judgment is associated with the valuation of Portfolio Investments due to the number of valuation methodologies available. As at 31 December 2008, the Limited Partnership's Portfolio Investments were held at cost. At 30 June 2009, the investment in Host Europe was re-valued above cost to reflect fair value.

Loans

Loans are initially valued at the price the loan was granted. Following the initial valuation, the loans are valued on a fair value basis taking into account market conditions and any appreciation or deterioration in value pending a valuation review.

Rolled up loan interest

A portion of the financial instruments held by the Company accumulate interest which is realised in cash on redemption of the instrument. This includes payment-in-kind notes.
In valuing these instruments, the Manager assesses the expected amount to be recovered from each instrument. If deterioration indicators exist, a provision against the cost of the loan will be made. The consideration or recoverable amount will incorporate any reasonably anticipated enhancements such as interest rate step increases.

Business review

During the period, the Investment Adviser considered a number of investment opportunities leading to the Limited Partnership undertaking due diligence on a number of opportunities, which were ongoing as at 30 June 2009. These three opportunities were directly sourced by Oakley.

Portfolio Companies

1. Host Europe Group

Business overview

At acquisition, Host Europe comprised three divisions operating in three distinct markets within the web hosting industry. In the UK, Host Europe operated two divisions until the sale of Vialtus Solutions on 21 July 2009: (i) Webfusion, a market leader for domain name registration and the second largest shared hosting provider; and (ii) Vialtus Solutions, a provider of complex managed hosting services to the corporate and SME market. Host Europe also operates a division in Germany, Host Europe GmbH, which is the German market leader in the standardised managed hosting market.

The web hosting market is characterised by strong growth which is driven by the rapid proliferation of broadband usage and the increasing sophistication of multimedia content. As internet users become more sophisticated, website owners require increasing amounts of capacity in order to host, store and process complex and secure content. For the majority of companies, hosting, security and traffic balancing are not core business activities and these functions are increasingly being outsourced to specialist providers such as Host Europe.

Investment rationale

- Market leader in shared hosting (second largest provider in the UK and third largest in Germany)
- Largest provider of UK domain names with over two million registered domains
- Attractive sector growth
- Strategically well placed for exit – the European webhosting market is fragmented and a limited number of companies are of sufficient scale to be attractive to overseas purchasers

MONUMENT SECURITIES LTD

2. Monument Securities

Business overview

Monument Securities is a global equity, derivatives and fixed income broker with an 18 year history. The company provides services to institutions, fund managers, market professionals, corporates and hedge funds. Monument Securities is a member of the NYSE Euronext LIFFE, Eurex, the London Stock Exchange, the International Capital Markets Association, and is authorised and regulated by the Financial Services Authority.

One of the primary strengths of the business is the management team who have worked together for 18 years. Prior to founding Monument Securities members of the management team held senior positions at Citicorp, Credit Lyonnais, and MeesPierson. They have also worked for the London Clearing House and the Chicago Board of Trade as well as being involved in the establishment of the LIFFE market. Management are highly motivated to grow the business both organically and through acquisition.

Investment rationale

- An established and profitable platform well positioned for growth and sector consolidation
- Attractive entry price as a result of the vendor's decision to exit the UK market for strategic reasons at a depressed time in the financial services business cycle
- Proven business model which performs well in periods of economic uncertainty and high volatility (which typically coincide with economic downturns) as clients look to contain risk through the increased use of derivatives

3. Headland Media

Business overview

Headland Media is a business-to-business media content provider based in Liverpool with offices in the US and Europe. The company is the leading provider of news digest services to the hotel and shipping sectors as well as a leading provider of entertainment and training services to offshore industries, businesses in remote locations or with specialist communication needs. Headland Media distributes media content daily to an estimated 6,500 destinations using proprietary distribution channels (e.g. satellite broadcast) and has an audience of approximately 20 million listeners and over 250,000 readers.

