11 September 2013

**Oakley Capital Investments Limited**

("the Company")

**Preliminary results for the six months ended 30 June 2013**

Oakley Capital Investments Limited (AIM : OCL, "OCIL"), the AIM-listed company established to provide investors with access to the investment strategy being pursued by Oakley Capital Private Equity L.P. (the "Limited Partnership") announces its preliminary results for the six months ended 30 June 2013.

## FINANCIAL HIGHLIGHTS

- Net asset value of £1.95 per share at 30 June 2013, up from £1.81 per share as at 31 December 2012, an increase of 8%, and up 12% compared 30 June 2012
- Three realisations by the Limited Partnership in the period achieving a gross money multiple for the Limited Partnership of 3.2x and an IRR of 58.8% and returning £34.0 million to the Company
- Solid operating performance by the portfolio companies
- Further share buyback implemented with 2.9 million shares acquired in May 2013 at blended price of £1.50
- Following the period end, the Company acquired control of Reddam House, a leading operator of independent schools, with a view to international expansion

**Peter Dubens, Director, commented:**

"The positive momentum in NAV that we reported at the year-end has continued into the current financial year and we are pleased to be able to report an increase in this key metric of 8% since the year end and 12% year on year. Our divestments in the period have generated strong returns and IRR's for the Limited Partnership and consequently for the Company.

The portfolio companies have remained remarkably resilient during the economic downturn, reflecting the continuing strength of their market positions and value propositions. Our focus and financial strength has now created an investment brand that entrepreneurs can trust, and work in partnership with, to drive growth whilst generating strong IRRs and NAV growth."

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**About Oakley Capital Investments Limited ("OCIL")**
Oakley Capital Investments Limited is a Bermuda based company listed on AIM. OCIL seeks to provide investors with long term capital appreciation through its investment in Oakley Capital Private Equity L.P. and, over time, through co-investment opportunities.

**About Oakley Capital Private Equity L.P. (the "Fund")**
Oakley Capital Private Equity L.P. is an unlisted UK and European mid-market private equity fund with the aim of providing investors with significant long term capital appreciation. The Fund's investment strategy is to focus on buy-out opportunities in industries with the potential for growth, consolidation and performance improvement. The Fund seeks to invest in companies with scale in their industry subsectors, thereby creating a sustainable earnings stream which should command a premium on exit.

# CHAIRMAN'S STATEMENT

Oakley Capital Private Equity L.P. ("the "Fund") has had a strong start to 2013 with three disposals which have generated attractive aggregate returns for the Company. In the six months to 30 June 2013, the Fund distributed £34.0 million to the Company, primarily arising from the sale of three of the Fund's portfolio companies. In addition, the Fund made a number of follow-on investments into its portfolio companies, to support acquisitions and provide additional working capital. Overall, the remaining portfolio companies continued to perform well, supporting a modest increase in the fair value of the Company's investment in the Fund.

## PERFORMANCE

The net asset value per share as at 30 June 2013 was £1.95, an increase of 8% since 31 December 2012, and an increase of 12% compared to the 30 June 2012. Of the total net asset value at 30 June 2013 of £240.2 million, £123.8 million represents investments made by the Company in the Fund and £48.6 million as investments made directly in the Fund and its portfolio companies in the form of mezzanine finance, senior loan notes, and a short-term revolving credit facility. Cash and cash equivalents accounted for £60.8 million of the balance. Other assets amount to £7.0 million.

The Fund had total commitments of €287.7 million at 30 June 2013 of which the Company's commitment was €187.4 million, representing 65.15% of the total.

The Company invests principally in the Fund and its portfolio companies. The investment in the Fund shows a net increase of £5.9 million from £117.9 million as at 31 December 2012 to £123.8 million as at 30 June 2013. The increase was driven by disposals in the period, two capital calls, an increase in fair values of the remaining portfolio and favourable foreign exchange movements.

The disposals by the Fund included its investments in Emesa B.V. ("Emesa") and Headland Media Limited ("Headland Media"). Overall, disposals in the period achieved a gross money multiple for the Fund of 3.2x and an IRR of 58.8%.

There were two capital calls by the Fund in the six months to 30 June 2013, totalling 16% of total commitments. These were used by the Fund to make a new portfolio investment and follow on investments in three existing portfolio companies: Time Out America LLC ("Time Out New York"), which included the acquisition of Time Out Chicago; Time Out Group Limited ("Time Out London"); and Broadstone Pensions and Investments Limited ("Broadstone").

In addition to its investment in the Fund, the Company provides debt finance directly to a number of the Fund's portfolio companies. These typically take the form of mezzanine loans with fixed interest rates of up to 15.0%. The Company may also provide secured senior debt financing to portfolio companies, usually at interest rates of 8.5%. The Company also provided a revolving credit facility to the Fund with an interest rate of 6.5% per annum, which can increase if LIBOR exceeds 2%. The Company's investments in loan instruments show a net increase of £4.7 million from £43.9 million as at 31 December 2012 to £48.6 million at the end of the period. Intergenia, one of the Fund's portfolio companies, borrowed £6.8 million from the Company in order to fund its purchase of Internet24, a managed hosting business. This was partly offset by the repayment by Time Out London of £1.9 million of its senior debt

The Company held cash and cash equivalents of £60.8 million at 30 June 2013.

In May 2013, the Company repurchased 2.9 million of its own shares for £4.4 million at an average price of £1.50. The shares have been held in treasury. All rights of these shares while held in treasury have been suspended (including economic participation, voting and dividend and other distribution rights) in accordance with the Company's bye-laws. The Company has a total of 128,125,000 ordinary shares in issue of which 5,009,950 ordinary shares are held by the Company in treasury.

No Ordinary shares held in treasury carry voting or dividend distribution rights.

The number of ordinary shares in issue less purchased shares held in treasury is therefore 123,115,050 and the total number of voting rights in the Company is 123,115,050.

## REALISATIONS

### Emesa

On 31 January 2013, the Fund announced the disposal of Emesa to Cyrte Investments B.V. for a gross consideration of €95 million. This represented a 3.5x return on investment for the Fund and a gross IRR in excess of 100%. As a result of the disposal, £25.6 million was distributed to the Company.

### Headland Media

On 10 May 2013, the Fund sold Headland Media to KVH Industries, Inc. for an enterprise value of £15.5 million, resulting in a £6.6 million distribution to the Company.

In addition, the Fund exited a smaller data centre business during the period.

## SUBSEQUENT EVENTS

On 10 July 2013, the Fund acquired control of a leading operator of premium private schools in South Africa (Reddam House), for €16.6 million, providing a significant growth opportunity in South Africa and the potential to explore international acquisitions using the Reddam House reputation.

## OUTLOOK

Deal flow remains strong and the Fund continues to find opportunities to acquire high quality businesses which have the potential to deliver attractive returns to the Company. The Fund's portfolio companies continue to generate interest from trade and financial buyers as can be seen from the disposals which have taken place in the first half of 2013.

James Keyes

Chairman

10 September 2013

# MANAGER’S REPORT

## THE COMPANY AND THE FUND

The Company provides investors with exposure to Oakley Capital Private Equity L.P. (the “Fund”), an unlisted UK and European mid-market private equity fund with the aim of providing investors with significant long-term capital appreciation.

