

BOUSSARD &
GAVAUDAN
HOLDING
LIMITED

Boussard & Gavaudan Holding Limited

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 45582)

Global Offer of up to 50,000,000 ordinary shares of €0.0001 par value

This is a global offering (the “**Global Offering**”) of up to 50,000,000 new ordinary shares, excluding Shares issued pursuant to the Over-allotment Option, (the “**Shares**”) of Boussard & Gavaudan Holding Limited (the “**Company**”), a closed-ended investment company organized under the laws of Guernsey. The Global Offering consists of a public offering in Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom.

No public market currently exists for the Shares. The Company intends to apply for admission of the Shares issued under the Global Offering to trading on the Stock Market of Euronext Amsterdam N.V. (“**Euronext Amsterdam**”) and to list all of its Shares on Euronext Amsterdam N.V.’s Eurolist by Euronext (“**Eurolist by Euronext**”) (“**Admission**”) under the symbol “BGHL”. It is expected that closing of the subscription period of the Global Offering will take place on or about 31 October 2006 (the “**Closing Date**”) and that such listing will become effective and that trading in the Shares on Euronext Amsterdam will commence on or about 2 November 2006 (the “**Euronext Listing Date**”) on an “as-if-and-when-issued” basis. Delivery of the Shares and closing of the Global Offering is expected to take place on or about 6 November 2006 (the “**Settlement Date**”). If closing of the Global Offering does not take place on the Closing Date or at all, the Global Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments will be returned without interest or other compensation and all transactions in the Shares on Euronext Amsterdam will be cancelled. Any dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam N.V. does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading of the Shares on an “as-if-and-when-issued” basis as from the Euronext Listing Date until the Settlement Date.

Investing in Shares in the Company involves significant risks. See “**Risk Factors**” beginning on page 11.

OFFER PRICE: €10 PER SHARE

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”). The Shares are being offered and sold outside the United States to non-US Persons (as defined in Regulation S of the Securities Act) in reliance upon Regulation S. The Shares are being offered and sold in the United States only to “qualified institutional buyers” (“**QIBs**”) in reliance upon Section 4(2) of the Securities Act who are also “qualified purchasers” (“**QPs**”) as such term is defined in the Investment Company Act. For a description of restrictions on offers, sales and transfers of the Shares, see “**Selling and Transfer Restrictions**” beginning on page 98 of this prospectus. In addition, prospective investors should take note that the Shares may not be acquired by investors using assets of any employee benefit plan subject to Part 4 of Subtitle B of Title I of the US Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) or Section 4975 of the US Internal Revenue Code of 1986, as amended (the “**Code**”) or other federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

The Company will grant BNP Paribas, on behalf of the Joint Global Coordinators, an over-allotment option (the “**Over-allotment Option**”), exercisable for a period of 30 days after the results of the Global Offering are announced which will require the Company to issue up to 15 per cent. of the aggregate number of Shares available in the Global Offering (before any exercise of the Over-allotment Option) at the Issue Price to cover over-allotments (if any). Any such Shares will be offered on the same terms and conditions as other Shares in the Global Offering.

In connection with the Global Offering, BNP Paribas, as stabilisation manager, on behalf of the Joint Global Coordinators or any other person acting for them, may over-allot or effect transactions which are intended to stabilise or maintain the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 days after the results of the Global Offering are announced. However, there may be no obligation on the Joint Global Coordinators, or any agent of the Joint Global Coordinators, to do this and any such stabilisation transactions may be stopped at any time. Such transactions may be effected on Euronext Amsterdam and any other securities market, over the counter market, stock exchange or otherwise. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end 30 days after the results of the Global Offering are announced. Save as required by law, the Joint Global Coordinators do not intend to disclose the extent of any over-allotment and/or stabilisation transactions under the Global Offering or the amount of any long or short positions.

The number of Shares offered in the Global Offering can be increased prior to the Settlement Date. Any increase in the maximum number of Shares being offered in the Global Offering will be announced in a press release issued in The Netherlands. The actual number of Shares offered in the Global Offering will be determined after taking into account the conditions and factors described in the section headed “**The Global Offering**” beginning on page 110 of this prospectus. Such actual number of Shares offered in the Global Offering will be set out in an allocation statement which will be deposited with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* (“**AFM**”)) and will be announced in at least one national newspaper distributed daily in The Netherlands on or about 2 November 2006.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

BNP PARIBAS

Lehman Brothers

Co-Managers

Bear, Stearns International Limited

Kempen & Co

Investment Manager

Boussard & Gavaudan Asset Management

Dated 18 October 2006

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SUMMARY

This summary highlights certain aspects of the Company's business and the Global Offering and should be read as an introduction to this prospectus. Any decision to invest in the Company should be based on a consideration of this prospectus as a whole, including the information under the heading "Risk Factors" beginning on page 11.

No civil liability is to attach to the Company solely on the basis of this summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus. If a claim relating to the information contained in this prospectus is brought before a court of a Member State of the European Economic Area, the plaintiff may under the national legislation of the Member State where the claim is brought be required to bear the costs of translating this prospectus before legal proceedings are initiated.

The Company

Boussard & Gavaudan Holding Limited is a new closed-ended investment company registered and incorporated in Guernsey on 3 October 2006 with an unlimited life. The Company will invest its assets in order to deliver an exposure to multiple alternative investment strategies managed by Boussard & Gavaudan Asset Management, LP (the "**Investment Manager**").

Investment Objective and Policy

The Company's investment objective is to seek to produce long-term appreciation of its assets. The Company will seek to achieve this by investing the initial gross proceeds of the Global Offering, net of approximately €500,000 to be used for working capital requirements, into Sark Fund Limited (the "**Sark Fund**"), which is a feeder fund of Sark Master Fund Limited (the "**Sark Master Fund**"). The Company will not hold an interest in excess of 50 per cent. in the Sark Fund upon completion of the Global Offering. The Company will invest in a separate class of Euro denominated shares of the Sark Fund which will not be subject to management fees and performance fees at the Sark Fund level, as the Investment Manager will receive management fees and performance fees in respect of its role as Investment Manager of the Company. Therefore, the Company will benefit from exposure to the multiple strategies offered by the Sark Fund but with no multiple layering of fees.

Over time, a proportion of the net assets of the Company may, at the discretion of the Investment Manager, be invested in other hedge funds (provided that, where such hedge funds are managed by the Investment Manager, the Company will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund) and/or other financial assets selected by the Investment Manager which, with the possible application of leverage and when taken with the returns achieved from the Sark Fund, are intended to allow the Company to achieve its target annualised return. The Company will not make any single private equity investment representing in excess of five per cent. of its Net Asset Value as at the time that any such investment is made. Private equity investments made in linked transactions will be aggregated for the purposes of this calculation. The Company intends to hedge fully the currency exposure in respect of each of its investments.

From its inception in 2003 to September 2006, the current Euro denominated share class of the Sark Fund has produced annual returns ranging from 2.81 per cent. to 9.79 per cent. (achieved over the 9 months from 1 January 2006 to 30 September 2006). The Company aims to generate a target annualised return in excess of 10 per cent. (net of all fees) by investing in the Sark Fund as well as other assets in the future while utilising its ability to leverage such non-Sark Fund investments. Return targets are targets only and are based over the long-term on the performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. **There is no guarantee that any target return can be achieved. Investors should not place any reliance on such target return in deciding whether to invest in the Company.**

Advantages of Investing in Hedge Funds

The general advantages of an investment in a hedge fund may be summarised as:

- Hedge funds are focused on the delivery of absolute returns which are typically intended to have little correlation to equity or bond markets.
- Hedge funds seek to provide higher returns on a risk-adjusted basis than other investments in the financial markets.
- Hedge funds generally have limited restrictions on their ability to make investments, thus enabling investors to benefit from diversification of the underlying assets, the strategies implemented and the investment instruments used.

- Investors in hedge funds can benefit from financial innovations used by sophisticated investment managers.
- The fee structure in hedge funds is often performance based, thereby aligning the interests of the investment manager and investors.

Strengths of the Company

In addition to the benefits of the hedge fund industry generally, investors in the Company will benefit from its main competitive strengths:

Experienced Investment Manager

The Investment Manager's group employs a team of experienced professionals. The team operates using a rigorous and collegiate investment process and carefully monitors risks. The interests of the Investment Manager and investors in the Company will be aligned through an incentivising performance fee structure, a significant investment by the Investment Manager, its partners and its group's employees and the Directors in the Company at launch (of at least €20 million in total) with an 18-month lockup, and compulsory investment by the Investment Manager on behalf of its group employees of an amount equal to the annual cash bonuses of such employees with an 18-month lockup. The lock-up in respect of the initial €20 million investment shall not apply to any transfer or encumbrance which may arise pursuant to a short-term financial arrangement to be entered into between the Investment Manager and BNP Paribas referred to in the section headed "Relationship with the Joint Global Coordinators" on page 114 of this prospectus.

Access to a multi-strategy investment policy

Through the Company's investment in the Sark Fund, investors will gain exposure to Europe-focused diversified investment strategies, including volatility strategies, equity strategies and credit strategies. This will enable investors to benefit from diversified strategies and risks without paying multiple layers of fees as with a fund of hedge funds.

The Investment Manager focuses on implementing strategies combining derivative expertise and fundamental analysis. This expertise is built around a strongly integrated team of financial analysts and traders who find, research and decide on investment opportunities on a collegiate basis, allowing the Investment Manager to stay in a relatively uncrowded niche.

Attractive risk-adjusted returns of the Sark Fund

Launched in March 2003, the Sark Fund, in which the Company will initially invest all of its assets, has had (net of any fees) an annualised return from inception to August 2006 of 8.03 and 8.23 per cent. for the Euro and US Dollar share classes respectively, coupled with low volatility (2.36 per cent. and 2.40 per cent. for the Euro and US Dollar share classes respectively). As of 31 August 2006, the Sark Fund's annualised Sharpe Ratio, which is a measure of risk-adjusted performance and is further defined in the section headed "Glossary of Selected Terms" beginning on page 138 of this prospectus, was 2.39 and 2.25 for the Euro and US Dollar share classes respectively. Including the performance for the month of September 2006 (2.73 per cent. and 2.83 per cent. for the Euro and US Dollar share classes respectively), from inception to September 2006, the Sark Fund has achieved an annualised return of 8.65 per cent. and 8.88 per cent. for the Euro and US Dollar share classes respectively. The Investment Manager believes that the Sark Fund's historical returns and Sharpe Ratio demonstrate its ability to generate positive performance on a risk-adjusted basis in comparison to published hedge fund indices, other equity and bond market indices and, in particular, versus its hedge fund peers in the convertible and equity arbitrage space (which may have suffered from difficult market conditions in recent years).

The Sark Fund received the 2005 EuroHedge Award for Best Convertible and Equity Arbitrage Fund.

As of 31 December 2003, 31 December 2004 and 31 December 2005 the Sark Fund had assets under management of approximately €416.4 million, €715.0 million and €956.2 million respectively. As of 31 August 2006, the Sark Fund had assets under management of approximately €1.03 billion.

Use of Proceeds

The costs and expenses of, and incidental to, the Global Offering will be borne by the Investment Manager such that the gross proceeds of the Global Offering, net of any amounts (currently expected to be approximately €500,000) retained for the working capital requirements of the Company, will be available to the Company for investment following Admission. On the basis that 50,000,000 Shares are issued under the Global Offering (excluding Shares issued pursuant to the Over-allotment Option), the gross proceeds

will be approximately €500,000,000 and this amount will be invested in the Shares of the Sark Fund, net of any amounts retained for the working capital requirements of the Company. The Company expects that a significant portion of such proceeds will result from certain current investors in the Sark Fund switching their investment to the Company. See the section headed “The Global Offering—Switching by investors in the Sark Fund” on page 111 of this prospectus. The maximum number of Shares available under the Global Offering should not be taken as an indication of the number of Shares finally to be issued or the total amount of proceeds to be received by the Company in the Global Offering.