Headland's media products include:

- **News digest** – Headland Media provides daily electronic newspapers in 15 different languages, 24 hours a day, seven days a week, direct to cruise liners, merchant ships, yachts and hotels and are delivered ready to print to remote locations
- **Internet on Board** – an Internet café system specifically designed for the cruise line market
- **Weather** – Headland Media offers a daily maritime weather information package from Applied Weather Technology
- **Health and Safety Videos** – Headland Media is a leading provider of training videos for the maritime industry providing crews with essential information for compliance and training purposes

- **Entertainment** – Headland Media has the rights to distribute a comprehensive movie catalogue to the maritime industry. By purchasing licensed products, fleet owners ensure copyright laws are not breached when movies are shown on board

Revenue is derived from recurring (subscription) revenue and some non-recurring (one off installation charges). Headland Media has a loyal customer base and has provided services to most of its customers for over a decade and for many in excess of 20 years. Annual customer churn is less than 10 per cent. and the company currently provides services to over 1,000 hotels and 3,600 cruise and merchant ships.

Headland Media's Entertainment division focuses on the design, production and distribution of audio and visual services for retailers. These services are used to build brands and generate in-store sales in over 1,900 retail outlets.

Investment rationale

- Headland Media, is the market leading provider of news digest services to the hotels and shipping sectors with opportunities to expand into other market segments
- Headland Media will serve as the platform for the consolidation of niche providers of media content
- Large and fragmented customer base plus proprietary distribution channels, content licensing, editorial and production expertise act as barriers to entry to potential competitors

Statements of Assets and Liabilities

30 June 2009

(Expressed in British Pounds)

	Notes	Unaudited 6 months ended 30 June 2009 £	Unaudited 6 months ended 30 June 2008 £	Audited year ended 31 December 2008 £
Assets				
Investments	2c, 5, 7	101,992,202	57,398,455	64,447,295
Cash and cash equivalents	3	44,566,251	42,634,581	32,893,846
Accrued interest receivable		4,481,598	889,733	2,630,494
Other receivables		61,050	51,273	20,280
Total assets		151,101,101	100,974,042	99,991,915
Liabilities				
Accounts payable and accrued expenses		83,920	38,995	52,598
Total liabilities		83,920	38,995	52,598
Net assets attributable to shares		151,017,181	100,935,047	99,939,317
Number of shares outstanding	9	120,536,000	100,000,000	92,411,000
Net asset value per share	13	1.25	1.01	1.08

The notes following form an integral part of these financial statements

Schedules of Investments

30 June 2009

(Expressed in British Pounds)

30 June 2009

	Fair value as a percentage of net assets	*Percentage interest*	*Principal amount/ quantity £*	*Cost £*	*Fair value £*
Investments in Limited Partnerships					
Bermuda					
Oakley Capital Private Equity LP	53%	67.59%		46,119,218	76,870,866
Unquoted debt securities					
Investment in mezzanine loans					
United Kingdom					
Host Europe. Interest at 15.25% p.a. Maturity date Dec 2015	12%		19,400,000	19,400,000	19,400,000
Headland Media Limited. Interest rate at 12% p.a. Maturity date Jun 2010	2%		3,100,000	3,100,000	3,100,000
Bermuda					
Cologne Data Centre (Bermuda) Ltd. Interest rate at 15.25% p.a. Maturity April 2015	2%		2,621,336	2,621,336	2,621,336
Total mezzanine loans	16%			25,121,336	25,121,336
Total Investments June 2009	69%			71,240,554	101,992,202

Schedules of Investments continued

30 June 2009

(Expressed in British Pounds)

30 June 2008

	Fair value as a percentage of net assets	*Percentage interest*	*Principal amount/ quantity £*	*Cost £*	*Fair value £*
Investments in Limited Partnerships					
Bermuda					
Oakley Capital Private Equity LP	35%	63.33%		36,864,430	34,898,455
Unquoted debt securities					
Investment in mezzanine loans					
United Kingdom					
Host Europe. Interest at 15.25% p.a. Maturity date Dec 2015	19%		19,400,000	19,400,000	19,400,000
Headland Media Limited. Interest rate at 12% p.a. Maturity date Jun 2010	3%		3,100,000	3,100,000	3,100,000
Total mezzanine loans	22%			22,500,000	22,500,000
Total Investments June 2008	57%			59,364,430	57,398,455