Oakley Capital (Bermuda) Limited (the “Manager”), a Bermudian company, is the manager of the Company and the Fund. The Manager appointed Oakley Capital Limited (the “Investment Adviser”) as its investment adviser with respect to the Company and the Fund. The Investment Adviser is primarily responsible for advising the Manager on the investment and realisation of the assets of the Fund and the Company.

The Fund’s investment strategy is to invest in sectors that are growing or where consolidation is taking place. Within the core sector interests, the Fund invests in both performing and under-performing companies, supporting buy and build strategies, businesses encountering rapid growth, or businesses undergoing significant operational or strategic change. Investing in a diverse range of portfolio companies, the Fund’s objective is to work proactively with the portfolio companies’ management teams, together with other stakeholders, in order to create substantial shareholder value.

The Fund looks to acquire a controlling interest in companies with an enterprise value of between £20.0 million and £150.0 million, though companies with a lower enterprise value are considered where the Manager believes that anticipated returns justify the investment. The Fund aims to deliver in excess of 25% gross internal rate of return (IRR) per annum on investments. The life of the Fund is expected to be approximately 10 years, which includes a five year investment period.

## MARKET BACKGROUND

A recovery led by Germany and France in Q2 2013 ended six successive quarters of economic contraction for the Eurozone. In the UK, there have also been welcome signs of improvement in the economy with growth of 0.6 per cent in the same quarter. The Fund’s portfolio companies have remained remarkably resilient during the economic downturn reflecting the continuing strength of their market positions and value propositions.

## PERFORMANCE

For the six months to 30 June 2013, the Company’s net asset value increased from £227.6 million at 30 December 2012 (30 June 2012: £223.4 million) to £240.2 million, a net increase of £12.6 million. The net asset value per share at 30 June 2013 is £1.95, up from £1.81 at 31 December 2012, an increase of 8% (30 June 2012: £1.74). In the same period the Company’s share price increased from £1.37 at 31 December 2012 to £1.52 at 30 June 2013 (30 June 2012: £1.14).

The increase in net asset value in the six month period arose from net investment income of £1.6 million, foreign exchange gains of £0.6 million, an appreciation in the value of its investments of £14.8 million, less the cost of its share repurchase of £4.4 million. The appreciation in value of the Company’s investment in the Fund was primarily driven by an uplift in the value of Headland Media to reflect sales proceeds (the Emesa valuation at 31 December 2012 anticipated the proceeds received on sale); an increase in the investment value of Daisy due to an increase in its share price; and foreign exchange translation gains derived from the effect of weaker sterling on Euro denominated assets.

At 30 June 2013 the Company’s assets were divided between its investments in the Fund (52%), cash and cash equivalents (28%), loans provided directly to portfolio companies (12%) and loans provided directly to the Fund (8%). These loans generally take the form of mezzanine finance, ensuring that uncalled cash continues to earn a real positive return. At 30 June 2013, the total value of the loans outstanding was £48.6 million.

During the six month period ending 30 June 2013, the Company acquired 2.9 million of its own shares at an average price of £1.50 per share. The acquired shares are held in treasury.

## REVIEW OF INVESTMENTS

The Company invests principally in the Fund. The primary objective of the Fund 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.

The Company's investment in the Fund has increased by £5.8 million to £123.8 million over the six months to 30 June 2013. Follow-on investments in the Time Out Group and Broadstone by the Fund during the period led to a capital call and contributed to an increase of £25.5 million in the Company's investment in the Fund. This £25.5 million increase was offset by distributions made by the Fund to its Limited Partners in respect of the sale of its investments in Emesa, Headland Media and Daisy Data Centre Solutions and the distribution of a Verivox dividend. In total, £34.0 million was received by the Company. The remaining increase in the value of the Company's investment in the Fund was due to realised gains made by the Fund on investments sold, unrealised gains on the uplift in the fair value of the investments held at 30 June 2013 and foreign exchange translation differences.

The uplift in the value of Daisy accounted for most of the unrealised gain of the Fund. Daisy's share price increased from 92 pence to 133 pence in the 6 month period ending 30 June 2013. This attributed £7.8 million to the increase in the fair value of the investment in the Fund. For the balance of the Fund's portfolio companies, fair values were held at 31 December 2012 levels except for increases derived from additional equity funding provided to certain businesses and adjustments resulting from foreign exchange translation rates.

The Company's investment in mezzanine, finance and senior loans increased by £5.4 million over the six month period from £24.5 million at 31 December 2012 to £29.9 million at 30 June 2013. In the period a financing loan of £6.8 million was provided to Intergenia and in April 2013, Time Out London repaid £1.9 million of its £5.0 million senior debt leaving £3.1 million outstanding, after foreign exchange differences.

On 19 March 2012 the Company made available to the Fund a £12 million revolving credit facility under which the Fund could from time to time draw down short term loans. On 3 April 2013, the maximum amount available under the facility was increased to £20 million. As of 30 June 2013 the Fund had drawn down loans of £18.7 million in aggregate under the facility.

Oakley Capital (Bermuda) Limited

10 September 2013

# THE FUND'S PORTFOLIO COMPANIES

## DAISY GROUP

| | |
|---|---|
| Sector: | Telecoms |
| Location: | United Kingdom |
| Investment date: | 21 July 2009 |
| Website: | www.daisyplc.com |

## BUSINESS OVERVIEW

Daisy Group plc ("Daisy") is a leading provider of integrated voice and data services to small and medium sized businesses providing customers with access to a combined product set from a single platform.

Daisy's strategic objective is to consolidate the fragmented mid-market telecommunications sector with the aim of building a business of considerable scale. Following its acquisition of Vialtus Solutions from Host Europe in 2009, Daisy has completed over 20 acquisitions and has developed to become an industry leading provider of unified communications to the SME and mid-market business sector in the UK.

## BUSINESS UPDATE

On 10 April 2013, Daisy announced its intention to declare a maiden dividend for the year to 31 March 2013 of 4.0p per ordinary share. This will amount to £1.45 million in respect of the Fund's holding in Daisy.

On 30 April 2013, Daisy completed the acquisition of Daisy Data Centre Solutions from the Fund. These were the data centre assets of 2e2 Limited acquired by the Fund out of administration on 15 February 2013. The sale to Daisy had been anticipated at the outset.

On 18 June 2013, Daisy announced its audited preliminary results for the 12 months to 31 March 2013, maintaining its adjusted EBITDA at £56.3 million. Daisy reported significant growth in its free cash flow generation, allowing it to secure new debt facilities of £200 million to provide resources to undertake further strategic acquisitions.

The Daisy share price on 30 June 2013 was 133 pence, up from 92 pence at 31 December 2012. The share price at 30 June 2013 was used to establish the fair value of the Fund's investment.

The Fund valued the investment in Daisy at €56.5 million as at 30 June 2013. The fair value of the Company's indirect interest is £25.1 million as at 30 June 2013.

**VERIVOX**

| | |
|---|---|
| Sector: | Online consumer |
| Location: | Germany |
| Investment date: | 4 December 2009 |
| Website: | www.verivox.de |

**BUSINESS OVERVIEW**

Verivox GmbH (“Verivox”) is Germany’s leading consumer energy and telecoms price comparison website with a 14 year history. The company receives commissions from energy suppliers when consumers elect to switch providers through its website. Verivox is a well-recognised brand in Germany and is regularly quoted by media as an independent source of energy price data. The company has also been certified by Germany’s leading consumer protection and standards bodies.