Investment Manager

Boussard & Gavaudan Asset Management, LP acts as the Investment Manager and, as such, is responsible for the day-to-day management of the assets of the Company.

The Investment Manager is an asset management company focused on achieving the investment objectives of all its funds by relying on a combination of fundamental analysis and trading expertise, particularly in relation to derivatives. Total assets under management in its four funds were approximately €1.27 billion as of 31 August 2006.

The Investment Manager operates a rigorous investment process involving thorough risk monitoring throughout its sourcing, research and decision making in relation to each potential investment. The Investment Manager relies on a fundamentals-driven bottom-up research and analysis approach for sourcing and finding new investment opportunities and employs a team of six financial analysts dedicated to developing new, and monitoring existing and potential, trade ideas. The philosophy behind the Investment Manager’s research and analysis process is that of a team effort whereby decisions are taken in a collegiate fashion. The Investment Manager’s decision process involves: (i) the identification of mispricing or of an investment opportunity; (ii) an analysis of the causes of the mispricing; (iii) the identification of a catalyst for the convergence of the security’s price; and (iv) the identification of potential risk scenarios and the assignment of probabilities to those scenarios. Following this four-step decision process, the Investment Manager’s Investment Committee takes a decision on the trade, which is then usually executed by the Investment Manager’s in-house traders.

The Sark Fund and the Sark Master Fund

The Sark Fund is organised as a feeder fund and all of the Sark Fund’s assets (to the extent not retained in cash) are invested in the ordinary shares of the Sark Master Fund, of which the Sark Fund is the only shareholder. The investment objective of the Sark Master Fund is to achieve an attractive risk-adjusted return on capital consistent with principles designed to manage risk of capital loss. The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which aims primarily at arbitraging instruments with non-linear pay-offs in special situations.

The table below shows the historic performance of the Sark Fund up to 31 August 2006, together with other relevant comparators.

	Total return					Volatility ⁽²⁾ Annualised	Sharpe ratio ^(3,4) Annualised	Beta to		Nb of positive mths/ total of mths	Max Drawdown ⁽⁵⁾
	10m 2003	2004	2005	2006 YTD ⁽¹⁾	Annualised			Equity Index	Bond Index		
SARK FUND EUR	9.69%	2.81%	8.70%	6.88%	8.03%	2.36%	2.39	0.09	-0.07	32/42	-2.01%
SARK FUND USD	9.00%	2.08%	9.45%	8.25%	8.23%	2.40%	2.25	0.08	-0.07	32/42	-2.34%
All Strategies											
CS/Tremont Hedge Fund Index	13.23%	9.64%	7.60%	7.50%	10.90%	3.70%	2.18	0.20	0.27	33/42	-2.03%
Greenwich-Van Global Hedge Fund Index	17.96%	7.68%	8.63%	6.65%	11.68%	4.35%	2.03	0.29	0.22	32/42	-2.95%
HFRI Fund Weighted Composite Index	18.76%	9.05%	9.29%	6.93%	12.58%	4.52%	2.16	0.30	0.23	32/42	-3.09%
EuroHedge Composite Index	6.55%	6.00%	8.63%	4.79%	7.45%	2.56%	1.81	0.16	0.06	34/42	-2.31%
Convertible & Equity Arbitrage											
CS/Tremont Conv. Arbitrage Index	8.07%	1.98%	-2.55%	9.43%	4.73%	3.88%	0.49	0.09	0.20	27/42	-8.65%
Greenwich-Van Global Conv. Index	6.75%	0.97%	-1.81%	8.94%	4.16%	3.85%	0.34	0.09	0.16	29/42	-9.31%
HFRI Convertible Arbitrage Index	5.90%	1.19%	-1.86%	8.10%	3.74%	3.35%	0.27	0.08	0.17	29/42	-7.93%
EuroHedge Conv. & Equity Arbitrage Index	4.92%	0.78%	4.67%	5.89%	4.64%	2.89%	0.63	0.11	0.03	31/42	-5.84%
Multi-Strategy											
CS/Tremont Multi-Strategy Index	13.24%	7.54%	7.53%	7.97%	10.41%	3.15%	2.41	0.13	0.19	36/42	-2.49%
Greenwich-Van Global Multi-Strat. Index	15.51%	5.90%	7.99%	6.38%	10.22%	4.23%	1.75	0.24	0.25	29/42	-2.59%
Equity strategy											
HFRI Equity Hedge Index	21.50%	7.69%	10.61%	5.84%	12.97%	5.79%	1.75	0.39	0.19	30/42	-5.51%
EuroHedge Global Equity Index	15.99%	8.05%	14.30%	7.22%	13.06%	5.26%	1.95	0.34	0.16	34/42	-6.60%
Fund of hedge funds											
HFRI Fund of Funds Composite Index	10.31%	6.88%	7.51%	4.77%	8.45%	3.78%	1.49	0.22	0.21	31/42	-3.69%
Traditional indices											
DJ Stoxx 600	25.94%	9.51%	23.47%	7.96%	19.02%	9.85%	1.69	1.00	-0.41	31/42	-9.67%
Lehman Brothers Global Aggregate Bond	9.84%	9.27%	-4.49%	4.50%	5.30%	5.73%	0.43	-0.14	1.00	25/42	-6.50%

Sources: Sark Fund Ltd Annual Report, Sark Fund Monthly Reviews, Bloomberg, Hedge Fund Intelligence—EuroHedge, Lehman Brothers, Inc. and Datastream.

The value of your investment may fluctuate. Results achieved in the past are no guarantee of future results.

(1) YTD = From January 2006 to August 2006.

- (2) Annualised volatility is calculated from monthly volatility (standard deviation of reported monthly performance) as: $\text{Monthly volatility} \times 12^{0.5}$.
- (3) Annualised Sharpe ratio is calculated as: $(\text{Annualised total return} - \text{Annualised risk free rate return}) / \text{Annualised volatility}$.
- (4) Sark Fund EUR and DJ Stoxx 600 Sharpe ratios are calculated using Euribor 1M risk free rate. Sark Fund USD and other indices are calculated using US Libor 1M risk free rate.
- (5) Maximum drawdown represents the largest drop from a peak to a trough since inception.

Leverage

The Company will have power under its Articles of Association (the “**Articles**”) to borrow up to an amount equal to 100 per cent. of its Net Asset Value as at the time of borrowing.

It is intended that leverage will be used by the Company for the purposes of (i) managing day-to-day cash flow, i.e. for meeting expenses of the Company and for funding repurchases of Shares and (ii) leveraging possible direct investments made by the Company other than investments in the Sark Fund.

Dividend Policy

The Directors do not expect to declare any dividends and income earned in the portfolio will be reinvested.

Management and Performance Fees

The Investment Manager will receive a management fee, accrued monthly and payable quarterly, calculated at the annual rate of 1.5 per cent. of Net Asset Value. The Investment Manager will also be entitled to receive a performance fee.

The performance fee will be calculated in respect of each period of twelve months (except for the first such period) ending on 31 December in each year (a “**Calculation Period**”). The first Calculation Period will be the period commencing on the Business Day immediately following the Settlement Date and ending on 31 December 2006. The performance fee is deemed to accrue on a monthly basis as at each Valuation Day.

For each Calculation Period, the performance fee will be equal to 20 per cent. of the appreciation in the Net Asset Value per Share during that Calculation Period above the Base Net Asset Value. The Base Net Asset Value is the highest Net Asset Value per Share achieved as at the end of any previous Calculation Period (if any), or, in the case of the first Calculation Period, the Net Asset Value per Share at launch. The performance fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share before deduction for any accrued performance fee.

The Company has entered into a management agreement with the Investment Manager (the “**Management Agreement**”). If the Management Agreement is terminated before 31 December 2006 or 31 December in any subsequent year, the performance fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period.

Corporate Governance

The Directors of the Company are Christopher Fish, Sameer Sain and Nicolas Wirz, each of whom is independent of the Investment Manager. The Company complies with the corporate governance obligations that are applicable to it under Guernsey law.

The Global Offering

The Company	Boussard & Gavaudan Holding Limited
Shares offered in the Global Offering	Up to 50,000,000, excluding Shares issued pursuant to the Over-allotment Option.
Euronext symbol	BGHL
Security Codes	ISIN: GG00B1FQG453 Amsterdam Security Code (fondscore): 29098
The Global Offering	The Global Offering consists of a public offering in Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom. The Global Offering is not being underwritten.
Offer Price	€10 per share.
Allotment Date	The allotment is expected to take place before the start of trading on Euronext Amsterdam on 2 November 2006, subject to acceleration or extension of the timetable for the Global Offering.
Euronext Listing Date	Listing on Eurolist by Euronext is expected to take place before the start of trading on Euronext Amsterdam on 2 November 2006, subject to acceleration or extension of the timetable for the Global Offering. The Company expects that trading in the Shares on Euronext Amsterdam will commence on or about 2 November 2006 on an “as-if-and-when-issued” basis and that delivery will take place on or about 6 November 2006.
Settlement Date	Expected to be on or about 6 November 2006, subject to acceleration or extension of the timetable for the Global Offering.
Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners	BNP Paribas and Lehman Brothers International (Europe) are acting as Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners in connection with the Global Offering.
Co-Managers	Bear, Stearns International Limited and Kempen & Co N.V.
Switching by investors in the Sark Fund	Provision is being made for existing investors in the Sark Fund who are not US Persons (as such is defined in Regulation S of the Securities Act) to switch their investment in the Sark Fund to the Company without effecting an actual redemption of their shares in the Sark Fund. Please see the section headed “Switching by investors in the Sark Fund” beginning on page 111 of this prospectus for further details on the terms of switching and see “Risk Factors—In the event that the Conformed Switching NAV is less than 99.8 per cent. of the Interim Switching NAV as calculated on the Closing Date, the opening Net Asset Value of the Company may be adversely affected” for a discussion of a risk associated with the switching process.

Risk Factors

Before investing in the Shares, prospective investors should consider carefully, together with the other information contained in this prospectus, the factors and risks attaching to an investment in the Shares described in the section headed “Risk Factors”, beginning on page 11, including the following risks:

- the Company is a recently established investment company and has no operating history;
- the target return included in this prospectus is based on projections and the Company cannot guarantee that it will meet or exceed the target in the future or that its Net Asset Value will not decrease;
- no reliance should be placed by investors on the past performance of the Sark Fund or the Sark Master Fund;
- the performance of the Company depends on the ability and services of the Investment Manager;
- valuations of portfolio investments may not reflect the price at which such investments can be realised;
- the investments to be made by the Company will be relatively illiquid and subject to restrictions on redemption;
- due to the concentration of the Company’s assets in the Sark Fund, the Company’s performance will be substantially affected by the performance of the Sark Fund and the Sark Master Fund;
- the Investment Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company, the Sark Fund or the Sark Master Fund and which could cause the investment opportunities available to, and investment returns achieved by, the Company, the Sark Fund or the Sark Master Fund to be prejudiced;
- the Investment Manager is dependent upon the expertise of its key personnel in providing investment management services to the Company, the Sark Fund and the Sark Master Fund. The departure of such key personnel for any reason may negatively impact the ability of the Company to achieve its investment objective;
- the continued services of the Investment Manager are dependent on the continuation of the Management Agreement, which can be terminated with notice. Failure to secure a suitable replacement investment manager will adversely impact on the achievement by the Company of its investment objective;
- the Company’s shares in the Sark Fund are subject to redemption at any time by the Sark Fund;
- changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company’s business, investments and/or performance;
- changes in taxation could adversely affect the ability of the Company to meet its investment objectives;
- if the Company or the investment funds in which it directly or indirectly invests become subject to tax on a net income basis in any tax jurisdiction, including France or the United Kingdom, the Company’s financial condition and prospects could be materially and adversely affected;
- if unanticipated withholding or excise taxes are imposed in respect of distributions or other payments on the Company’s direct and indirect investments, the return on those investments could be materially and adversely affected;
- shareholders may be adversely affected by currency movements;
- disclosure of the portfolio of the Company, the Sark Fund and the Sark Master Fund may be limited;
- the Company is reliant upon the provision of services by third party service providers in order to carry on its business and a failure by one or more service providers could materially disrupt the business of the Company or impact detrimentally on its investment performance;
- in the event that the Confirmed Switching NAV is less than 99.8 per cent. of the Interim Switching NAV as calculated on the Closing Date, the opening Net Asset Value of the Company may be adversely affected;
- investments to be made by the Company other than in the Sark Fund have not yet been finalised, selected or arranged and investors in the Global Offering are unable currently to ascertain the merits or risks of these investments;