Schedules of Investments continued

30 June 2009

(Expressed in British Pounds)

31 December 2008

	Fair value as a percentage of net assets	*Percentage interest*	*Principal amount/ Quantity £*	*Cost £*	*Fair value £*
Investments in Limited Partnerships					
Bermuda					
Oakley Capital Private Equity LP	39%	65.2%		40,265,724	39,325,959
Unquoted debt securities					
Investment in mezzanine loans					
United Kingdom					
Host Europe. Interest at 15.25% p.a. Maturity date Dec 2015	19%		19,400,000	19,400,000	19,400,000
Headland Media Limited. Interest rate at 12% p.a. Maturity date Jun 2010	3%		3,100,000	3,100,000	3,100,000
Bermuda					
Cologne Data Centre (Bermuda) Ltd. Interest rate at 15.25% p.a. Maturity April 2015	3%		2,621,336	2,621,336	2,621,336
Total mezzanine loans	25%			25,121,336	25,121,336
Total Investments 2008	64%			65,387,060	64,447,295

For details of the underlying investment of the Limited Partnership, please refer to Note 7

The notes following form an integral part of these financial statements

Statements of Operations

Six months ended 30 June 2009

(Expressed in British Pounds)

	Notes	*Unaudited 6 months ended 30 June 2009* £	*Unaudited 6 months ended 30 June 2008* £	*Audited year ended 31 December 2008* £
Investment income				
Interest		2,069,456	2,620,842	5,429,842
Total income		2,069,456	2,620,842	5,429,842
Expenses				
Other		91,299	96,671	216,189
Professional fees	6	681,545	106,589	198,852
Interest		819	19,712	19,875
Total expenses		773,663	222,972	434,916
Net investment income/(loss)		1,295,793	2,397,870	4,994,926
Realised and unrealised gains and losses on foreign exchange and investments				
Net realised gain/(loss) on foreign exchange		88,033	(1,271,842)	491,648
Net change in unrealised gain/(loss) on foreign exchange		2,631	1,799,711	(6,459)
Net change in unrealised gain/(loss) on investments		31,691,407	(1,418,559)	(392,349)
Net realised and unrealised gains/(losses) on foreign exchange and investments		31,782,071	(890,690)	92,840
Net increase in net assets resulting from operations		33,077,864	1,507,180	5,087,766
Net gain per share	13	0.27	0.02	0.06

The notes following form an integral part of these financial statements

Statements of Changes in Net Assets

Six months ended 30 June 2009

(Expressed in British Pounds)

	Unaudited 6 months ended 30 June 2009	*Unaudited 6 months ended 30 June 2008*	*Audited Year ended 31 December 2008*
	£	£	£
Net increase in net assets resulting from operations			
Net investment gain	1,295,793	2,397,870	4,994,926
Net realised gain/(loss) on foreign exchange	88,033	(1,271,842)	491,648
Net change in unrealised gain/(loss) on foreign exchange	2,631	1,799,711	(6,459)
Net change in unrealised gains/(losses) on investments	31,691,407	(1,418,559)	(392,349)
Net increase in net assets resulting from operations	33,077,864	1,507,180	5,087,766
Capital share transactions			
Proceeds on issue of shares	18,000,000	—	—
Repurchase of shares	—	—	(4,576,316)
Net increase/(decrease) in net assets from capital share transaction	18,000,000	—	(4,576,316)
Net increase in net assets	51,077,864	1,507,180	511,450
Net assets at beginning of period/year	99,939,317	99,427,867	99,427,867
Net assets at end of period/year	151,017,181	100,935,047	99,939,317

The notes following form an integral part of these financial statements

Statements of Cash Flows

Six months ended 30 June 2009

(Expressed in British Pounds)