Verivox differentiates itself from competitors by having contractual relationships with over 150 suppliers (competitors have around 50) and by providing users with details of the lowest cost energy supplier even when the company does not represent that supplier.

Since 2012, Verivox has also offered price comparison services in the insurance and finance sectors.

**BUSINESS UPDATE**

Verivox traded ahead of expectations in the first half of 2013 as a result of strong switching volumes in the period. Verivox continued its successful TV advertising campaign which boosted brand recognition during the important winter trading period. The Company maintains a net cash balance and paid a €6.2m dividend at the end of April 2013.

| Enterprise value at acquisition | Total equity held | Value of Company’s interest at acquisition | Fair value of the Company’s interest |
|---|---|---|---|
| £23.0m | 51% | £14.8m[1] | £23.7m |

[1] Includes £11.8m debt provided by the Company at acquisition, since repaid

## TIME OUT GROUP

| | |
|---|---|
| Sector: | Digital media/publishing |
| Location: | United Kingdom and USA |
| Investment date: | 25 November 2010 and 26 May 2011 |
| Website: | www.timeout.com |

## BUSINESS OVERVIEW

Time Out was established in 1968 by Tony Elliott and today is a globally recognised brand in the publishing industry that publishes city-based magazines and travel guides and is building an online presence. The development of the internet has presented the Time Out Group with an opportunity to transition the business from a magazine listings business to a real-time digital provider of entertainment information and qualified editorial opinions, with an added transactional capability.

Globally, the Time Out Group is present in 35 cities across the world, with a worldwide audience of 16 million across both print and digital channels.

## BUSINESS UPDATE

Following the Time Out London free magazine launch in September 2012, average weekly circulation has increased from 50,000 to 305,000. The increase in circulation has driven growth in advertising page yields and increased the overall reach of the Time Out brand through the highest circulation in its 45 year history. In line with competitors, the magazine has seen subdued print advertising demand across the market in both territories. All sites continue to see strong digital traffic growth, both in unique visitors and page views. At the end of June the UK website had 5.5m monthly unique visitors, a 35% year on year improvement, while the main sites in the United States received over 3.3m monthly unique visitors at June month end compared to 2.4m in the same month in 2012. The Time Out Card was launched in May 2013 (offering users exclusive discounts to London venues, restaurants and attractions) and a completely new iPhone application will be launched later in the year to assist in the migration of the brand's presence across mobile and tablet applications in the UK, US and internationally via the licensee network. Already close to 40% of traffic is originating from mobile devices.

In order to develop the digital business, the Fund provided in the period, £5.5 million to Time Out London for working capital and £5.8m to Time Out New York to acquire Time Out Chicago and to fund working capital.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Fair Value of the Company's interest |
|---:|---:|---:|---:|
| £32.4m | 51% Time Out London; 72.2% Time Out New York | £25.8m | £34.1m |

## BROADSTONE

| | |
|---|---|
| Sector: | Financial services |
| Location: | United Kingdom |
| Investment date: | 4 November 2010 |
| Website: | www.broadstoneltd.co.uk |

### BUSINESS OVERVIEW

Broadstone Pensions & Investments Limited ("Broadstone") is a top 40 UK wealth manager with high quality clients, operates across two divisions; Private Client Services ("PCS"); and Corporate Pensions and Benefits Services; ("CPB"). The PCS division provides wealth management services to private clients and holds approximately £1 billion of funds under management and advice. The CPB division provides actuarial advice, administration services, employee benefits advice and investment consulting services to trustees of defined benefit pension schemes, corporate entities and defined contribution schemes. Broadstone's main source of revenues is time based fees, with commissions and performance fees accounting for less than 10% of annual revenues.

### BUSINESS UPDATE

Over the period, Broadstone has been integrating the businesses it recently acquired from Pope Anderson LLP and UBS London, and is looking to achieve synergies from systems and business efficiency.

The new auto-enrolment regulations in relation to corporate pensions, whereby every company employing more than one member of staff needs to review their pension arrangements and ensure that all eligible staff are automatically enrolled into their employer's pension arrangements, every company is required to put in place a prescriptive pension scheme for their employees, is generating significant interest in Broadstone's services.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Fair value of the Company's interest |
|---:|---:|---:|---:|
| £20.6m | 84% | £12.8m | £17.8m |

## MONUMENT SECURITIES

| | |
|---|---|
| Sector: | Financial services |
| Location: | United Kingdom |
| Investment date: | 31 March 2008 |
| Website: | www.monumentsecurities.com |

### BUSINESS OVERVIEW

Monument Securities Limited ("Monument Securities") is an independent equity, derivatives and fixed income broker with a long 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 and the International Capital Markets Association and is regulated by the Financial Conduct Authority.

### BUSINESS UPDATE

Trading volumes in the first half of 2013 continued to be relatively flat. An improvement in market sentiment based on generally more positive economic news in the early part of the year was curtailed after the improvement in the US economy led the Fed to suggest that QE might need to be tapered. The business continues to operate at break-even.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Fair value of the Company's interest |
|---:|---:|---:|---:|
| £5.6m | 51% | £1.8m | £1.8m |

## INTERGENIA

| | |
|---|---|
| Sector: | Technology |
| Location: | Germany |
| Investment date: | 31 December 2011 |
| Website: | www.intergenia.de |

### TRANSACTION HISTORY

On 31 December 2011, the Fund acquired a 51% stake in the business conducted by Intergenia AG, a leading web hosting company providing managed, dedicated and cloud hosting. The transaction valued Intergenia at a total enterprise value of £72 million (including transaction costs). The Fund provided £25.2 million of equity financing and the Company provided senior debt of £8.4 million. Intergenia's management and its founders retain a significant stake in the company.

### BUSINESS OVERVIEW

Intergenia was founded in 1998 with a head office based in Cologne. Intergenia trades under three different hosting brands PlusServer, serverloft and SERVER4YOU. The Company has an industry-leading low cost infrastructure due to its data centre in Strasbourg, which is one of Europe's most efficient data centres. The Company has 7000 square metres of leasehold-owned data centre space split between Strasbourg, France and St. Louis, USA. Intergenia has a geographically diversified customer base composed predominantly of SME customers and is one of the German market leaders in dedicated hosting to SME customers. Intergenia also runs WorldHostingDays ("WHD"), the largest series of hosting conferences worldwide.

### BUSINESS UPDATE

Intergenia's hosting business has traded in line with expectations in the first half of 2013. Intergenia acquired managed hosting business internet24 on 21st June 2013 for £6.8 million using debt financing provided by the Company. This business fits well with Intergenia's PlusServer branded managed hosting business and synergies are expected to be generated over the next 12 to 18 months.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Fair value of the Company's interest |
|---:|---:|---:|---:|
| £72.0m | 51% | £24.8m | £31.9m |

## DISPOSALS

### HOST EUROPE (sold 28 October 2010)

| | |
|---|---|
| Sector: | Technology |
| Location: | United Kingdom |
| Investment date: | 2 April 2008 |
| Website: | www.hosteurope.com |

### DISPOSAL DETAILS

On 15 September 2010 the Fund announced the disposal of Host Europe to Montagu Private Equity, subject to approval by Germany's Federal Cartel Office (Bundeskartellamt). Having received this approval, the sale was completed on 28 October 2010.