- short selling by the Sark Master Fund may subject it to uncapped losses;
- the Company is at risk from the failure of the strategy followed by the Sark Master Fund;
- investments held by the Sark Master Fund and the Company (with respect to non-Sark Fund assets) may be illiquid and an inability to realise investments in difficult market conditions may expose the Company to additional losses;
- the use of leverage may increase the volatility of returns and increase the risk of loss to investors' capital;
- the Company's investments are subject to market risk;
- the Company may suffer loss as a result of the actions of the Investment Manager and its other service providers;
- the Sark Master Fund is subject to limited supervision and legal conditions may lead to difficulty in protecting and enforcing the rights of the Sark Fund and the Sark Master Fund;
- the Sark Master Fund may at certain times hold a few relatively large investments;
- the Sark Master Fund invests in "special situations" and/or "events";
- the use of derivatives by the Sark Master Fund gives rise to a number of specific potential risks;
- the Sark Master Fund's investment in options subjects it to the risk of being required to purchase the underlying securities on unfavourable terms in order to satisfy its obligations;
- the Sark Master Fund is subject to the risk of default of counterparties with respect to its investments in forward foreign exchange contracts;
- the Sark Master Fund may trade financial futures, the prices of which can be highly volatile;
- the Sark Master Fund is subject to the risk of counterparty default in and the unenforceability of off-exchange transactions;
- investments made by the Sark Master Fund will be sensitive to changes in interest rates and fluctuations in interest rates may expose the Sark Master Fund and the Company to losses;
- the Sark Master Fund may invest in non-investment grade or unrated debt securities which are subject to greater risk of loss of principal than higher rated securities;
- the Company, the Sark Fund and/or the Sark Master Fund may not be successful in its hedging strategies;
- risk models which are relied upon may prove inaccurate or inadequate;
- substantial redemptions by several investors or a significant investor in the Sark Fund may cause a liquidation of investments at an undesirable rate;
- performance fee arrangements may adversely influence investment management decisions;
- higher portfolio turnover may result in significant transaction costs;
- prime brokers and custodians of the Sark Master Fund may hold legal and beneficial title to assets of the Sark Master Fund which will subject the Sark Master Fund to risks of insolvency or fraud on the part of the prime brokers and custodians;
- investments by the Sark Master Fund may not be regulated by the rules of any stock exchange or investment exchange and may be subject to the risk of the counterparty failing to perform its obligations;
- investments by the Sark Master Fund may be affected by changes to international agreements and international laws and failures of authorities to enforce compliance with such laws;
- certain income received or gains made by the Sark Fund and the Sark Master Fund may be subject to irrecoverable tax;
- the increasing size and maturity of hedge fund markets may reduce opportunities available for investment;
- shareholders have no right to have their Shares redeemed by the Company;
- the existence of a liquid market in the Shares cannot be guaranteed;

- the Eurolist by Euronext trading market is less liquid than other major exchanges, which could affect the price of the Shares;
- the Shares in the Company may trade at a discount to Net Asset Value and Shareholders may be unable to realise their investments on the market at Net Asset Value;
- the Company is not subject to pre-emption rights and subsequent issues of shares may have a detrimental effect on the Net Asset Value and market price of the Shares;
- shareholders in countries with currencies other than the Euro may have their investments adversely affected by currency exchange rate fluctuations;
- US holders will be subject to significant transfer restrictions in this offering and in secondary transactions;
- the ability to invest in Shares or to transfer any Shares may be limited by certain ERISA, US Internal Revenue Code and other considerations;
- if withholding tax were unexpectedly imposed in respect of distributions or other payments on the Shares, the value of the Shares could be materially and adversely affected; and
- the Company's status as a PFIC has adverse tax consequences for taxable US Investors.

The foregoing is not a comprehensive list of the risks and uncertainties to which the Company is subject. You should carefully consider all of the information in this prospectus, including the information included under the section headed "Risk Factors" beginning on page 11, prior to making an investment in the Company. The Directors believe that the risks described in the section headed "Risk Factors" are the material risks relating to the Shares as at the date of this prospectus, although such information does not purport to be an exhaustive list or summary of the risks that the Company may encounter.

RISK FACTORS

An investment in the Shares involves a high degree of risk. Investors are referred to the risks set out below. The Directors believe that the risks described below are the material risks relating to the Shares as at the date of this prospectus, although the information below does not purport to be an exhaustive list or summary of the risks that the Company may encounter. No assurance can be given that Shareholders will realise a profit or will avoid a loss of all or part of their investment. Investment in the Company is suitable only for persons who can bear the economic risk of a substantial or entire loss of their investment and who can accept that there may be limited liquidity in the Shares. Additional risks and uncertainties not currently known to the Company, or that the Company deems to be immaterial as at the date of this prospectus, may also have an adverse effect on its business. Potential investors should review this prospectus carefully and in its entirety and consult with their professional advisers before making an application to invest in the Shares.

Risks relating to the Company

The Company is a recently established investment company and has no operating history

The Company was formed on 3 October 2006. Prior to its formation, the Company had no operations or assets. Accordingly, the Company does not have historical financial statements or other meaningful operating or financial data with which to evaluate the Company and its performance. An investment in the Company is therefore subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objectives and target return and that the value of your investment could decline substantially as a consequence.

The target return included in this prospectus is based on projections and the Company cannot guarantee that it will meet or exceed the target in the future or that its Net Asset Value will not decrease

The target return figure is a target only and is based on the Investment Manager's performance projections of the Company's investment strategy, market conditions and economic environment at the time of assessing the proposed target, and are therefore subject to change. There is no guarantee that the target return of the Company can be achieved at the numbers set out in this prospectus or that its Net Asset Value will not decrease. A variety of factors, including changes in financial market conditions, interest rates, government regulations, the worldwide economic environment or the occurrence of risks described elsewhere in this prospectus could adversely impact the Company's ability to achieve its target and its performance. Investors should not place any reliance on such return target in deciding whether to invest in the Company. A failure by the Company to achieve its target return or increase its Net Asset Value could adversely impact the value of the Shares and result in a loss of all or part of an investor's investment.

No reliance should be placed by investors on the past performance of the Sark Fund or the Sark Master Fund

Historical financial statements and performance information for the Sark Fund and the Sark Master Fund has been included in this prospectus as the Company's investment strategy involves investing a significant proportion of its assets into the Sark Fund (and therefore being exposed to the investment performance of the Sark Master Fund). While the Sark Fund and the Sark Master Fund have operated since March 2003, there can be no assurance that the Sark Master Fund (and therefore the Sark Fund) will be able to maintain its historic investment performance. Past performance of the Sark Fund and the Sark Master Fund should not be taken to be a guide to the future performance of the Sark Fund, the Sark Master Fund or, by extension, the Company. Unrealised values of investments made by the Sark Fund and the Sark Master Fund may not be realised in the future. In addition, the Company intends to invest a portion of its assets in investments other than the Sark Fund that may have different rates of return and risks.

The performance of the Company depends on the ability and services of the Investment Manager

The performance of the Company will depend on: (i) the ability of the Investment Manager to generate positive returns within the Sark Master Fund; and (ii) in respect of investments of the Company other than the investment in the Sark Fund, the Investment Manager's ability to advise on, and identify, investments in accordance with the investment objectives of the Company and to allocate the assets of the Company among all investments in an optimal way. Achievement of the investment objectives will also depend, in part, on the ability of the Investment Manager to provide competent, attentive and efficient services to the Company, the Sark Fund and the Sark Master Fund under the terms of the Management Agreement and

its management agreements with the Sark Fund and the Sark Master Fund. There can be no assurance that the Investment Manager will be able to provide such services or that the Company or the Sark Master Fund will be able to invest their respective assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

None of the Company, the Sark Fund or the Sark Master Fund currently has any employees or owns any facilities and each does or will depend upon the Investment Manager for the day-to-day management and operation of their respective businesses. Additionally, there are no restrictions on the Investment Manager's ability to establish funds or other publicly traded entities that compete with the Company, the Sark Fund or the Sark Master Fund, including any other entities that may invest in the Sark Fund. The Investment Manager currently serves as the investment manager for three funds other than the Sark Master Fund. Personnel and support staff provided by the Investment Manager are not required to have as their primary responsibility the day-to-day management and operations of the Company, the Sark Fund or the Sark Master Fund or to act exclusively for any of them. The success of the Company, the Sark Fund or the Sark Master Fund will depend upon the experience and performance of the Investment Manager and its continued involvement in their businesses. If the Investment Manager were to cease to provide its services to the Company, the Sark Fund or the Sark Master Fund, they may experience difficulty in achieving their respective investment objectives and their businesses and prospects would be materially prejudiced.

In taking on responsibility for the investment of the assets of the Company, the Investment Manager will be increasing materially its overall assets under management. The Investment Manager's ability to invest these assets into the Sark Master Fund, or otherwise, in appropriate investments may be constrained by a lack of investment opportunities or other market-related constraints.

Valuations of portfolio investments may not reflect the price at which such investments can be realised

It is intended that Close Fund Services Limited (the "Administrator") will each month arrange for the publication of the Net Asset Value of the Company as at the end of the previous month and the Investment Manager will provide daily estimates from the Settlement Date. The Sark Fund and the Sark Master Fund, through their respective administrators, publish net asset values as at the last calendar day of each month. To the extent that such information is not available in a timely manner, the Net Asset Value of the Company will be published based on estimated values of the Sark Fund and the Sark Master Fund and on the basis of the information available to the Administrator at the time. There can be no guarantee that the Company's investments could ultimately be realised at any such future valuation or at the historical valuations contained in this prospectus for the Sark Fund and the Sark Master Fund.

Because of overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through the Sark Master Fund), the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations obtained by the Company. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities to be held by the Company may routinely trade with bid-offer spreads that may be significant. At times, third party pricing information may not be available for certain positions held by the Company.

In calculating the Net Asset Value, the Administrator will be relying, *inter alia*, on the value of the Sark Fund and the Sark Master Fund which will be supplied by the administrators of those funds. Such estimates will be unaudited and may be subject to little independent verification or other due diligence. In particular, the values of certain bonds held by the Sark Master Fund are difficult to ascertain and the administrator of the Sark Master Fund may have to rely on the spot price of such bonds quoted by a single broker. In the event that a price or valuation estimate accepted by the Company in relation to an underlying investment subsequently proves to be incorrect or varies from the final published price, no adjustment to any previously published Net Asset Value will be made.

The type of assets (including derivative instruments) traded by the Sark Master Fund may be complex, illiquid and not listed on any stock exchange. The value of such assets is therefore subject to the judgment of the administrator of the Sark Master Fund and might prove to be incorrect or vary from the final price obtained by the Sark Master Fund at the end of the trade.

In the course of their respective businesses, the Company, the Sark Fund and the Sark Master Fund place significant numbers of orders with their brokers. Errors may occur in the placing of trading orders and be detrimental to the Company's performance.

The investments to be made by the Company will be relatively illiquid and subject to restrictions on redemption

The assets of the Company will be invested predominantly in the Sark Fund, which in turn will invest its assets in the Sark Master Fund. There is no active market in the shares of the Sark Fund or the shares of the Sark Master Fund. Accordingly, in order to realise its investment in the Sark Fund, the Company will need to exercise its redemption rights as a shareholder in the Sark Fund to have its shares in the Sark Fund redeemed.