	Unaudited 6 months ended 30 June 2009	*Unaudited 6 months ended 30 June 2008*	*Audited year ended 31 December 2008*
	£	£	£
Cash flows from operating activities			
Net increase in net assets resulting from operations	33,077,864	1,507,180	5,087,766
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:			
Net realised and unrealised (losses)/gains on foreign exchange and investments	(31,782,071)	890,690	(92,840)
Payments for purchases of investments	(5,853,500)	(56,438,704)	(62,461,334)
Change in accrued interest receivable	(1,851,104)	(889,733)	(2,630,494)
Change in other receivables	(40,770)	252,202	283,195
Change in accounts payable and accrued expenses	31,322	(356,553)	(342,950)
Net cash used in operating activities	(6,418,259)	(55,034,918)	(60,156,657)
Cash flows from capital transactions			
Repayment of cash provided by short term borrowing	—	(12,632)	(12,632)
Proceeds on issuance of shares	18,000,000	—	—
Paid on repurchase of shares	—	—	(4,576,316)
Net cash provided by capital transactions	18,000,000	(12,632)	(4,588,948)
Net effect of foreign exchange gain	90,664	527,869	485,189
Net (decrease) increase in cash and cash equivalents	11,672,405	(54,519,681)	(64,260,416)
Cash and cash equivalents at beginning of year/period	32,893,846	97,154,262	97,154,262
Cash and cash equivalents at end of year/period	44,566,251	42,634,581	32,893,846
Interest paid during the year/period	819	19,712	19,875

The notes following form an integral part of these financial statements

Notes to the Financial Statements

Six months ended 30 June 2009

1. The Company

Oakley Capital Investments Limited (the "Company") is a closed-ended investment company which was incorporated under the laws of Bermuda on 28 June 2007. The principal objective of the Company is to achieve capital appreciation through investments in a diversified portfolio of private mid-market UK and European businesses. The Company achieves its investment objective primarily through an investment in Oakley Capital Private Equity L.P. (the "Limited Partnership").

The Company listed on the AIM market of the London Stock Exchange on 3 August 2007.

2. Significant accounting policies

a) *Basis of presentation*

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

b) *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the reporting period. Actual results could differ from those estimates.

c) *Investment valuation*
Limited Partnership

Security transactions are accounted for on a trade date basis based on the capital drawdown and proceeds distribution dates from the Limited Partnership. The Company's investment in the Limited Partnership is valued at the balance on the Company's capital account in the Limited Partnership as at the reporting date. Any difference between the capital introduced and the balance on the Company's capital account in the Limited Partnership is recognised in net change in unrealised gains and losses on investments in the Statements of Operations.
The Limited Partnership generally values investments at fair value and recognises gains and losses on security transactions using the specific cost method.

Mezzanine loans

Mezzanine loans are initially valued at the price the loan was granted. Subsequent to initial recognition the loans are valued on a fair value basis taking into account market conditions and any appreciation or deterioration in value pending a valuation review.

Realised gains and losses are recorded when the security acquired is sold. The net realised gains and losses on sale of securities are determined using the specific cost method.

Effective 1 January 2008, the Company adopted Statement of Financial Accounting Standards No. 157 ("FAS 157"). FAS 157 clarifies the definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on the inputs used to value the Company's investments, and requires additional disclosures about fair value.

The hierarchy of inputs is summarised below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Investment Advisers own assumptions in determining the fair value of investments)

The inputs and methodologies used in valuing the securities are not necessarily an indication of the risks associated with investing in those securities.

Securities traded on a national stock exchange are valued at the last reported sales price on the valuation date. When prices are not readily available, or are determined not to reflect fair value, the Company may value these securities at fair value as determined in accordance with the procedures approved by the Investment Adviser in consultation with the Manager.

Level 2 securities are valued using representative brokers' prices, quoted prices for similar investments, published reports or, third-party valuations.

Level 3 securities are valued at the direction of the Investment Adviser in consultation with the Manager. In these circumstances, the Manager will attempt to use consistent and fair valuation criteria and may (but is not required to) obtain independent appraisals at the expense of the Company.