Total consideration for the sale was £222.0 million. The consideration was used to repay third party debt; to pay Host Europe management in respect of their interests; to meet transaction costs; and to repay debt due to the Company of £16.9 million plus accrued interest. As a result of the disposal, on 10 November 2010, the Fund distributed £111.9 million of proceeds to the Limited Partners, including £72.7 million to the Company.

Prior to the sale of Host Europe, the shares it held in Daisy Group plc ("Daisy") were extracted and continue to be held by the Fund. These 36.25 million shares, representing 14% of Daisy were acquired as part of the consideration for the disposal of Host Europe's Vialtus division in July 2009.

Host Europe was acquired by the Fund at a total transaction value of £128 million. The consideration was satisfied by a mixture of cash, vendor loan note and bank loans and mezzanine financing from the Company. The Fund contributed £48.0 million. Outstanding mezzanine loans due to the Company at the time of the disposal, amounting to £19.9 million (including accrued interest), were repaid on 28 October 2010.

### RETURN

The exit value of the investment in Host Europe was £111.9 million against an invested cost of £48.0 million, generating a money multiple of 2.3x and an IRR of 48% to the Limited Partners. The Company received a total distribution of £92.6 million from the disposal comprising a return on its investment through the Fund of £72.7 million and the repayment of outstanding mezzanine finance owed by Host Europe of £19.9 million.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Exit value of the Company's interest |
|---:|---:|---:|---:|
| £128m | 83% | £51.0m | £92.6m |

**EMESA (sold 31 January 2013)**

| | |
|---|---|
| Sector: | Leisure |
| Location: | Netherlands |
| Investment date: | 25 March 2011 |
| Website: | www.emesa.nl |

**DISPOSAL DETAILS**

On 31 January 2013, the Fund announced the disposal of Emesa to Cyrte Investments B.V. for a gross consideration of £81 million. The consideration was used to pay bank debt; vendor loan note, locked box adjustments and management interests resulting in net proceeds to the Fund of £44.5 million.

Emesa was acquired by the Fund at a total transaction value of £30 million. The consideration was satisfied by a mixture of cash, senior loan notes and mezzanine financing from the Company. The Fund contributed £10.4 million. The Company provided senior debt of £8.7 million and mezzanine financing of £4.7 million, which was repaid in full on 22 December 2011.

**RETURN**

The exit value of the investment in Emesa was £44.5 million against an invested cost of £12.8 million, generating a money multiple of 3.5x and a gross IRR of 109% to the Fund. The Company received a total distribution of £25.1 million from the disposal.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Exit value of the Company's interest |
|---:|---:|---:|---:|
| £30.0m | 68% | £20.1m[2] | £25.1m |

[2] Includes £13.4m debt provided by the Company at acquisition, since repaid

**HEADLAND MEDIA (sold 10 May 2013)**

| | |
|---|---|
| Sector: | Digital media |
| Location: | United Kingdom |
| Investment date: | 25 January 2008 |
| Website: | www.headlandmedia.com |

**DISPOSAL DETAILS**

On 10 May 2013, the Fund sold Headland Media to KVH Industries, Inc. for an enterprise value of £15.5 million, including deferred consideration of £1.5 million. Headland Media was acquired by the Fund at a total transaction value of £7.9 million. The consideration was satisfied by a mixture of cash, senior loan notes and mezzanine financing from the Company. The Fund contributed £4.4 million. The Company provided mezzanine financing of £4.7 million which was repaid in full on 16 February 2012.

**RETURN**

The exit value of the investment in Headland Media was £15.5 million against an invested cost of £4.4 million, generating a money multiple of 2.7x and a gross IRR of 27% to the Fund. The Company received a total distribution of £6.5 million from the disposal.

| Enterprise value at acquisition | Total equity held | Value of Company's interest at acquisition | Exit value of the Company's interest |
|---|---|---|---|
| £7.9m | 80% | £5.9m[3] | £6.5m |

[3] Includes £4.7m debt provided by the Company at acquisition, since repaid

**Statements of Assets and Liabilities**

For the Periods Ending 30 June 2013 and 2012 and

the Fiscal Year Ended 31 December 2012

(Expressed in British Pounds)

| | *Notes* | *Unaudited 6 months ended 30 June 2013 £* | *Unaudited 6 months ended 30 June 2012 £* | *Audited year ended 31 December 2012 £* |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments | 2c, 5, 7 | 172,329,726 | 146,333,352 | 161,806,610 |
| Cash and cash equivalents | 3 | 60,790,786 | 72,238,895 | 56,036,923 |
| Accrued interest and accounts receivable | | 7,425,500 | 5,001,026 | 10,087,914 |
| Other receivables | | 110,246 | 136,714 | 33,993 |
| Total assets | | 240,656,258 | 223,709,987 | 227,965,440 |
| **Liabilities** | | | | |
| Accounts payable and accrued expenses | | 449,884 | 312,181 | 401,043 |
| Total liabilities | | 449,884 | 312,181 | 401,043 |
| Net assets attributable to shareholders | | 240,206,374 | 223,397,806 | 227,564,397 |
| **Represented by:** | | | | |
| Share capital | | 1,281,250 | 1,281,250 | 1,281,250 |
| Share premium | | 119,276,094 | 119,276,094 | 119,276,094 |
| Retained earnings | | 126,580,477 | 102,840,462 | 109,519,050 |
| | | 247,137,821 | 223,397,806 | 230,076,394 |
| Less: Treasury Stock (2,063,650 shares) | | (6,931,447) | | (2,511,997) |
| | | 240,206,374 | | 227,564,397 |
| Number of shares outstanding | 9 | 123,115,050 | 128,125,000 | 126,061,350 |
| Net asset value per share | | 1.95 | 1.74 | 1.81 |

*The notes following form an integral part of these financial statements*

## Schedules of Investments

For the Periods Ending 30 June 2013 and 2012 and

the Fiscal Year Ended 31 December 2012

(Expressed in British Pounds)

**30 June 2013**

| | *Fair value as a percentage of net assets* | *Percentage interest* | *Principal amount/ Quantity* | *Cost £* | *Fair value £* |
|---|---|---|---|---|---|
| **Investments in Limited Partnership** | | | | | |
| *Bermuda* | | | | | |
| Oakley Capital Private Equity LP | 51.52% | 65.15% | | 72,931,890 | 123,766,165 |
| **Unquoted debt securities** | | | | | |
| **Investments in senior loan notes** | | | | | |
| *United Kingdom* | | | | | |
| Time Out London<br>Interest at 8.5% p.a.<br>Maturity date March 2016 | 1.28% | | £3,070,482 | 3,070,482 | 3,070,482 |
| *United States* | | | | | |
| Time Out New York<br>Interest at 8.5% p.a.<br>Maturity date May 2014 | 0.93% | | $3,400,000 | 2,109,020 | 2,235,160 |
| *Germany* | | | | | |
| Intergenia<br>Interest at 8.5% p.a.<br>Maturity date November 2013 | 0.95% | | €2,660,415 | 2,226,236 | 2,275,719 |
| **Total senior loan notes** | 3.16% | | | 7,405,738 | 7,581,361 |
| **Investments in mezzanine loans** | | | | | |
| *United Kingdom* | | | | | |
| Broadstone<br>Interest rate at 15% p.a<br>Maturity date November 2015 | 2.50% | | £6,000,000 | 6,000,000 | 6,000,000 |
| Time Out London<br>Interest rate at 15% p.a.<br>Maturity date November 2015 | 2.58% | | £6,200,000 | 6,200,000 | 6,200,000 |
| United States | | | | | |
| Time Out London<br>Interest rate at 15% p.a.<br>Maturity date May 2016 | 1.37% | | $5,000,000 | 3,101,500 | 3,287,000 |
| **Total mezzanine loans** | 6.45% | | | 15,301,500 | 15,487,000 |
| **Investments in financing loan facility** | | | | | |
| *Germany* | | | | | |
| Intergenia<br>Interest at 10% p.a.<br>Maturity date December 2014 | 2.85% | | €8,000,000 | 6,834,400 | 6,843,200 |
| **Total finance loans** | 2.85% | | | 6,834,400 | 6,843,200 |