The Company may redeem its shares in the Sark Fund only on a monthly basis and, in certain limited circumstances described below in the section headed “Redemption fee” on page 69 of this prospectus, the redemption of shares in the Sark Fund may be suspended. In the event the Company intends to redeem its shares in the Sark Fund it must provide at least 60 days’ notice prior to such redemption and may be required to pay a redemption fee equal to up to five per cent. of the redemption proceeds. The redemption fee will not apply in respect of redemptions made in accordance with the above procedure (essentially where such redemption is made on a date falling two years after the date of issue of the relevant shares or every two years thereafter). These limitations on redemption of the Company’s Sark Fund shares may hinder the Company’s ability to realise its investment in the Sark Fund and adversely impact the value of the Shares as the Company may be unable to dispose of its investment in the Sark Fund at the optimal time or in an optimal manner. See the section headed “Information on the Sark Fund and the Sark Master Fund—Redemptions” beginning on page 68 for a further description of the procedures required for the Company to redeem its investment in the Sark Fund.

Similarly, in order to realise its investment in the Sark Master Fund, the Sark Fund is required to comply with the redemption provisions of the Sark Master Fund. Whilst the directors of the Sark Master Fund have determined to effect redemptions of ordinary shares in the Sark Master Fund on a basis not less frequent than the Sark Fund, they retain a general discretion as to when shares in the Sark Master Fund may be redeemed.

In the event of a material adverse event occurring in relation to the Sark Master Fund or the market generally, the ability of the Company to realise its investment at an optimal price at such time and prevent the possibility of further losses is therefore limited by its restricted ability to redeem its shares in the Sark Fund and by the Sark Fund’s potentially restricted ability to realise its investments in the Sark Master Fund. These restrictions could materially extend the period over which the Company is able to realise its investments in the Sark Fund. In addition, the potential limitations on the Sark Fund’s ability to redeem its shares in the Sark Master Fund may adversely affect its liquidity in the event the Company or other shareholders of the Sark Fund have requested a redemption of their respective shares in the Sark Fund. Withdrawals or redemptions by other investors in the Sark Fund and the Sark Master Fund may also negatively impact the value of the Company’s investment.

The Company expects that its investments in assets other than the Sark Fund will also be relatively illiquid and subject to similar restraints on realisation.

Due to the concentration of the Company’s assets in the Sark Fund, the Company’s performance will be substantially affected by the performance of the Sark Fund and the Sark Master Fund

Immediately following the completion of the Global Offering, all of the Company’s assets, other than amounts retained for working capital requirements, will be invested in a Euro class of shares in the Sark Fund. While the Company intends to diversify its investment portfolio by investing in assets other than the Sark Fund in the future, a significant portion of its assets will be shares of the Sark Fund. The Sark Fund invests solely in the Sark Master Fund. Therefore the Company’s performance is substantially dependant on the performance of the investments made by the Sark Master Fund and the result of such performance on the value of the Company’s shares in the Sark Fund. Any event or investment that has a negative impact on the performance of the Sark Master Fund, including the failure of the Sark Master Fund’s investment manager to appropriately diversify the investments made by the Sark Master Fund, will likely have a negative impact on the performance of the Company and the value of the Shares. Investors should thus carefully consider the particular risks associated with the Sark Fund and the Sark Master Fund set forth in this prospectus when considering an investment in the Company.

The Investment Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company, the Sark Fund or the Sark Master Fund and which could cause the investment opportunities available to, and investment returns achieved by, the Company, the Sark Fund or the Sark Master Fund to be prejudiced

Currently, the Investment Manager is the manager of three funds other than the Sark Master Fund and it and its affiliates may serve as managers to other clients. As a result, the Investment Manager and its respective affiliates may have conflicts of interest in allocating investments among the Company or the Sark Master Fund and the other clients and in effecting transactions between the Company or the Sark Master Fund and other clients, including transactions in which the Investment Manager and its respective affiliates may have a greater financial interest. Depending on the circumstances, the Investment Manager and its respective affiliates may give advice or take action with respect to such other clients that differs from the advice given or action taken with respect to the Company.

The Investment Manager and its respective affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company or the Sark Master Fund. In particular, the Investment Manager manages funds other than the Sark Master Fund and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company.

The Investment Manager and its affiliates carry on investment activities for their own accounts, for the accounts of their employees (and their families) and for other accounts in which the Company has no interest. The Investment Manager and its affiliates also provide management services to other clients, including other collective investment vehicles. The Investment Manager and its affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or securities recommended or bought for, the Company, even though their investment policies may be the same or similar.

The Directors are or may become directors of and/or investors in other companies. However, the Directors will not be involved in the day-to-day investment decision making for the Company, this role having been delegated to the Investment Manager pursuant to the Management Agreement.

The Investment Manager is dependent upon the expertise of its key personnel in providing investment management services to the Company, the Sark Fund and the Sark Master Fund. The departure of such key personnel for any reason may negatively impact the ability of the Company to achieve its investment objective

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Investment Manager, its partners and portfolio managers and the Investment Manager's and its affiliates' ability to attract and retain suitable staff. The partners (including Emmanuel Boussard and Emmanuel Gavaudan) and employees of the Investment Manager's group are not subject to restrictions on their departure from the Investment Manager's group. The impact of the departure for any reason of a key individual (or individuals) on the ability of the Investment Manager to achieve the investment objectives of the Company and the Sark Master Fund cannot be determined and may depend, amongst other things, on the ability of the Investment Manager to recruit other individuals of similar experience and credibility. Furthermore, certain of the Sark Fund's and the Sark Master Fund's contractual arrangements, particularly with their prime brokers and certain Sark Fund shareholders, provide the relevant counterparties with rights of termination or redemption, as the case may be, in the event that key employees of the Investment Manager's group cease to devote their time and attention to the business of the Sark Fund and the Sark Master Fund. The assertion of such rights to terminate contracts or redeem shares in the Sark Fund could have a negative impact on the business and/or condition of the Sark Master Fund, the Sark Fund and the Company. There can be no guarantee that the Investment Manager would be able to replace any such key individual or limit any delay in replacing such an individual.

The continued services of the Investment Manager are dependent on the continuation of the Management Agreement, which can be terminated with notice. Failure to secure a suitable replacement investment manager will adversely impact on the achievement by the Company of its investment objective

The Management Agreement can be terminated by the Investment Manager and/or the Company with 12 months' notice in writing, such notice not to expire prior to the third anniversary of Admission, except in certain circumstances where, *inter alia*, the Investment Manager becomes insolvent or is in material breach of the Management Agreement, in which case the Management Agreement may be terminated

forthwith. The Management Agreement may be terminated on notice only where such termination is unanimously agreed to by the Directors and confirmed by a special resolution of the Company in general meeting. The Investment Manager's investment management agreement with the Sark Fund and the Sark Master Fund can be terminated on 90 days' notice. Where the Investment Manager terminates the Management Agreement or its investment management agreement with the Sark Fund and the Sark Master Fund, no assurance can be given that the Company, the Sark Fund or the Sark Master Fund will be able to find and recruit a replacement manager of similar experience and credibility or as to the length of time the search for a replacement will take. Termination of the Management Agreement or the investment management agreement between the Investment Manager and the Sark Fund and Sark Master Fund and any delay in finding another investment manager may adversely impact on the achievement by the Company, the Sark Fund and the Sark Master Fund of their investment objectives and target returns.

The Company's shares in the Sark Fund are subject to redemption at any time by the Sark Fund

At any time, including in the event the Management Agreement is terminated, the Sark Fund is entitled to redeem the Company's shares in the Sark Fund. The Sark Fund is not required to redeem its shares on a pro rata basis amongst all of its shareholders and such redemption could be specific to the Company alone. Should such a circumstance occur, the Company will be required to seek an alternative investment strategy for a substantial portion of its assets. Alternatively, the Directors may propose to wind up the Company. In the event that an alternative investment strategy is sought, there can be no assurance that such strategy will have similar risks or target rates of return as the Company's investment in the Sark Fund and what impact any delay in finding such alternative strategy may have on the value of the Shares. In addition, any redemption of the Company's shares in the Sark Fund may also involve a termination of the Investment Manager's role as investment manager of the Company.

Changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business, investments and/or performance

The Company, the Sark Fund, the Sark Master Fund and the Investment Manager are each subject to laws and regulations enacted by national and local governments. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies which are domiciled in Guernsey. These include compliance with any decision of the Guernsey Financial Services Commission and with certain Dutch legal requirements that are applicable to collective investment schemes that are established outside of The Netherlands. In addition, the Company is subject to the continuing obligations imposed by Euronext Amsterdam on all companies whose shares are listed on the Eurolist by Euronext and the Sark Fund is subject to the applicable rules of the Irish Stock Exchange.

Furthermore, the regulatory environment for hedge funds and the managers of hedge funds is evolving.

Any change in the laws and regulations affecting the Company or any change in the regulations affecting hedge funds, funds of hedge funds or hedge fund managers generally may have a material effect on the ability of the Company to carry on its business and pursue its investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to government or judicial action which may adversely affect the value of investments held by the Sark Master Fund. Any such change may also adversely affect the value of investments held by the Company, the ability of the Company to invest in assets with maximum liquidity and the ability of the Company to obtain the leverage it might otherwise obtain. In such event, the investment returns of the Company may be materially adversely affected.

For regulatory, tax and other purposes, the Company and the Shares may be treated differently in all jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Shares may be treated as more akin to units in a collective investment scheme. Furthermore, in certain jurisdictions, the status of the Company and/or the Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosures by the Company. The Company may be constrained, or may find it unduly onerous, to disclose any or all such information or to prepare or disclose such information in a form or manner which satisfies certain regulatory, tax or other relevant authorities. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact the Company and investors in those jurisdictions.

Changes in taxation could adversely affect the ability of the Company to meet its investment objectives

Any change in the Company's tax status, or in taxation legislation in either Guernsey, The Netherlands or the Cayman Islands could affect the value of the investments held by the Company or the Company's ability to achieve its investment objectives or alter the post-tax returns to Shareholders. Statements in this prospectus concerning the taxation of Shareholders are based upon current Guernsey, United States and Netherlands tax law and practice, which law and practice are, in principle, subject to changes that could adversely affect the ability of the Company to meet its investment objectives and/or which could adversely affect the taxation of Shareholders.

If the Company or the investment funds in which it directly or indirectly invests become subject to tax on a net income basis in any tax jurisdiction, including France or the United Kingdom, the Company's financial condition and prospects could be materially and adversely affected

The Company intends to conduct its affairs so that it will not be treated as resident for taxation purposes, or as having a permanent establishment or otherwise being engaged in a trade or business, in any country other than Guernsey. The Company therefore intends that it will not be subject to tax on a net income basis in any country, including Guernsey, where it expects to qualify for an exemption from income tax liability. There can be no assurance, however, that the net income of the Company will not become subject to income tax in one or more countries, including France and the United Kingdom, as a result of unanticipated activities performed by the Company, the Investment Manager or entities within the Investment Manager's group, adverse developments or changes in law, contrary conclusions by the relevant tax authorities or other causes. The imposition of any such unanticipated net income taxes could materially reduce the Company's post-tax returns available for distributions on, and consequently the value of, the Shares. The Sark Fund, the Sark Master Fund and any other investment funds in which the Company directly or indirectly invests generally will be subject to similar risks.