Derivative financial instruments that have quoted prices on a recognised exchange, such as futures and option contracts, are classified as Level 1. Over-the-counter derivative instruments such as interest rate swaps, foreign exchange forward contracts and credit default swaps, whose prices are based upon observable market inputs, are classified as Level 2. All other derivatives are classified as Level 3.

d) *Income recognition*

Interest income and expenses are recognised on the accruals basis.

e) *Foreign currency translation*

Investments and other monetary assets and liabilities denominated in foreign currencies are translated into British Pound amounts at exchange rates prevailing at the reporting date. Capital drawdowns and proceeds of distributions from the Limited Partnership and foreign currencies and income and expense items denominated in foreign currencies are translated into British Pound amounts at the exchange rate on the respective dates of such transactions.

Foreign exchange gains and losses on other monetary assets and liabilities are recognised in net realised and unrealised gain or loss from foreign exchange in the Statements of Operations.

The Limited Partnership does not isolate unrealised or realised foreign exchange gains and losses arising from changes in the fair value of investments. All such foreign exchange gains and losses are included with the net realised and unrealised gain or loss on investments in the Statements of Operations.

f) *Cash and cash equivalents*

The Company considers all short-term deposits with a maturity of 90 days or less as equivalent to cash.

3. Cash and cash equivalents

Cash and cash equivalents at 30 June 2009 consist of the following:

	Unaudited 6 months ended 30 June 2009	*Unaudited 6 months ended 30 June 2008*	*Audited Year ended 31 December 2008*
	£	£	£
Cash	194,427	133,090	168,291
Short-term deposits	44,371,824	42,501,491	32,725,555
	44,566,251	42,634,581	32,893,846

4. Management and performance fees

(a) *The Company has entered into a Management Agreement with Oakley Capital (Bermuda) Limited (the* "Manager") to manage the Company's investment portfolio. The Manager will not receive a management fee from the Company in respect of funds either committed or invested by the Company in the Limited Partnership or any successor fund managed by the Manager. The Manager will receive a management fee at the rate of 1 per cent. per annum in respect of those funds that are not committed to the Limited Partnership or any successor fund (but including the proceeds of any realisations), which are invested in cash, cash deposits or near cash deposits and a management fee at the rate of 2 per cent. per annum in respect of those funds which are invested directly in co-investments. The management fee is payable monthly in arrears. As at 30 June 2009, 30 June 2008 and 31 December 2008, there were no management fees payable to the Manager.

The Manager may also receive a performance fee of 20 per cent. of the excess of the amount earned by the Company over and above an 8 per cent. hurdle rate per annum on any monies invested as a co-investment with the Limited Partnership or any successor limited partnership. Any co-investment will be treated as a segregated pool of investments by the Company. If the calculation period is greater than one year, the hurdle rate shall be compounded on each anniversary of the start of the calculation period for each segregated co-investment. If the Manager does not exceed the hurdle rate on any given co-investment that co-investment shall be included in the next calculation on a co-investment so that the hurdle rate is measured across both co-investments. No previous payments of performance fee will be affected if any co-investment does not reach the hurdle rate of the return. As at 30 June 2009, 30 June 2008 and 31 December 2008 and for the periods then ended, there were no performance fees payable to the Manager.

(b) The Manager has entered into an Investment Adviser Agreement with Oakley Capital Limited (the "Investment Adviser") to advise the Manager on the investment of the assets of the Company. The Investment Adviser will not receive a management or performance fee from the Company. Any fees due to the Investment Adviser will be paid by the Manager out of the management fees it receives from the Company.