## Schedules of Investments (continued)

For the Periods Ending 30 June 2013 and 2012 and
the Fiscal Year Ended 31 December 2012

(Expressed in British Pounds)

| | | | | |
|---|---|---|---|---|
| **Investments in revolving loan facility** | | | | |
| *Bermuda* | | | | |
| Oakley Capital Private Equity LP<br>Interest rate at 6.5% p.a<br>Maturity date September 2013 | 7.76% | £18,652,000 | 18,652,000 | 18,652,000 |
| **Total revolving loan facility** | 7.76% | | 18,652,000 | 18,652,000 |
| **Total Investments** | 71.74% | | 121,125,528 | 172,329,726 |

For details of the underlying investments of the Fund, please refer to Note 7

*The notes following form an integral part of these financial statements*

## Schedules of Investments (continued)

For the Periods Ending 30 June 2013 and 2012 and
the Fiscal Year Ended 31 December 2012

(Expressed in British Pounds)

**30 June 2012**

| | *Fair value as a percentage of net assets* | *Percentage interest* | *Principal amount/ Quantity* | *Cost £* | *Fair value £* |
|---|---|---|---|---|---|
| **Investments in Limited Partnership** | | | | | |
| *Bermuda* | | | | | |
| Oakley Capital Private Equity LP | 50.66% | 65.15% | | 58,354,209 | 113,178,713 |
| **Unquoted debt securities** | | | | | |
| **Investments in senior loan notes** | | | | | |
| *United Kingdom* | | | | | |
| Time Out London<br>Interest at 8.5% p.a.<br>Maturity date March 2016 | 2.24% | | £5,000,000 | 5,000,000 | 5,000,000 |
| *United States* | | | | | |
| Time Out New York<br>Interest at 8.5% p.a.<br>Maturity date May 2014 | 0.98% | | $3,400,000 | 2,109,020 | 2,178,720 |
| *Germany* | | | | | |
| Intergenia<br>Interest at 8.5% p.a.<br>Maturity date November 2013 | 2.71% | | €7,500,000 | 6,276,000 | 6,051,000 |
| **Total senior loan notes** | 5.93% | | | 13,385,020 | 13,229,720 |
| **Investments in mezzanine loans** | | | | | |
| *United Kingdom* | | | | | |
| Broadstone<br>Interest rate at 15% p.a<br>Maturity date November 2015 | 2.69% | | £6,000,000 | 6,000,000 | 6,000,000 |
| Time Out London<br>Interest rate at 15% p.a.<br>Maturity date November 2015 | 2.78% | | £6,200,000 | 6,200,000 | 6,200,000 |
| United States | | | | | |
| Time Out London<br>Interest rate at 15% p.a.<br>Maturity date May 2016 | 1.43% | | $5,000,000 | 3,101,500 | 3,204,000 |
| **Total mezzanine loans** | 6.90% | | | 15,301,500 | 15,404,000 |
| **Investments in revolving loan facility** | | | | | |
| *Bermuda* | | | | | |
| Oakley Capital Private Equity LP<br>Interest rate at 6.5% p.a<br>Maturity date September 2012 | 2.02% | | £4,520,919 | 4,520,919 | 4,520,919 |
| **Total revolving loan facility** | 2.02% | | | 4,520,919 | 4,520,919 |
| **Total Investments** | 65.51% | | | 91,561,648 | 146,333,352 |

For details of the underlying investments of the Fund, please refer to Note 7

*The notes following form an integral part of these financial statements.*

## Schedules of Investments (continued)

For the Periods Ending 30 June 2013 and 2012 and
the Fiscal Year Ended 31 December 2012
(Expressed in British Pounds)

**31 December 2012**

| | *Fair value as a percentage of net assets* | *Percentage interest* | *Principal amount/ Quantity* | *Cost £* | *Fair value £* |
|---|---|---|---|---|---|
| **Investments in Limited Partnership** | | | | | |
| *Bermuda* | | | | | |
| Oakley Capital Private Equity L.P. | 51.83% | 65.15% | | 58,354,206 | 117,940,422 |
| **Unquoted debt securities** | | | | | |
| **Investments in senior loan notes** | | | | | |
| *United Kingdom* | | | | | |
| Time Out London<br>Interest at 8.5% p.a.<br>Maturity date March 2016 | 2.20% | | £5,000,000 | 5,000,000 | 5,000,000 |
| *United States* | | | | | |
| Time Out New York<br>Interest at 8.5% p.a.<br>Maturity date May 2014 | 0.92% | | $3,400,000 | 2,109,020 | 2,091,000 |
| *Germany* | | | | | |
| Intergenia<br>Interest at 8.5% p.a.<br>Maturity date November 2013 | 0.95% | | €2,660,415 | 2,226,236 | 2,157,331 |
| **Total senior loan notes** | 4.07% | | | 9,335,256 | 9,248,331 |
| **Investments in mezzanine loans** | | | | | |
| *United Kingdom* | | | | | |
| Broadstone<br>Interest at 15% p.a.<br>Maturity date November 2015 | 2.64% | | £6,000,000 | 6,000,000 | 6,000,000 |
| Time Out London<br>Interest rate at 15% p.a.<br>Maturity date November 2015 | 2.72% | | £6,200,000 | 6,200,000 | 6,200,000 |
| United States | | | | | |
| TONY OCIL (Bermuda) Limited<br>Interest rate at 15% p.a.<br>Maturity date May 2016 | 1.35% | | $5,000,000 | 3,101,500 | 3,075,000 |
| **Total mezzanine loans** | 6,71 | | | 15,301,500 | 15,275,000 |
| **Investments in revolving loan facilities** | | | | | |
| Oakley Capital Private Equity L.P | 8.5% | | £19,342,857 | 19,342,857 | 19,342,857 |
| **Total revolving loan facility** | 8.5% | | | 19,342,857 | 19,342,857 |
| **Total Investments** | 71.11% | | | 102,333,819 | 161,806,610 |