If unanticipated withholding or excise taxes are imposed in respect of distributions or other payments on the Company's direct and indirect investments, the return on those investments could be materially and adversely affected

As a general matter, the Company does not intend that withholding or excise tax will be imposed in respect of distributions or payments made on its direct or indirect investments, including investments made indirectly through other investment funds. Certain of those payments, however, may be subject to withholding or excise tax. Moreover, there can be no assurance that no unanticipated withholding or excise taxes will be imposed on those payments as a result of adverse developments or changes in any applicable law, treaty or regulation, or the adverse application or administration thereof by the relevant tax authorities, or other causes. The recipient of those payments may not be entitled to a gross-up in respect of any such taxes. The imposition of any such unanticipated withholding or excise taxes could materially reduce the value of the affected investments.

Shareholders may be adversely affected by currency movements

The Shares of the Company will be denominated in Euro. The shares of the Sark Fund are denominated in Euro and US Dollar and the base currency of the Sark Fund is Euro. Certain of the assets of the Sark Master Fund may, however, be invested in securities and other investments which are denominated in currencies other than Euro or US Dollar. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency exchange rates. The Investment Manager seeks to hedge the exposure of the Sark Fund to currencies other than Euro. In addition, the Investment Manager seeks to hedge the foreign currency exposure of the assets attributable to the Sark Fund's US Dollar shares from Euro into US Dollar. However, the Sark Fund is necessarily subject to foreign exchange risks as hedging techniques may not be completely effective. In addition, prospective investors whose assets and liabilities are predominantly in currencies other than Euro or US Dollar should take into account the risk of loss arising from fluctuations in value between the Euro and the US Dollar and such other currencies.

Disclosure of the portfolio of the Company, the Sark Fund and the Sark Master Fund may be limited

The composition of the Company's, the Sark Fund's and the Sark Master Fund's investment portfolio is subject to confidentiality provisions with the investment manager of the Sark Fund and the Sark Master Fund. The Company believes that disclosure of the composition of these investment portfolios could be disadvantageous to the Company and its shareholders, for instance by increasing competition for limited investment capacity in underlying strategies. Accordingly, as is common with certain hedge funds, the

Company intends only to disclose a general performance review, commentaries on and highlights of the performance and of specific strategies, certain sensitivity measures regarding the Company's investment portfolio (referred to herein as "Greeks" and which are further explained in the section headed "Glossary of Selected Terms"), stress test results and a summary of historical returns, all of which the Company intends to publish on a monthly basis.

The Company is reliant upon the provision of services by third party service providers in order to carry on its business and a failure by one or more service providers could materially disrupt the business of the Company or impact detrimentally on its investment performance

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, Administrator and its delegate and Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to meet its investment objectives. There can be no assurance that the termination of the Company's relationship with any third party service provider, and any delay in appointing a replacement for such service provider, will not have an adverse effect on the Company's performance.

In the event that the Confirmed Switching NAV is less than 99.8 per cent. of the Interim Switching NAV as calculated on the Closing Date, the opening Net Asset Value of the Company may be adversely affected

As described in the section headed "The Global Offering—Switching by investors in the Sark Fund" on page 111 of this prospectus, the Company will allot Shares to certain existing investors in the Sark Fund who wish to switch their investment in the Sark Fund to the Company on the basis of a net asset value of the Sark Fund calculated as at the Closing Date (the "Interim Switching NAV"), subject to a discount of 20 basis points. Upon confirmation of the Interim Switching NAV (the "Confirmed Switching NAV") (which is expected to occur within seven to ten days of the date of the Interim Switching NAV), the Company shall pay to switching investors an amount, in cash, equal to the amount (if any) by which the value of the Shares allotted (at the Issue Price) is less than the Confirmed Switching NAV of the Sark Fund shares transferred. However, in the event that the Confirmed Switching NAV is less than 99.8 per cent. of the Interim Switching NAV as calculated on the Closing Date, no further payment will be made by switching investors and there will be a consequent dilution of the Net Asset Value per Share corresponding to the amount by which the Confirmed Switching NAV is less than the Interim Switching NAV minus 20 basis points.

Risks relating to the investment strategy

Investments to be made by the Company other than in the Sark Fund have not yet been finalised, selected or arranged and investors in the Global Offering are unable currently to ascertain the merits or risks of these investments

The Company intends, over time, to invest a proportion of its assets in assets other than shares of the Sark Fund. Since the Investment Manager has not yet selected these specific assets in which the Company will invest, investors in the Global Offering have no basis to assess the possible merits or risks of such future investments. The Company's financial performance will depend to a significant extent upon the financial performance of such assets and the Investment Manager's ability to manage these investments. To the extent the Company invests in assets other than Sark Fund shares, it may be affected by numerous risks inherent in those investments. Some of the risks detailed below in relation to the Sark Master Fund may also apply to such assets in addition to the Sark Master Fund and some of the risks inherent in such assets may be unknown and outside the control of the Investment Manager. Although the Investment Manager will endeavour to assess the risks inherent in any particular asset, it cannot, at this stage, provide full details of such risks.

Short selling by the Sark Master Fund may subject it to uncapped losses

The Sark Master Fund may engage in a significant amount of short selling. Short selling, which involves selling securities not currently owned (i.e. selling borrowed securities), necessarily involves certain additional risks. These transactions expose the Sark Master Fund to the risk of uncapped losses until a position can be closed out due to the lack of an upper limit on the price to which a security may rise. There is the risk that the securities borrowed by the Sark Master Fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a

time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Sark Master Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

The Company is at risk from the failure of the strategy followed by the Sark Master Fund

Immediately after the Admission, it is intended that all of the assets of the Company (net of any working capital requirements) will be indirectly invested in the Sark Master Fund and on a going-forward basis a substantial amount of the Company’s assets will be indirectly invested in the Sark Master Fund. The performance of the Sark Master Fund, and thus the Company, is subject to strategy risk with respect to the strategy employed at the Sark Master Fund. Strategy risk is associated with the failure or deterioration of an entire strategy such that most or all investment managers employing that strategy suffer losses. Strategy-specific losses may result from excessive concentration by multiple investment managers in the same investment or general economic or other events that adversely affect particular strategies (e.g. the disruption of historical pricing relationships). The strategies employed by the Sark Master Fund may be speculative and involve substantial risk of loss in the event of such failure or deterioration.

Investments held by the Sark Master Fund and the Company (with respect to non-Sark Fund assets) may be illiquid and an inability to realise investments in difficult market conditions may expose the Company to additional losses

Investments held by the Company in assets other than Sark Fund shares and by the Sark Master Fund may themselves be or become illiquid which may affect the ability of the Company or the Sark Master Fund, as applicable, to exit such investments. Limitations on the realisation of investments may adversely impact the returns made by the Company and/or the Sark Master Fund. Such illiquidity may result from various factors, such as the nature of the instrument being traded, the nature and/or maturity of the market in which it is being traded, the size of the position being traded, or because there is no established market for the relevant securities. Even where there is an established market, the price and/or liquidity of instruments in that market may be materially affected by a variety of factors. Securities and commodity exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. It is also possible that a governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded. A suspension could render it difficult for the Company or the Sark Master Fund to liquidate positions and thereby might expose the Company, directly or indirectly, to losses.

The market prices, if any, for such illiquid investments tend to be volatile and may not be readily ascertainable and the Company or the Sark Master Fund, as applicable, may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The size of the relevant positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by the counterparties with which the Company or the Sark Master Fund, as applicable, enters into repurchase/reverse repurchase agreements or derivative transactions to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Company’s and/or the Sark Master Fund’s portfolio.

The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Company or the Sark Master Fund, as applicable, may not be able readily to dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

The use of leverage may increase the volatility of returns and increase the risk of loss to investors’ capital

The Company and the Sark Master Fund are capable of utilising substantial leverage in order to increase their investment exposure with a view to achieving their target returns within certain volatility parameters.

While leverage presents opportunities for increasing total returns, it can also have the opposite effect of increasing losses. If income and capital appreciation on investments made with borrowed funds are less than the costs of the leverage, the net asset value of the Company and/or the Sark Master Fund will decrease. The effect of the use of leverage is to increase the investment exposure, the result of which is that, in a market that moves adversely, the possible resulting loss to investors’ capital would be greater than if leverage were not used.

Leverage may be generated through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such leveraged investments. As a result of leverage employed by the Company and/or the Sark Master Fund, small changes in the value of the underlying assets may cause a relatively large change in the value of the Company and/or the Sark Master Fund, as applicable. Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

As of the date of this Prospectus, the Company has no leverage and the ability to borrow up to 100 per cent. of its Net Asset Value at the time of borrowing. See “Business—Leverage” on page 44 for a description of the Company’s and the Sark Master Fund’s leverage policies. Investors should consider carefully the overall leverage profile and policies of the Company and the Sark Master Fund before making an investment into the Shares of the Company.

The Company’s investments are subject to market risk

Market risk is risk associated with changes in market prices or rates. While the Sark Master Fund holds a diversified portfolio of investments within its specified investment strategy, there are certain general market conditions in which any investment strategy is unlikely to be profitable. The Investment Manager has no ability to control or predict such market conditions. Although, with respect to market risk, the Investment Manager’s investment approach is designed to achieve broad diversification on a global basis across financial markets in an attempt to reduce the Company’s exposure to any single market, from time to time, multiple markets could move together against the Company’s underlying investments and the Company could suffer losses.

The performance of the Company’s investments depends to a great extent on the accuracy of the Investment Manager’s assessments of the future course of market price movements. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. All markets can be characterised by adverse volatility conditions and great unpredictability and the investment strategies implemented by the Company and the Sark Master Fund always have some, or in certain cases a significant degree of, market risk and can be negatively affected by movements in such market(s).

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international conflicts or political circumstances, as well as natural circumstances, may affect the price level, volatility and liquidity of securities and result in losses for the Company’s investments in assets other than the Sark Fund as well as for the Sark Master Fund.

The Company may suffer loss as a result of the actions of the Investment Manager and its other service providers

The Company will not have any employees and its Directors have all been appointed on a non-executive basis. As a result, the Company’s performance is substantially dependant on its service providers’ performance and, particularly, the Investment Manager’s diligent performance of its duties under the Management Agreement. In the event the Investment Manager or any other service provider commits fraud, is negligent, intentionally or, particularly in the case of the Investment Manager, inadvertently deviates from its investment strategy (including excessive concentration, directional investing outside of pre-defined ranges or, in new markets, excessive leverage and risk-taking) or exercises poor judgment, the Company may suffer losses and its performance may be adversely affected.

The Sark Master Fund is subject to limited supervision and legal conditions may lead to difficulty in protecting and enforcing the rights of the Sark Fund and the Sark Master Fund

A substantial portion of the Company’s assets will be indirectly invested in the Sark Master Fund, which, as a Cayman Islands entity, is established in a jurisdiction where limited supervision is exercised over the Sark Master Fund by regulators. The protection offered by such supervision may be less efficient than if full supervision was exercised by a regulator.

The Sark Fund and the Sark Master Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance

or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Sark Fund or the Sark Master Fund and their respective operations.

The Sark Master Fund may at certain times hold a few relatively large investments

The Sark Master Fund may at any point in time hold a few relatively large investments. As a result of such a concentration of assets, any significant decline in one large asset, including by reason of default of the relevant issuer, could result in significant losses for the Sark Master Fund and thus the Company.

The Sark Master Fund invests in “special situations” and/or “events”

The Sark Master Fund invests in companies involved in (or which are the target of) acquisition attempts or tender offers or mergers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies, share buybacks and other capital market transactions or “special situations”. There exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, take considerable time, result in an outcome unexpected by the Investment Manager, result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, or takes more time than anticipated, the Sark Master Fund may be required to sell its investment at a loss. As there may be uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by the Sark Master Fund of its entire investment in any such company in which it may invest.

In some special situation or events investments securities may be relatively illiquid, thereby making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. Accordingly, the Sark Master Fund’s ability to respond to market movements may be impaired and consequently the Sark Master Fund may experience adverse price movements upon liquidation of its investments which may in turn affect the Company adversely. Settlement of transactions may be subject to delay and administrative uncertainties.