5. Fair value of financial instruments

The following is a summary of the inputs used in valuing the Company's assets carried at fair value:

	Quotes prices (Level 1)	*Other significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
	£	£	£
Investments in Securities	—	—	101,992,202

The Company has an investment into a private equity limited partnership. The investment is included at fair value based on the Company's balance on its capital account in the Limited Partnership. The valuation of non-public investments require significant judgment by the Investment Adviser in consultation with the Manager of the Limited Partnership due to the absence of quoted market values, inherent lack of liquidity and the long-term nature of such assets. Private equity investments are valued initially based upon transaction price. Valuations are reviewed periodically utilising available market data to determine if the carrying value of these investments should be adjusted. Such market data primarily includes observations of the trading multiples of public companies considered comparable to the private companies being valued. In addition, a variety of additional factors are reviewed by the management of the Limited Partnership, including, but not limited to, financing and sales transactions with third parties, current operating performance and future expectations of the particular investment, changes in market outlook and the third party financing environment. Mezzanine loans are initially valued at the price the loan was granted. Subsequent to initial recognition, the loans are valued on a fair value basis taking into account market conditions and any appreciation or deterioration in value pending a valuation review.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Investment in Securities
	£
Balance at 1 January 2009	64,447,295
Change in unrealised foreign exchange	(6,771,469)
Change due to revaluation	38,462,876
Net purchases	5,853,500
Balance at 30 June 2009	101,992,202

The difference between the fair value and the cost of investments is a combination of the re-translation of the Euro denominated investment in the Limited Partnership at the year end into Sterling and a re-valuation to fair value in the underlying investment in the Limited Partnership.

6. Administration fee

Under the terms of the Company Administration Agreement dated 30 July 2007 between Mayflower Management Services (Bermuda) Limited (the "Administrator") and the Company, the Administrator receives an annual administration fee at prevailing commercial rates, subject to the minimum monthly fee of US$5,000 per month. During the period ended 30 June 2009, the Company incurred administration fees of £21,776 (period to 30 June 2008: £28,061 and year to 31 December 2008 £47,466), which is included in professional fees in the Statements of Operations.

7. Investments

Limited Partnership

The Company intends to invest its assets in the Limited Partnership, an exempted limited partnership established in Bermuda on 10 July 2007. The Limited Partnership's primary objective is to invest in a diversified portfolio of private mid-market UK and European businesses, aiming to provide investors with significant long term capital appreciation. The Company's share of the total amount drawn down to 30 June 2009 was £46.1 million (€57.62 million), representing 34.5 per cent. of the Company's total capital commitment. As at 30 June 2009, the Company accounted for 67.59 per cent. of the total capital and commitments in the Limited Partnership.

The Company may also make co-investments with the Limited Partnership based on the recommendations of the Manager. As at 30 June 2009, the Company has not made any such co-investments. Co-investments may amend the outstanding capital commitments to the Limited Partnership.

Limited Partnership's investments

The Limited Partnership made a number of investments; one large investment in Host Europe Corporation Limited and four smaller investments.

Host Europe and Cologne Data Centre

Host Europe is a UK market leader in domain name registration, the UK's second largest shared hosting provider and a leading provider of standardised hosting in Germany. The total transaction value was £128 million with the Limited Partnership's contribution being £48.6 million. The acquisition includes an acquisition of a data centre based in Cologne. On 21 July 2009, Host Europe, sold "Vialtus Solutions", one of Host Europe's three operating divisions, for £42 million to Freedom4 Group plc ("Freedom4"). The same day Freedom4 was renamed Daisy Group plc ("Daisy"). In consideration for the disposal of Vialtus Solutions, Host Europe received £13 million of cash and £29 million of ordinary shares in Daisy. As at 21 July, 2009 Host Europe held 36,250,000 Daisy ordinary shares with a share price of £0.80 per share at the previous days close. With the disposal of Vialtus Solutions, Host Europe becomes a pure play web-hosting services provider. Host Europe's remaining two divisions, Webfusion and Host Europe Germany, both continue to perform ahead of plan. Host Europe expects the £13 million of cash consideration to contribute towards the repayment of the £17.5 million vendor loan note issued upon the acquisition of Host Europe.

Headland Media

Headland Media is a leading business to business media content provider of news digest services to the hotel and shipping sectors; as well as a leading provider of entertainment and training services to offshore industries. Total transaction value was £6.3 million and the Limited Partnership's contribution was £2.5 million.