For details of the underlying investments of the Fund, please refer to Note 7

*The notes following form an integral part of these financial statements.*

**Statements of Operations**

For the Periods Ending 30 June 2013 and 2012 and

the Fiscal Year Ended 31 December 2012

(Expressed in British Pounds)

| | *Notes* | *Unaudited 6 months ended 30 June 2013 £* | *Unaudited 6 months ended 30 June 2012 £* | *Audited year ended 31 December 2012 £* |
|---|---|---|---|---|
| **Investment income** | | | | |
| Interest | | 2,986,499 | 2,862,486 | 5,821,871 |
| Withholding tax on interest | | (107,110) | (105,869) | (210,897) |
| Miscellaneous | | 324 | 53,595 | – |
| Total income | | 2,879,713 | 2,810,212 | 5,610,974 |
| **Expenses** | | | | |
| Management fees | 4 | 863,186 | 330,857 | 665,995 |
| Performance fees | 4 | 48,318 | 81,465 | 81,465 |
| Professional fees | 6 | 171,342 | 166,789 | 330,617 |
| Other | | 166,662 | 140,337 | 331,392 |
| Interest | | 574 | 4,718 | 6,595 |
| Total expenses | | 1,250,082 | 724,166 | 1,416,064 |
| **Net investment income** | | 1,629,631 | 2,086,046 | 4,194,910 |
| **Realised and unrealised gains and losses on foreign exchange and investments** | | | | |
| Net realised (losses)/gains on foreign exchange | | 632,243 | (466,220) | (409,762) |
| Net change in unrealised (losses)/gains on foreign exchange | | 15,750 | (8,915) | (26,119) |
| Net realised (losses)/gains on investments | | 23,052,209 | (522,561) | (693,178) |
| Net change in unrealised appreciation/(depreciation) on investments | | (8,268,406) | 3,380,744 | 8,081,831 |
| Net realised and unrealised gains/(losses) on foreign exchange and investments | | 15,431,796 | 2,383,048 | 6,952,772 |
| **Net increase in net assets resulting from operations** | | 17,061,427 | 4,469,094 | 11,147,682 |
| Net gain per share | | 0.14 | 0.03 | 0.09 |

**Statements of Changes in Net Assets**

For the Periods Ending 30 June 2013 and 2012 and

the Fiscal Year Ended 31 December 2012

(Expressed in British Pounds)

| | *Unaudited 6 months ended 30 June 2013 £* | *Unaudited 6 months ended 30 June 2012 £* | *Audited year ended 31 December 2012 £* |
|---|---|---|---|
| **Net increase in net assets resulting from operations** | | | |
| Net investment income | 1,629,631 | 2,086,046 | 4,194,910 |
| Net realised (loss)/gain on foreign exchange | 632,243 | (466,220) | (409,762) |
| Net change in unrealised (losses)/gain on foreign exchange | 15,750 | (8,915) | (26,119) |
| Net realised gains/(losses) on investments | 23,052,209 | (522,561) | (693,178) |
| Net change in unrealised appreciation/(depreciation) on investments | (8,268,406) | 3,380,744 | 8,081,831 |
| Net increase in net assets resulting from operations | 17,061,427 | 4,469,094 | 11,147,682 |
| **Share repurchase** | (4,419,450) | - | (2,511,997) |
| **Net decrease in net assets resulting from capital transactions** | (4,419,450) | - | (2,511,997) |
| **Net increase in net assets** | 12,641,977 | 4,469,094 | 8,635,685 |
| **Net assets at beginning of period/year** | 227,564,397 | 218,928,712 | 218,928,712 |
| **Net assets at end of period/year** | 240,206,374 | 223,397,806 | 227,564,397 |

*The notes following form an integral part of these financial statements*

**Statements of Cash Flows**

For the Periods Ending 30 June 2013 and 2012 and
the Fiscal Year Ended 31 December 2012
(Expressed in British Pounds)

| | *Unaudited 6 months ended 30 June 2013 £* | *Unaudited 6 months ended 30 June 2012 £* | *Audited year ended 31 December 2012 £* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net increase in net assets resulting from operations | 17,061,427 | 4,469,094 | 11,147,682 |
| 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 | (15,431,796) | (2,383,048) | (6,952,772) |
| Payments for purchases of investments | (52,850,115) | (4,760,535) | (19,582,473) |
| Proceeds on disposal of investments | 57,110,802 | 6,429,153 | 10,308,303 |
| Change in accrued interest receivable | 2,662,414 | (1,039,649) | (6,126,537) |
| Change in other receivables | (76,253) | (121,076) | (18,355) |
| Change in accounts payable and accrued expenses | 48,841 | 11,221 | 100,083 |
| Net cash used in operating activities | 8,525,320 | 2,605,160 | (11,124,069) |
| **Cash flows from financing transactions** | | | |
| Payments for shares repurchased | (4,419,450) | | (2,511,997) |
| Cash used in financing transactions | (4,419,450) | | (2,511,997) |
| Net effect of foreign exchange (loss)/gain | 647,993 | (475,135) | (435,881) |
| Net increase (decrease) in cash and cash equivalents | 4,753,863 | 2,130,025 | (14,071,947) |
| Cash and cash equivalents at beginning of year/period | 56,036,923 | 70,108,870 | 70108,870 |
| **Cash and cash equivalents at end of year/period** | 60,790,786 | 72,238,895 | 56,036,923 |
| Interest paid during the year/period | 574 | 4,718 | 6,595 |

*The notes following form an integral part of these financial statements*

## Notes to the Financial Statements

For the Periods Ending 30 June 2013 and 2012 and

the Fiscal Year Ended 31 December 2012

### 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 "Fund"), an exempted limited partnership established in Bermuda on 10 July 2007. The manager is Oakley Capital (Bermuda) Limited (the "Manager") and the investment adviser is Oakley Capital Limited (the "Investment Adviser"). The Company and Oakley Capital GP Limited (the "General Partner") of the Fund have two directors in common.

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 U.S. generally accepted accounting principles.

*b) Use of estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 Fund. The Company's investment in the Fund is valued at the balance on the Company's capital account in the Fund as at the reporting date. Any difference between the capital introduced and the balance on the Company's capital account in the Fund is recognised in net change in unrealised appreciation and depreciation on investments in the Statements of Operations.

The Fund values investments at fair value and recognises gains and losses on security transactions using the specific cost method.

*Mezzanine loans, bridge loans, senior loans, finance loans and revolving credit facilities*

Mezzanine loans, bridge loans, senior loans, finance loans and revolving credit facilities 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 depreciation in value.

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

The Company is subject to the provisions of the FASB guidance on Fair Value Measurements and Disclosure (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active market quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring 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 and are categorised as level 1 within the fair value hierarchy.

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.

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 these circumstances, the Investment Adviser will attempt to use consistent and fair valuation criteria and may obtain independent appraisals.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

*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 Fund in 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 Company 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 consist of the following:

| | *Unaudited 6 months ended 30 June 2013 £* | *Unaudited 6 months ended 30 June 2012 £* | *Audited year ended 31 December 2012 £* |
|---|---|---|---|
| Cash | 26,439,736 | 30,340,776 | 14,437,917 |
| Short-term deposits | 34,351,050 | 41,898,119 | 41,599,006 |
| Total cash and cash equivalents | 60,790,786 | 72,238,895 | 56,036,923 |

**4. Management and performance fees**

*(a)* The Company has entered into a Management Agreement with 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 Fund or any successor fund managed by the Manager. The Manager will receive a management fee at the rate of 1% per annum in respect of those funds that are not committed to the Fund 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 annum in respect of those funds which are invested directly in co-investments. The management fee is payable monthly in arrears.

As part of the Company's investment in Oakley Capital Private Equity II L.P. ("Fund II"), the Company has agreed to pay Oakley Capital GP II Limited ( "GP II") an establishment fee equal to 2% per annum of the Company's initial commitment to Fund II. The establishment fee is payable semi-annually in advance and terminates upon the completion of Fund II's Initial Close.