Special situation or event investments may include securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganisation proceedings. Investments of this type involve substantial financial and business risks that can result in substantial or total losses. Among the challenges involved in investments in troubled issuers is the fact that it frequently may be difficult to obtain information as to the condition of such issuers. The market prices of such securities are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and offer prices of such securities may be greater than normally expected. Such securities are also more likely to be subject to trading restrictions or suspensions. It may take a number of years for the market prices of such securities to reflect their intrinsic value. Some of the portfolio securities held by the Sark Master Fund may not be widely traded, and the Sark Master Fund’s position in such securities may be substantial in relation to the market for those securities.

The use of derivatives by the Sark Master Fund gives rise to a number of specific potential risks

The Sark Master Fund may, as part of its investment policies and/or for hedging purposes, utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract or the underlying securities may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

Furthermore, the use of derivative instruments involves certain special risks, including: (i) dependence on the Investment Manager’s ability to predict movements in the price of underlying securities and movements in interest rates; (ii) when used for hedging purposes there may be an imperfect correlation between the returns on the derivative instruments used for hedging and the returns on the investments or

market sectors being hedged; (iii) the fact that the skills needed to use these instruments may be different from those needed to select the Sark Master Fund's other investments; and (iv) the possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations attributable to the proportion of the Sark Master Fund's assets segregated to cover its obligations.

Certain derivative instruments are not traded on an exchange or subject to direct government regulation. Rather, these instruments, which may be bilateral and customised as to terms, are traded through an informal network of banks and other dealers, which have no obligation to make markets in these instruments and, in light of the unregulated nature of the agreements evidencing the transactions, can apply (and from time to time change) discretionary margin and credit requirements. Also, some instruments traded off market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalisations and/or that are traded on major stock, commodities, or options exchanges or the market in general. It may therefore be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of the Sark Master Fund, incorrect collateral calls or delays in collateral recovery. Derivative instruments also carry the risk of failure to perform by the counterparty to the transaction. The Sark Master Fund may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Sark Master Fund could incur an unlimited loss. Since a substantial proportion of the assets of the Company are invested, indirectly, in the Sark Master Fund, such an outcome could lead to a material, or total, loss of asset value in the Company.

Trading in derivatives markets may be unregulated or subject to less regulation than in other markets. Derivatives markets are, in general, relatively new markets and there are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market liquidity or credit distress. The Sark Master Fund could suffer substantial losses from its derivatives holdings in these or other situations.

The Sark Master Fund's investment in options subjects it to the risk of being required to purchase the underlying securities on unfavourable terms in order to satisfy its obligations

The Sark Master Fund may buy and sell options on securities and stock indices, which may include call options as well as put options. The writer of a covered call option assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the underlying security, less the premium received on the call option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the call. The writer of a call option that is not covered assumes the additional risk that it will be required to satisfy its obligation to the buyer of the call option by making an open-market purchase of the underlying securities on unfavourable terms. The buyer of a put or call option assumes the risk of losing the premium invested in the option.

The Sark Master Fund also may participate in, and there are risks associated with, the purchase and sale of put options. The seller (writer) of a put option which is covered (e.g. the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

The Sark Master Fund is subject to the risk of default of counterparties with respect to its investments in forward foreign exchange contracts

The Sark Master Fund may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in

the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Sark Master Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Sark Master Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

The Sark Master Fund may trade financial futures, the prices of which can be highly volatile

The Sark Master Fund may trade financial futures. Futures prices can be highly volatile because of the low margin deposits normally required in futures trading, and because a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. In addition, commodity exchanges may limit fluctuations in commodity futures contract prices during a single day and thus during a single trading day no trades may be executed at prices beyond the “daily limit”. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless managers are willing to effect trades at or within the limit, which may hinder the ability of the Sark Master Fund to trade.

The Sark Master Fund is subject to the risk of counterparty default in and the unenforceability of off-exchange transactions

The Sark Master Fund may enter into off-exchange transactions, including spot, forward and option contracts. The Sark Master Fund may also engage in swap transactions, consisting primarily of an exchange of a fixed price for an average floating price of a set quantity of a particular security or commodity or fixed income instrument over an agreed period of time and even purchase cash securities commodities if market conditions are believed to be warranted. Off-exchange contracts are not regulated and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. The counterparties will typically not be required to post collateral. Off-exchange transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

Investments made by the Sark Master Fund will be sensitive to changes in interest rates and fluctuations in interest rates may expose the Sark Master Fund and the Company to losses

The prices of investments which may be held by the Sark Master Fund tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Sark Master Fund of borrowed securities and leveraged investments or the cost of leverage for the Company.

Furthermore, to the extent that interest rate assumptions underlie the hedging of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Sark Master Fund and consequently the Company to losses.

The Sark Master Fund may invest in non-investment grade or unrated debt securities which are subject to greater risk of loss of principal than higher rated securities

The Sark Master Fund may invest in high yield bonds and preferred securities, which are rated in the non-investment grade categories by the various credit rating agencies (or in comparable non-rated securities categories). Securities in the non-investment grade categories are subject to greater risk of loss of

principal and interest than higher rated securities and may be considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They may also be considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold.

In addition, the Sark Master Fund may invest in debt securities which may be unrated by a recognised credit rating agency which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Sark Master Fund may invest in debt securities which rank behind other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Sark Master Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Sark Master Fund may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to hedge such risk or to calculate accurately discounting spreads for valuing financial instruments.

The Company, the Sark Fund and/or the Sark Master Fund may not be successful in its hedging strategies

The Investment Manager may utilise financial instruments such as forward contracts, options and interest rate swaps, caps and floors to seek to hedge against declines in the values of its portfolio positions (measured in terms of their base currencies) as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of instruments used for hedging and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of the applicable entity's positions. In addition, certain hedging instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, transactions in certain of these instruments may not be able to be closed out without incurring losses substantially greater than the initial deposit. Although the contemplated use of these instruments should tend to minimise the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain that might result from an increase in the value of such position. The ability of the Investment Manager to hedge successfully will depend on the Investment Manager's ability to predict pertinent market movements, which cannot be assured. There is also a risk that the Investment Manager may over-hedge or under-hedge a particular exposure because it has incomplete information regarding the amount of such exposure to which the applicable entity's investments are subject. The Investment Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-US currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Finally, the daily variation margin deposit requirements applicable to futures contracts, should the Investment Manager choose to use them, would create an ongoing greater potential financial risk than would options transactions, where the exposure is limited to the cost of the initial premium and transaction costs paid.

It may not be possible for the Investment Manager to hedge against a change or event at attractive prices or at a price sufficient to protect the assets of the Sark Master Fund from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain risks at all. The Company, the Sark Fund and the Sark Master Fund are likely to take substantial unhedged positions.

Risk models which are relied upon may prove inaccurate or inadequate

In several cases the assessment of risks assumed in portfolios or instruments of the Company, the Sark Fund or the Sark Master Fund may rely on models provided by third parties, including catastrophe risk modelling firms. The analyses performed through these models cannot be viewed as facts, projections, or forecasts of future losses and cannot be relied upon as an indication of the future return on such investments. In particular, the impacts predicted by such models may prove inaccurate or inadequate in

certain unexpected or new situations and result in substantial losses for the Company, the Sark Fund or the Sark Master Fund where the Investment Manager or its affiliates rely on such models.

Substantial redemptions by several investors or a significant investor in the Sark Fund may cause a liquidation of investments at an undesirable rate

Substantial redemptions by several investors or a significant investor in the Sark Fund within a short period of time could require the Sark Master Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Sark Master Fund's assets and/or disrupting the Investment Managers' investment approach. Reduction in the size of the Sark Master Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sark Master Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. Such a substantial redemption by several holders or a large holder, and the potential disruptions caused by such redemptions, may adversely affect the value of the Company's interest in the Sark Fund. As of 31 August 2006, the three, five and ten largest investors in the Sark Fund accounted for 29 per cent., 38 per cent. and 55 per cent. of total assets under management respectively, such that the redemption of one or more of such largest investors' shares in the Sark Fund could have the adverse affects described above.

Performance fee arrangements may adversely influence investment management decisions

The Investment Manager receives compensation calculated by reference to the performance of the investments of the Company and the Sark Master Fund. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation is calculated on a basis that includes unrealised appreciation of the Company's and the Sark Master Fund's assets, such performance-based compensation may be greater than if such compensation were based solely on realised gains.

Higher portfolio turnover may result in significant transaction costs

The Sark Master Fund is not restricted in effecting transactions by any limitation with regard to its respective portfolio turnover rates. It is possible that the portfolio turnover rate may be very high, which will result in significant transaction costs for the Sark Master Fund, thereby reducing the investment performance of the Sark Master Fund as well as that of the Company.

Prime brokers and custodians of the Sark Master Fund may hold legal and beneficial title to assets of the Sark Master Fund which will subject the Sark Master Fund to risks of insolvency or fraud on the part of the prime brokers and custodians

Under the arrangements between the Sark Master Fund and its prime brokers and custodians, the prime brokers and custodians have rights to identify as collateral, to rehypothecate or to otherwise use for their own purposes assets held by them for the Sark Master Fund from time to time. Legal and beneficial title to such assets may therefore be transferred to the relevant prime broker and custodian. The Sark Master Fund has only a contractual right to the return of assets equivalent to those of the relevant assets. The Sark Master Fund ranks as one of the unsecured creditors of the relevant prime broker and custodian. In the event of the insolvency of any of the Sark Master Fund's prime brokers and custodians, the Sark Master Fund might not be able to recover such equivalent assets in full or at all. The Sark Master Fund will be subject to the risk of the inability of the prime broker to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of any one prime broker or custodian defaulting on its obligations to the Sark Master Fund, the effects of such a default may have consequential negative effects on other prime brokers with whom the Sark Master Fund deals. The Sark Master Fund and, by extension, the Company may, therefore, be exposed to systemic risk when the Sark Master Fund deals with prime brokers and custodians whose creditworthiness may be interlinked.

Investments by the Sark Master Fund may not be regulated by the rules of any stock exchange or investment exchange and may be subject to the risk of the counterparty failing to perform its obligations

Investments made by the Sark Master Fund may not be regulated by the rules of any stock exchange or investment exchange or other regulatory body or authority. The counterparties to such investments may have no obligation to make markets in such investments and may have the ability to apply essentially discretionary margin and credit requirements. Furthermore, the Sark Master Fund will be subject to the risk of bankruptcy of, or the inability or refusal to perform with respect to such investments by, the counterparties with which it deals.

Investments by the Sark Master Fund may be affected by changes to international agreements and international laws and failures of authorities to enforce compliance with such laws

The Sark Master Fund may invest in markets that have been created to achieve specific policy objectives and where the connection to policy development carries considerable risks. The value of the Sark Master Fund could be adversely affected by abrogation of international agreements and national laws which have created the market instruments in which the Sark Master Fund will be investing. Failure of the designated national and international authorities to enforce compliance with the same laws and agreements, failure of local, national and international organisation to carry out their duties prescribed to them under the relevant agreements, revisions of these laws and agreements which dilute their effectiveness or conflicting interpretation of provisions of the same laws and agreements may adversely affect the investment performance of the Sark Master Fund.

The Sark Master Fund may also be adversely affected by events resulting from acts of terrorism, international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which it has invested.

Certain income received or gains made by the Sark Fund and the Sark Master Fund may be subject to irrecoverable tax

Certain income received by the Sark Fund and the Sark Master Fund may be subject to withholding tax, and income or gains of the Sark Fund and the Sark Master Fund may also be subject to tax. Such tax may not be recoverable.

The increasing size and maturity of hedge fund markets may reduce opportunities available for investment

The growth in the number of hedge funds and assets managed by such funds, together with the increase in other market participants (such as the proprietary desks of investment banks) may reduce the opportunities available for the Investment Manager to generate returns and/or reduce the quantum of these returns. Similarly the opportunities available for the Company as a result of investing in non-Sark Fund assets may be reduced. Historic opportunities for some or all hedge fund strategies may be eroded over time whilst structural and/or cyclical factors may reduce opportunities for the Investment Manager temporarily or permanently. Such growth may also adversely affect the ability of the Investment Manager to retain and/or recruit employees.