Monument Securities

Monument Securities is a global equity, derivatives and fixed income broker with an 18 year history. The company provides services to institutions, fund managers, market professionals, corporations and hedge funds. The total transaction value was £5.5 million. The Limited Partnership has a 51 per cent. interest in Monument Securities and its contribution is £2.8 million.

At 30 June 2009, the Limited Partnership's portfolio was revalued by the Investment Adviser reflecting the prospects of the underlying business and the sale price of Vialtus Solutions. The fair value analysis of Host Europe was reviewed by an Independent third party valuer. The Limited Partnership's investments in Monument Securities and Headland Media have been held at cost as the Investment Adviser does not believe there have been any changes in the fair values of Monument Securities or Headland Media since 31 December 2008. As a result of the revaluation, the Company's participation in the Limited Partnership has been revalued to £76.8 million at the period end, representing an increase of £30.8 million compared to an initial investment of £46.0 million.

Mezzanine financing investments

Headland Media Limited

During 2008, the Limited Partnership acquired Headland Media Limited and two further bolt-on acquisitions for a total transaction value of £6.3 million. The consideration was satisfied by a vendor loan note for £725,000 and £5.6 million in cash. The cash element comprised £3.1 million of debt finance, in the form of a secured mezzanine instrument from the Company. The instrument carries a fixed interest rate of 12 per cent.

Host Europe Corporation Limited and Cologne Data Centre (Bermuda) Limited

On 2 April 2008, the Limited Partnership acquired Host Europe Corporation Limited ("Host Europe"). The total transaction value, including bank and third party financing was £128 million. The Company provided debt finance of £19.4 million, in the form of a secured mezzanine instrument.

The instrument carries a fixed interest rate of 15.25 per cent. maturing on the earlier of 31 December 2015 or the date of sale or IPO of Host Europe Corporation Limited. Included within this deal, the Company provided debt finance of £2.6 million to Cologne Data Centre (Bermuda) Limited which has a subsidiary in Cologne that houses a data centre. This instrument carries a fixed interest rate of 15.25 per cent. maturing 3 April 2015.

8. Capital commitment

During 2009, the Company made an additional commitment of €17 million to the Limited Partnership taking the total capital commitment up to €167 million. The Limited Partnership may draw upon the capital commitment at any time subject to two weeks' notice on an as needed basis. Since inception, capital in the amount of €57.6 million was called by the Limited Partnership. As at 30 June 2009, the amount of capital commitment available to be called was €109.4 million.

9. Share capital and warrants

(a) *Share capital*

The authorised share capital of the Company on incorporation was $1,000 divided into 1,000 shares par value $1.00 each. On incorporation, one ordinary share of par value $1.00 was issued to Codan Trust Company Limited (the "Initial Subscriber"). The currency denomination of the Company's authorised share capital was subsequently changed from US Dollars to Euros, the shares were subdivided and the authorised share capital increased to €2,500,000 divided into 250,000,000 shares of par value €0.01 each. The currency denomination of the Company's authorised share capital was further changed from Euros to British Pounds, the shares were consolidated, divided and redenominated and the authorised share capital increased to £2,000,000 divided into 200,000,000 shares of par value 1 pence each. After the consolidation, division and redenomination the Initial subscriber was the registered shareholder of one Ordinary Share of par value 1 pence. This Ordinary Share was made available, under the terms of the Placing (see Note 1). The Placing Price of £1.00 per Ordinary Share represented a premium of 99 pence to the nominal value of an Ordinary Share issued under the Placing.

The Placing of the Company's Shares was fully subscribed, so that immediately after the Placing, the authorised share capital of the Company consisted of 200,000,000 Ordinary Shares and the issued share capital of the Company of 100,000,000 Ordinary Shares.