During the period ended 30 June 2013, the Company incurred management fees of £863,186 (30 June 2012: £330,857; 31 December 2012: £665,995). As at 30 June 2013, no management fees were payable to the Manager (30 June 2012: £60,232; 31 December 2012: £38,641).

The Manager may also receive a performance fee of 20% of the excess of the amount earned by the Company over and above an 8% hurdle rate per annum on any monies invested as a co-investment with the Fund 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. During the period ended 30 June 2013, the Company incurred performance fees of £48,318 (30 June 2012: £81,465; 31 December 2012: £81,465).

*(b)* The Manager has entered into an Investment Adviser Agreement with 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:

| Investments in Securities | *30 June 2013* *£* | *30 June 2012* *£* | *31 December 2012* *£* |
|---|---|---|---|
| *Quotes prices (Level 1)* | – | – | – |
| *Other significant observable inputs (Level 2)* | – | – | – |
| *Significant unobservable inputs (Level 3)* | 172,329,726 | 146,333,352 | 161,806,610 |

The instruments comprising investments in securities are disclosed in the Schedules of Investments.

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 Fund. The valuation of non-public investments requires significant judgment by the Investment Adviser 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 Investment Adviser, 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.

Because of the inherent uncertainty of valuing unquoted private equity investments, the estimated fair values may differ from the values that would have been used had a ready market for such investments existed and such differences may be material. Mezzanine loans, bridge loans, senior loans, finance loans and revolving credit facilities 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 depreciation in value. The fair values have been determined based on a discounted cash flow valuation approach consistent with prior years. The discount rate used to value the mezzanine loans is 15% (2011:15%), the secured loans 8.5% (2011:8.5%), the finance loans 10% and the revolving credit facility 6.5%.

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

| | *Investment in Securities 30 June 2013 £* | *Investment in Securities 30 June 2012 £* | *Investment in Securities 31 December 2012 £* |
|---|---|---|---|
| **Investment in Limited Partnership** | | | |
| Fair value at beginning of period/year | 117,940,422 | 112,553,747 | 112,553,747 |
| Purchases | 25,504,715 | 239,616 | 239,616 |
| Proceeds on realisation | (33,979,426) | (2,737,153) | (2,737,153) |
| Realised gain / (loss) on realisation | 23,052,209 | (476,616) | (476,616) |
| Net change in unrealised appreciation (depreciation) on investments | (8,751,755) | 3,599,119 | 8,360,831 |
| Limited Partnership, fair value at end of period/year | 123,766,165 | 113,178,713 | 117,940,422 |
| **Unquoted debt securities** | | | |
| Fair value at beginning of period/year | 43,866,188 | 32,590,040 | 32,590,040 |
| Purchases | 27,345,400 | 4,520,919 | 19,342,857 |
| Proceeds on disposal | (23,131,376) | (3,692,000) | (7,571,150) |
| Realised (loss)/gain on disposal | - | (45,945) | (216,559) |
| Net change in unrealised appreciation (depreciation) on investments | 483,349 | (218,375) | (279,000) |
| Unquoted debt securities, fair value at end of period/year | 48,563,561 | 33,154,639 | 43,866,188 |
| Fair value at end of period/year | 172,329,726 | 146,333,352 | 161,806,610 |

The net change in unrealised appreciation on investments relates to investments held at the respective period/year end.

The investments held by the Fund are classified as Level 3 investments by the Fund.

## 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. During the period ended 30 June 2013, the Company incurred administration fees of £78,656 (30 June 2012: £78,821, 31 December 2012: £157,060), which is included in professional fees in the Statements of Operations.

As at 30 June 2013, there was a balance payable of £Nil (30 June 2012: £51,957, 31 December 2012: £Nil).

## 7. Investments

### Limited Partnership

The Company has committed substantially all of its capital to the Fund and its successor fund. The Fund'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 investment in the Fund is denominated in Euros. The Fund has an initial period of ten years from its final closing date of 30 November 2009; however the life of the Fund may be extended, at the discretion of the General Partner, by up to three additional one year periods to provide for the orderly realisation of investments. The Fund will make distributions as its investments are realised.

The Company's share of the total capital called by the Fund to 30 June 2013 was £130,644,884 (€152,729,582) (30 June 2012: £99,028,528 (€122,745,860), 31 December 2012: £99,534,618 (€122,745,860)), As at 30 June 2013, the Company accounted for 65.15% of the total capital and commitments in the Fund ((30 June 2012: 65.15%, 31 December 2012: 65.15%).

The Company may also make co-investments with the Fund based on the recommendations of the Manager.

At 30 June 2013, 30 June 2012 and 31 December 2012 all of the Fund's investments have been valued at fair value.

At 31 December 2012, the Fund appointed a third party valuer to determine the fair value of certain underlying businesses taking into account financial information provided by the Fund's investment adviser. The Fund's accounts have not been audited for the period ended 30 June 2013 and 30 June 2012 but were audited for the year ended 31 December 2012.

The Fund made follow on investments in two of its portfolio companies during the period to 30 June 2013. These investments were in Broadstone and the Time Out Group. The Fund sold two of its investments held at 31 December 2012 during the period ending 30 June 2013. The investments were in Emesa and Headland Media. An investment in Daisy Data Centre Solutions was bought and sold during the period ending 30 June 2013.

The Company also increased its investment in the Fund through a revolving credit facility made available to the Fund.

**Limited Partnership's investments**

*Headland Media*

Headland Media Limited ("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. The Fund sold its investment in Headland Media during the period ending 30 June 2013.

*Monument Securities*

The Fund through its wholly owned subsidiary, Monument Securities Group Limited, acquired 51 of Monument Securities II Limited ("Monument Securities"). Monument Securities is a global equity, derivatives and fixed income broker with a 20 year history. Monument Securities provides services to institutions, fund managers, market professionals, corporates and hedge funds.

*Verivox*

The Fund, through VVX (Bermuda) Limited, owns 51% of Verivox Holdings Limited ("Verivox"), Germany's largest independent online consumer energy price comparison service. The company receives commission from energy suppliers when consumers elect to switch providers through its website.

*Broadstone*

The Fund through its wholly owned subsidiary, Fitzwilliam Holdco Limited, acquired 84.4% of Broadstone Finance Limited ("Broadstone"), the UK-wide independent provider of investment advice and solutions to private individuals and corporates, from BDO LLP.

*Time Out London and Time Out New York (the "Time Out Group")*

The Fund through its wholly owned subsidiary, TO (Bermuda) Limited, acquired 50% of Time Out Group HC Limited ("Time Out London"), the international multi channel publisher. Time Out London provides services across traditional print, digital channels and live events. At 30 June 2013, the Fund owned a 51% share in Time Out London.

The Fund through its wholly owned subsidiary, TONY (Bermuda) Limited, acquired 65.7% of Time Out America LLC ("Time Out New York"). In combination, Time Out New York and Time Out London control the worldwide rights to the Time Out brand. At 30 June 2013, the Fund owned a 72.2% share in Time Out New York.

*Emesa*

On 25 March 2011, the Company acquired 68.0% of Sun Cooperatied U.A. (“Emesa”), a e-commerce company active in the Dutch online leisure market. Emesa enables online customers to find and book leisure deals such as short holidays, weekend breaks, spa/beauty visits, event tickets and restaurant visits through its websites. The Fund sold its investment in Emesa during the period ending 30 June 2013.