Risks relating to an investment in the Shares

Shareholders have no right to have their Shares redeemed by the Company

The Company has been established as a listed closed-ended vehicle. Accordingly, Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time, unlike investors who have invested directly in the Sark Fund. While the Directors retain the right to effect repurchase of Shares in the manner described in this prospectus, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Shares through Eurolist by Euronext or negotiated transactions with potential purchasers. Accordingly, Shareholders' ability to realise their investment at Net Asset Value or at all is in part dependent on the existence of a market, and the extent of its liquidity, in the Shares.

The existence of a liquid market in the Shares cannot be guaranteed

There can be no guarantee that a liquid market in the Shares will develop or that the Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at Net Asset Value or at all.

The Global Offering constitutes the initial public offering of the Shares and no public market for the Shares currently exists. The Company has applied to list the Shares on Euronext Amsterdam, and expects the Shares to be quoted on this exchange on or about 2 November 2006. Any delay in the commencement of trading of the Shares on Euronext Amsterdam would make trading in the Shares more difficult for shareholders.

In addition it is not possible to predict the extent to which an active market for the Shares will develop or be sustained after the Shares are listed on Eurolist by Euronext. The number of Shares to be issued pursuant to the Global Offering is not yet known, and there may be a limited number of holders of Shares. Limited numbers and/or holders of Shares may mean that there is limited liquidity in such Shares which may affect: (i) an investor's ability to realise some or all of his investment; and/or (ii) the price at which such investor can effect such realisation; and/or (iii) the price at which Shares trade in the secondary market.

The Eurolist by Euronext trading market is less liquid than other major exchanges, which could affect the price of the Shares

The principal trading market for the Shares is expected to be Eurolist by Euronext, which is less liquid than major markets in the United States and certain other parts of Europe. Because Eurolist by Euronext is less liquid than major markets in the United States and certain other parts of Europe, holders of Shares may face difficulty when disposing of their Shares, especially in large blocks, and the risk described in the previous risk factor with respect to the lack of an active and liquid trading market is higher than if the Shares were traded on a major market in the United States or certain other parts of Europe. In addition, a disproportionately large percentage of the market capitalisation and trading volume of Eurolist by Euronext is represented by a smaller number of listed companies and conglomerates. Fluctuations in the prices of these companies' securities may have a significant effect on the market price for the securities of other listed companies, including the price of the Shares.

The Shares in the Company may trade at a discount to Net Asset Value and Shareholders may be unable to realise their investments on the market at Net Asset Value

The Shares may trade at a discount to Net Asset Value for a variety of reasons, including due to market conditions, liquidity concerns or to the extent investors undervalue the management activities of the Investment Manager. There can be no guarantee that attempts to mitigate any such discount will be successful and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

The Company is not subject to pre-emption rights and subsequent issues of shares may have a detrimental effect on the Net Asset Value and market price of the Shares

Under the laws of Guernsey, to which the Company is subject, there are no rules restricting the ability of the Directors to issue additional Shares on a non pre-emptive basis at any time. In the event that the Directors were to issue further Shares in the future, this could have a detrimental effect on the Net Asset Value of existing Shares as well as the Shares' market price.

Shareholders in countries with currencies other than the Euro may have their investments adversely affected by currency exchange rate fluctuations

The Shares will be quoted only in Euro, and any future payments of dividends on the Shares will be paid in Euro. Since its inception, the Euro has fluctuated significantly in value against other major world currencies, including the US Dollar. The US Dollar, the pound sterling or other currency equivalent of any dividends paid on the Shares or received in connection with any sale of the Shares could be adversely affected by the depreciation of the Euro against the US Dollar, the pound sterling or other currencies.

US holders will be subject to significant transfer restrictions in this offering and in secondary transactions

The Shares have not been registered in the United States under the Securities Act or under any other applicable securities law and are subject to restrictions on transfer contained in such laws. There are additional restrictions on the resale of Shares by shareholders who are located in the United States or who are “US Persons” (within the meaning of Regulation S of the Securities Act) and on the resale of Shares by any Shareholders to any person who is located in the United States or is a US Person. These restrictions will make it more difficult to resell the Shares in many instances and this could have an adverse impact on the market value of the Shares. There can be no assurance that US Persons will be able to locate acceptable purchasers or obtain the required certifications. Prospective investors should refer to “Selling and Transfer Restrictions” beginning on page 98.

The ability to invest in Shares or to transfer any Shares may be limited by certain ERISA, US Internal Revenue Code and other considerations

The Company intends to restrict the ownership and holding of the Shares so that none of the Company’s assets will constitute “plan assets” of any Plan (as defined in “Certain ERISA Considerations” beginning on page 108). The Company intends to impose such restrictions based on deemed representations in the case of the Shares. If 25 per cent. or more of the value of any class of equity interests in the Company is held by “benefit plan investors” (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), the assets of the Company would be deemed to be “plan assets” for purposes of ERISA and Section 4975 of the Code. For the purposes of making any determination under the 25 per cent. threshold, the value of any Shares held by a person (other than a benefit plan investor) that has discretionary authority or control with respect to the assets of the Company or that provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person, is disregarded. If the Company’s assets were deemed to be “plan assets” of any Plan subject to Title I of ERISA or Section 4975 of the US Internal Revenue Code, pursuant to US Department of Labor regulation promulgated under ERISA by the US Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA), which is referred to as the “Plan Asset Regulation”, certain transactions that the Company, the Investment Manager, the Sark Fund or the Sark Master Fund may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the US Internal Revenue Code. US governmental plans and certain church plans, while not subject to Title I of ERISA or Section 4975 of the US Internal Revenue Code, may nevertheless be subject to state, local or other laws or regulations that would have the same effect as the Plan Asset Regulation.

Each purchaser and subsequent transferee of Shares will be required to represent or warrant or will be deemed to represent and warrant that it is not a “benefit plan investor” (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or other employee benefit plan, subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions in Section 406 of ERISA or Section 4975 of the Code. The Company’s Articles provide that any purported acquisition or holding of Shares in contravention of the restriction described in such representation will be void and have no force and effect. See “Selling and Transfer Restrictions” beginning on page 98 and “Certain ERISA Considerations” beginning on page 108, for a more detailed description of certain ERISA, US Internal Revenue Code and other considerations relating to an investment in the Shares.

If withholding tax were unexpectedly imposed in respect of distributions or other payments on the Shares, the value of the Shares could be materially and adversely affected

In general, no withholding tax currently is imposed in respect of distributions or other payments on the Shares. There can be no assurance, however, that no withholding tax will be imposed on such payments in the future as a result of any change in any applicable law, treaty or regulation, or the official application or interpretation thereof by the relevant tax authorities, or other causes. The imposition of any such unanticipated withholding tax could materially reduce the value of your Shares. The foregoing does not apply to US backup withholding rules since, in certain circumstances, these rules may be applicable to US holders of the Shares. See “Certain Tax Considerations—Information Reporting and Backup Withholding” on page 95.

The Company's status as a PFIC has adverse tax consequences for taxable US Investors

Prospective investors who are United States taxpayers should be aware that the Company expects that it and any investment funds in which it directly or indirectly invests that are classified as corporations for US federal income tax purposes, including the Sark Fund, will meet certain income and asset tests so as to be treated as passive foreign investment companies (“**PFICs**”) for such purposes for the current taxable year and the foreseeable future. As a result, unless a taxable US holder of the Shares (a “**US Holder**”) makes separate, valid “qualified electing fund” (“**QEF**”) elections in respect of the Company and each of those lower-tier PFIC investment funds, that holder generally will be subject to adverse US federal income tax consequences in respect of its investment in the Shares, including its deemed ownership of its proportionate share of the Company's direct and indirect equity interests in those lower-tier PFIC investment funds.

A US Holder who makes a QEF election in respect of a PFIC generally must report its proportionate share of the PFIC's ordinary earnings and net capital gain on a current basis, regardless of whether and to what extent the PFIC makes any distributions to its shareholders. Like other forms of “pass-through” taxation, this elective pass-through tax treatment may require an electing US Holder to include in income, and pay tax on, income or gains that have not yet been received in cash, and also may not prevent amounts that otherwise might have been subject to taxation at capital gains rates from effectively being transformed into ordinary income.

US Holders also may be able to make a mark-to-market election in respect of the Shares. A US Holder who makes the mark-to-market election, generally, must include as ordinary income in each year, the excess of the fair market value of the Shares of the US Holders's tax basis therein. This election may not be made with respect to stock in a lower-tier PFIC that is owned by a first-tier PFIC, regardless of whether a mark-to-market election has been made with respect to the first-tier PFIC. See “Passive Foreign Investment Company Considerations” on page 92.

US Holders should consult their own tax advisers regarding the adverse US federal income tax consequences to which they may be subject in respect of their investment in the Shares, including in respect of their deemed ownership of any lower-tier PFICs, and the availability and desirability of making the QEF and mark-to-market elections described above. For further details please refer to the section headed “Passive Foreign Investment Company Considerations” on page 92.

Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

EXPECTED TIMETABLE AND ISSUE STATISTICS

Expected timetable for the Global Offering

	<u>2006</u>
Latest date for receipt of applications*	31 October
Results of Global Offering announced	2 November
Issue date for Shares	2 November
Dealings in Shares commence on Euronext Amsterdam	2 November
Euroclear stock accounts credited	6 November
Certificates for Shares dispatched	week commencing 6 November

* In the event that the offer period is altered, the Company will notify potential investors of such change through a press release (together with any related revision of the expected dates of allocation and closing).

Issue statistics

Number of Shares available for issue under the Global Offering (excluding Shares issued pursuant to the Over-allotment Option)*+	50,000,000
Issue Price	€10
Expected Opening NAV per Share	€10

* The maximum number of Shares available under the Global Offering should not be taken as an indication of the number of Shares finally to be issued or the amount of gross proceeds that the Company will receive.

+ Assuming that the Global Offering is fully subscribed, up to 7,500,000 Shares are capable of being issued pursuant to the Over-allotment Option.

NOTICE TO INVESTORS

About this Prospectus

This prospectus has been produced for the purpose of the Global Offering. In making an investment decision regarding the securities offered hereby, investors must rely on their own examination of the Company, including the merits and risks involved in an investment in the Shares. The Global Offering is being made solely on the basis of this prospectus. The Joint Global Coordinators make no representation or warranty, express or implied, as to the accuracy or completeness of the information in this prospectus, and nothing in this prospectus is, or shall be relied upon as, a promise or representation by the listing agent or the Joint Global Coordinators.

This prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council (the “**Prospectus Directive**”) and has been prepared in accordance with Article 3 of the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), as amended, and the rules promulgated thereunder. This prospectus has been approved by and filed with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).

The Company accepts responsibility for the information contained in this prospectus. To the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Regulatory consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained from the Guernsey Financial Services Commission (“**GFSC**”) for the issuance of this prospectus and the associated raising of funds. Neither the GFSC nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or the opinions expressed with regard to the Company. Under the terms of the consent, the Administrator must give written notice forthwith to GFSC of, *inter alia*, any proposed material change to this prospectus or the Articles or any proposed change of any of the parties to the material contracts which are summarised in this prospectus or of any proposed material alteration to the Company including its name and its investment, borrowing and hedging powers.

Prospective investors should rely only on the information contained in this prospectus. The Company has not, and the listing agent and Joint Global Coordinators have not, authorised any other person to provide prospective investors with different information. No reliance should be placed on any different or inconsistent information provided by any person. Prospective investors should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any offer or sale of Shares. The business, financial condition, results of operations and prospects of the Company, the Sark Fund and the Sark Master Fund could have changed since that date. The Company expressly disclaims any duty to update this prospectus except as required by applicable law.