(b) *Warrants*

50,000,000 warrants were issued in conjunction with the subscription of Ordinary Shares at a ratio of one warrant for every two shares. Each warrant confers on the holder the right to purchase one fully paid Ordinary Share at an exercise price of £1.30 as adjusted in accordance with Condition 2.3 of the AIM Admission Document. Warrants may be exercised at the option of the holder at any time prior to the close of business on AIM of the third anniversary of the date of admission of the Company warrants to AIM (see Note 1).

As the price of the Ordinary Shares as at 30 June 2009 was below the exercise price of the warrants, there was no dilution in the net asset value and loss per share.

(c) Share repurchase

On 2 October 2008, the Board of Directors authorised a repurchase programme of 7,589,000 shares. Under the tender offer, the Company repurchased 7,589,000 shares for £4,576,316 at a price per share of 60 pence per share and hold them in treasury. All of the rights of the treasury shares have been suspended (including economic participation, voting and dividend distribution rights). The Company also holds 1,250,000 warrants in treasury.

(d) *Secondary placing*

On 9 March 2009 a secondary placing took place whereby the Company issued 28,125,000 shares, which were sold at a price of 64 pence per share raising £18 million from new and existing investors.

Shares of common stock and warrants outstanding are:

	Common stock	*Warrants*
Balance as at 1 January 2009	92,411,000	48,750,000
Issued	28,125,000	—
Repurchased	—	—
Balance as at 30 June 2009	120,536,000	48,750,000

10. Related parties

Certain Directors of the Company are also Directors and shareholders of Oakley Capital (Bermuda) Limited, Palmer Capital Associates (International) Limited and Mayflower Management Services (Bermuda) Limited; entities which provide services to and receive compensation from the Company.

Certain Directors of the Company are also Directors of Oakley Capital GP Limited, the General Partner of the Limited Partnership.

Notes to the Financial Statements continued

Six months ended 30 June 2009

11. Taxation

Under current Bermuda law the Company is not required to pay any taxes in Bermuda or either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempt from such taxation at least until the year 2016.

Effective from 1 January 2008, the Company adopted FASB Interpretation No.48 *Accounting for Uncertainty in Income Taxes*. There has been no significant impact on the Company's financial statements as a result of adopting this interpretation.

12. Subsequent events

On 1 July 2009, the Company announced that the Limited Partnership's largest portfolio company, Host Europe Corporation Limited ("Host Europe"), conditionally sold "Vialtus Solutions", one of Host Europe's three operating divisions, for £42 million to Daisy Group plc ("Daisy").

The acquisition of Vialtus Solutions completed on 21 July 2009 in consideration for the disposal of Vialtus Solutions, Host Europe received £13 million of cash and £29 million of ordinary shares in Daisy. Accordingly, Host Europe held 36,250,000 Daisy ordinary shares trading at £0.80 per share at the previous days close.
As a result of the revaluation of the Limited Partnership's portfolio, the Company's NAV per share increased to £1.25

Notes to the Financial Statements continued

Six months ended 30 June 2009

13. Financial highlights

	Unaudited 6 months ended 30 June 2009	*Unaudited 6 months ended 30 June 2008*	*Audited year ended 31 December 2008*
	£	*£*	*£*
Per share operating performance			
Net asset value per share, at start of year/date of subscription	1.08	0.99	0.99
Gain from investment operations			
Net investment income	0.01	0.02	0.06
Net realised and unrealised gain on investments and foreign exchange	0.25	—	—
Total from investment operations	0.26	0.02	0.06
Repurchase of shares	—	—	0.03
Issue of shares	(0.09)	—	—
Net asset value per share, end of year/period	1.25	1.01	1.08
Total return for year/period[1]		*Percentage*	*Percentage*
Total return	15.74	1.52	5.01
Ratio of expenses to average net assets[1,2]			
Operating expenses	0.62	0.22	0.44
Ratio of net investment income to average net assets[1,2]			
Net investment income (loss)	1.03	2.39	5.01

- 1 Not annualised for periods less than or greater than a year
- 2 Expenses include interest expenses of: period ending 30 June 2009 £819; period ending 30 June 2008: £19,712; year ending 31 December 2008 £19,875.