*Intergenia*

The Fund through its wholly owned subsidiary , WHDI (Bermuda) Limited, acquired a 51% stake in Intergenia Holdings GmbH (“Intergenia”), a web hosting company providing managed, dedicated and cloud hosting.

*Daisy Data Centre Solutions*

The Fund acquired a 100% stake in Daisy Data Centre Solutions Limited (“Daisy Data Centre Solutions”), a web hosting company. The Fund sold its investment in Daisy Data Centre Solutions during the period ending 30 June 2013.

Certain Directors of the Company and the General Partner of the Fund may also be directors of the investee companies.

**Mezzanine financing investments**

*Headland Media*

As part of the Fund’s acquisition of Newslink through Headland Media, the Company provided £1.6 million of debt finance, in the form of a secured mezzanine instrument from the Company. The instrument carried a fixed interest rate of 15% and was due in December 2014. The debt was fully repaid on 16 February 2012.

*Time Out London*

As part of the Fund’s acquisition of Time Out London, the Company provided debt finance of £6.2 million in the form of a mezzanine loan to TO (Bermuda) Limited. The instrument carries a fixed interest rate of 15% maturing on 30 November 2015. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

*Broadstone*

As part of the Fund’s acquisition of Broadstone, the Company provided debt finance of £6.0 million in the form of a mezzanine loan to Fitzwilliam Holdco Limited. The instrument carries an interest rate of 15% and matures on 30 November 2015. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

*Time Out New York*

As part of the Fund’s acquisition of Time Out New York, the Company provided debt finance of £3.1 million ($5.0 million) to TONY OCIL (Bermuda) Limited in the form of a mezzanine loan. The instrument carries a fixed interest rate of 15% before withholding tax and 10.5% after withholding tax and matures on 26 May 2016. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

*Daisy Data Centre Solutions*

As part of the Fund’s acquisition of Daisy Data Centre Solutions, the Company provided debt finance of £4.5 million to Daisy Data Centre Solutions in the form of a mezzanine loan. The instrument carried a fixed interest rate of 15% and matured on 14 February 2013 at which date the loan was repaid in full.

**Senior loan notes**

*Time Out London*

As part of the Fund’s acquisition of Time Out Group Limited, the Company provided a secured senior loan of £5.0 million to Time Out Group BC Limited, a wholly owned subsidiary of Time Out London. The instrument carries a fixed interest rate of 8.5% and matures on 31 March 2013. On 10 April 2013 £1.9 million of this loan was repaid. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

*Time Out New York*

As part of the Fund's acquisition of Time Out New York, the Company has also provided a secured senior loan of £2.2 million ($3.4 million) to TONY OCIL (Bermuda) Limited. The instrument carries a fixed interest rate of 8.5% before withholding tax and 5.95% after withholding tax. The instrument matures no later than May 2014. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

*Intergenia*

As part of the Fund's acquisition of Intergenia, the Company provided a secured senior loan of £8.4 million (€10.0 million) to Intergenia GmbH. The instrument carries a fixed interest rate of 8.5%. The instrument matures no later than November 2013. On 8 March 2012 £6.0 million (€7.4 million) of this loan was repaid. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

**Financing loan notes**

*Intergenia*

On 21 June 2013, the Company provided a finance loan of £6.8 million of (€8.0 million) to Intergenia GmbH. The instrument carries a fixed interest rate of 10%. The instrument matures no later than December 2014. The fair value of the loan is considered to approximate its amortised cost as at 30 June 2013.

**Revolving credit facility**

*Oakley Capital Private Equity L.P.*

On 19 March 2012, the Company provided a revolving loan facility of £23 million to the Fund at an interest rate of 6.5%. As at 30 June 2013 £18.7 million of the funding had been drawn from the facility. The fair value is considered to approximate its amortised cost at 30 June 2013.

**8. Capital commitments**

The total capital commitment made by the Company in the Fund is £160,300,471 (€187,398,260) (30 June 2012: £151,188,592 (€187,398,260), (31 December 2012: £151,961,249 (€187,398,260)). The Fund may draw upon the capital commitment at any time subject to two weeks' notice on an as needed basis. In February 2013, the Fund issued a capital call of €13.1 million (£11.2 million) representing 7% of the total commitments of €187 million. In June 2013, the Fund issued a further capital call of €16.9 million (£13.7 million) representing 9% of the total commitments of €187 million.

Since inception, capital in the amount of £130,644,884 (€152,729,582) (30 June 2012: £99,028,528 (€122,745,860), 31 December 2012: £99,534,618 (€122,745,860) was called from the Company by the Fund. As at 30 June 2013, the amount of capital commitment available to be called from the Company by the Fund was £29,655,587 (€34,668,678) (30 June 2012: £52,160,065 (€64,652,400), (31 December 2012: £52,426,631 (€64,652,400)).

The total funded commitments to 30 June 2013 were €144.7 million representing 65.15% of the Company's total commitments.

The total capital commitment made by the Company to Fund II is £85,540,000 (€100,000,000). There have been no capital calls to date.

**9. Share capital and warrants**

(a) *Share capital*

The authorised share capital of the Company is £2,000,000 divided into 200,000,000 shares of par value 1 pence each.

*(b) 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 £18,000,000.

*(c) Share repurchase*

On 3 July 2012, the Company repurchased 603,650 shares at a price of 114 pence per share, on 5 July 2012 the Company repurchased an additional 1,355,000 shares at a price of 125 pence and finally on 9 July 2012 the Company repurchased an additional 105,000 shares at 122 pence per share. Directly attributable costs of £1,987 were incurred in relation to the shares repurchased.

On 15 May 2013, the Company repurchased 2,946,300 shares at a price of 150 pence per share. At 30 June 2013, a total of 5,009,950 shares are held as treasury stock.

Shares of common stock and warrants outstanding are:

| *Common stock* | *Unaudited 6 months ended 30 June 2013 £* | *Unaudited 6 months ended 30 June 2012 £* | *Audited year ended 31 December 2012 £* |
|---|---|---|---|
| Balance at beginning of period/year | 126,061,350 | 128,125,000 | 128,125,000 |
| Shares repurchased | (2,946,300) | - | (2,063,650) |
| Balance at end of period/year | 123,115,050 | 128,125,000 | 126,061,350 |

**10. Related parties**

Certain Directors of the Company are also Directors, Members and/or shareholders of the Manager, Oakley Capital Corporate Finance LLP ("Oakley Finance"), Palmer Capital Associates (International) Limited and the Administrator; entities which provide services to and receive compensation from the Company. These agreements are based on normal commercial terms.

The Company has a financial advisory agreement with Oakley Finance. During the period ended 30 June 2013, the Company has not yet incurred financial advisory fees (30 June 2012: £nil; 31 December 2012: £25,000, which is included in professional fees in the statements of operations).

**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 2035.

The Company was not required to recognise any amounts for uncertain tax positions under FASB ASC 740-10.

**12. Indemnifications and warranties**

In the ordinary course of business, the Company may enter into contracts or agreements that may contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history, experience and assessment of existing contracts, management feels that the likelihood of such an event is remote.

**13. Subsequent Events**

On 10 July 2013, the Fund acquired control of a leading operator of premium private schools in South Africa (Reddam House), for €16.6 million, providing a significant growth opportunity in South Africa and the potential to explore international acquisitions using the Reddam House reputation.