Notice to Investors

The Company, through its investment in the Sark Fund and non-Sark Fund assets, may trade in futures and options on futures (collectively, “**futures**”) as part of its investment approach. The Company may therefore be deemed to be a commodity pool under the United States Commodity Exchange Act (“**CEA**”), the operator of which must comply with regulations applicable to a commodity pool operator (“**CPO**”) registered with the US Commodity Futures Trading Commission (“**CFTC**”) or qualify for an exemption from such regulation. The Investment Manager is relying on an exemption from regulation as a CPO with respect to the Company under CFTC Rule 4.13(a)(4) based on the qualifications of the Company’s shareholders. Rule 4.13(a)(4) does not limit the amount of futures trading in which the Company is permitted to engage. As a result of claiming the exemption, the Investment Manager is not required to comply with the disclosure, reporting and record keeping requirements generally applicable to registered CPOs, including delivery to Shareholders of a disclosure document and a certified annual report designed to meet CFTC requirements. This prospectus has not been, and is not required to be filed with the CFTC, and the CFTC has not reviewed or approved this prospectus or the Global Offering of the Shares contained in this Prospectus.

Restrictions on Distribution and Sale

The distribution of this prospectus and the offering and sale of the securities offered hereby may be restricted by law in certain jurisdictions. Persons in possession of this prospectus are required to inform themselves about and to observe any such restrictions. This prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or a solicitation to purchase, any such securities in any jurisdiction in which such an offer or solicitation would be unlawful. See “Selling and Transfer Restrictions” beginning on page 98.

Forward-Looking Statements

This prospectus contains certain forward-looking statements based on the Company’s beliefs, assumptions and expectations of its future performance, taking into account all information currently available to it.

These beliefs, assumptions and expectations can change as a result of many possible events or factors, in which case the Company’s business, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. See “Special Note Regarding Forward-Looking Statements” beginning on page 32.

Presentation of Financial Information

Pursuant to The Netherlands Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen 1990*, as amended) and the rules promulgated thereunder, the Company is required to prepare its accounts under International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). In addition the financial statements of the Company will be prepared in accordance with The Companies (Guernsey) Law, 1994. The Sark Fund and the Sark Master Fund, on the other hand, prepare their accounts in accordance with US generally accepted accounting principles (“**US GAAP**”). The Company has not quantified the impact of the differences between IFRS and US GAAP. In making an investment decision, prospective investors must rely on their own examination of the Company, the terms of this Global Offering and the financial information in this prospectus. Prospective investors should consult their own professional advisers for an understanding of the difference between IFRS and US GAAP.

If as a result of ongoing work by international regulators in relation to convergence of accountancy standards, it becomes permissible for the Company to prepare its accounts in accordance with US GAAP, then the Company may elect to do so.

Service of Process and Enforcement of Civil Liabilities

The Company is incorporated under the laws of Guernsey. Service of process upon Directors and officers of the Company, all of whom reside outside the United States, may be difficult to effect within the United States. Furthermore, since the directly owned assets of the Company are outside the United States, any judgment obtained in the United States against the Company may not be enforceable in practice within the United States. There is doubt as to the enforceability in The Netherlands and Guernsey, in original actions or in actions for enforcement of judgments of US courts, of civil liabilities predicated upon US federal securities laws. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in The Netherlands and Guernsey.

References to Defined Terms

Certain terms used in this prospectus, including capitalised terms and certain technical and other terms are explained in the section entitled “Glossary of Selected Terms” beginning on page 138.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains forward looking statements, including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to:

- the Company’s ability to achieve its investment objective, its targeted returns and its targeted volatility;
- the ability of the Investment Manager to execute successfully the investment policy of the Company, the Sark Fund and/or the Sark Master Fund, including its efforts to appropriately diversify exposure to risk;
- the Company’s lack of an operating history and the investment returns of the Sark Fund and the Sark Master Fund not being indicative of the Company’s future performance;
- the Investment Manager’s lack of experience in making investments similar to those that the Company may make in assets other than Sark Fund shares;
- unrealized values of investments presented in this prospectus being materially different to the values ultimately realized upon disposal of the investments;
- the continuation of the Investment Manager as the investment manager of the Company, the Sark Fund and/or the Sark Master Fund and the continued affiliation of the Investment Manager and its partners and key investment professionals;
- the Company’s financial condition and liquidity and the financial condition and liquidity of the Sark Fund and/or the Sark Master Fund;
- changes in the values or returns of investments that the Company, the Sark Fund and/or the Sark Master Fund make;
- changes in financial markets, interest rates or industry, general economic, political or other conditions; and
- the general volatility of the markets in which the Company and the Sark Master Fund will invest and the market price of the Shares.

Additional factors that could affect the Company’s ability to achieve its investment objective and could cause actual results to differ materially from those expressed or implied in forward-looking statements include, but are not limited to, those discussed in “Risk Factors” section beginning on page 11.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward-looking statements speak only as at the date of this prospectus. Subject to its legal and regulatory obligations (including under the Prospectus Directive and the rules promulgated thereunder), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

BUSINESS

The Company

Boussard & Gavaudan Holding Limited is a new closed-ended investment company registered and incorporated in Guernsey on 3 October 2006 with an unlimited life. The Company will invest its assets in order to deliver an exposure to multiple alternative investment strategies managed by Boussard & Gavaudan Asset Management, LP.

The Company's investment objective is to seek to produce long-term appreciation of its assets. The Company will seek to achieve this by initially investing in a newly created Euro denominated class of shares of the Sark Fund, which will not be subject to management or performance fees. Over time, a proportion of the net assets of the Company may, at the discretion of the Investment Manager, be invested in other hedge funds and/or other financial assets selected by the Investment Manager. It is currently anticipated, however, that a significant proportion of the Company's assets will remain invested in the Sark Fund.

The Company will issue a single class of Euro denominated ordinary shares which will be listed and traded on the Eurolist Market operated by Euronext Amsterdam.

Investment in the Company is only suitable for investors seeking long-term capital appreciation who understand the risks involved in the Company, including the risk of loss of capital.

Investment objective and policy

The Company's investment objective is to seek to produce long-term appreciation of its assets. The Company will seek to achieve this by investing the initial gross proceeds of the Global Offering, net of approximately €500,000 to be used for working capital requirements, into the Sark Fund, which is a feeder fund of the Sark Master Fund. The Company will not hold an interest in excess of 50 per cent. in the Sark Fund upon completion of the Global Offering. The Company will invest in a separate class of Euro denominated shares of the Sark Fund which will not be subject to management fees and performance fees at the Sark Fund level, as the Investment Manager will receive management fees and performance fees in respect of its role as Investment Manager of the Company. Therefore, the Company will benefit from exposure to the multiple strategies offered by the Sark Fund but with no multiple layering of fees.

Details of the Sark Fund and the Sark Master Fund are set out in the section headed "Information on the Sark Fund and the Sark Master Fund" beginning on page 65.

Over time, a proportion of the net assets of the Company may, at the discretion of the Investment Manager, be invested in other hedge funds (provided that, where such hedge funds are managed by the Investment Manager, the Company will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund) and/or other financial assets selected by the Investment Manager which, with the possible application of leverage and when taken with the returns achieved from the Sark Fund, are intended to allow the Company to achieve its target annualised return. The Company's investments in non-Sark Fund assets are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its and its affiliates' current activities but which are not pursued by the Sark Master Fund due to risk profiles or liquidity profiles inconsistent with those of the Sark Fund and the Sark Master Fund. The Company will not make any single private equity investment representing in excess of five per cent. of its Net Asset Value as at the time that any such investment is made. Private equity investments made in linked transactions will be aggregated for the purposes of this calculation. The Company intends to hedge fully the currency exposure in respect of each of its investments.

From its inception in 2003 to September 2006, the current Euro denominated share class of the Sark Fund has produced annual returns ranging from 2.81 per cent. to 9.79 per cent. (achieved over the 9 months from 1 January 2006 to 30 September 2006). The Company aims to generate a target annual return in excess of 10 per cent. (net of all fees) by investing in the Sark Fund as well as other assets in the future while utilising its ability to leverage such non-Sark Fund investments. Return targets are targets only and are based over the long-term on the performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. **There is no guarantee that any target return can be achieved. Investors should not place any reliance on such target return in deciding whether to invest in the Company.**

Advantages of investing in hedge funds

The advantages of an investment in a hedge fund may be summarised as follows:

- Hedge funds are focused on the delivery of absolute returns which are typically intended to have little correlation to equity or bond markets;
- Hedge funds seek to provide higher returns on a risk-adjusted basis than other investments in the financial markets;
- Hedge funds generally have limited restrictions on their ability to make investments, thus enabling investors to benefit from diversification of the underlying assets, the strategies implemented and the investment instruments used;
- Investors in hedge funds can benefit from financial innovations used by sophisticated investment managers; and
- The fee structure in hedge funds is often performance based, thereby aligning the interests of the investment manager and investors.

Investing in a hedge fund listed on a regulated market will generate the following advantages:

Daily liquidity

Public listing provides an opportunity for investors to dispose of Shares on a daily basis. This is in contrast to an investment in a private hedge fund, which may be subject to a lock-up period and/or require advance notice of redemption of more than a month.

Greater investor access

Public listing enables access to the hedge fund sector for certain investors who would not otherwise have the opportunity to invest in non-listed funds. For example, the minimum investment size is generally lower than in non-listed funds. Traditional equity investors who are restricted from investing in unlisted equity may consider an investment in a listed hedge fund.

Permanent capital

A public listing provides the Company with permanent capital, which is not subject to periodic redemption. This better enables the Company to invest in attractive long-term opportunities.

Strengths of the Company

In addition to the benefits of the hedge fund industry generally, investors in the Company will benefit from its main competitive strengths:

Experienced Investment Manager

The Investment Manager is an asset management company focused on achieving the investment objectives of all its funds by relying on a combination of fundamental analysis and trading expertise, particularly in relation to derivatives. Total assets under management in its four funds were approximately €1.27 billion as of 31 August 2006.

The Investment Manager's group currently manages four funds: Sark Fund, Channel Bridge Special Situations Fund, BG Eonia Arbitrage and BG Long Term Value. In addition, the group also manages one discretionary account and operates a wealth management activity.

The Investment Manager's group employs a team of experienced professionals. The team operates using a rigorous and collegiate investment process and carefully monitors risks. The interests of the Investment Manager and investors in the Company will be aligned through an incentivising performance fee structure, a significant investment by the Investment Manager, its partners and its group employees and the Directors in the Company at launch (of at least €20 million in total) with an 18-month lockup, and compulsory investment by the Investment Manager on behalf of its group's employees of an amount equal to the annual cash bonuses of such employees with an 18-month lockup. The lock-up in respect of the initial €20 million investment shall not apply to any transfer or encumbrance which may arise pursuant to a short-term financial arrangement to be entered into between the Investment Manager and BNP Paribas referred to in the section headed "Relationship with the Joint Global Coordinators" on page 114 of this prospectus.

Further details of the Investment Manager and the key individuals currently employed by the Investment Manager are set out in the section headed “Investment Manager” beginning on page 73.

Access to a multi-strategy investment policy

Through the Company’s investment in the Sark Fund, investors will gain exposure to Europe-focused diversified investment strategies including volatility strategies, equity strategies and credit strategies. This will enable investors to benefit from diversified strategies and risks without paying multiple layers of fees as with a fund of hedge funds.

The Investment Manager focuses on implementing strategies combining derivative expertise and fundamental analysis. This expertise is built around a strongly integrated team of financial analysts and traders who find, research and decide on investment opportunities on a collegiate basis, allowing the Investment Manager to stay in a relatively uncrowded niche. The Investment Manager does not expect to be faced with a lack of opportunities or with capacity issues in the medium-term.

Attractive risk-adjusted returns of the Sark Fund

Launched in March 2003, the Sark Fund, in which the Company will initially invest all of its assets, has had (net of any fees) an annualised return from inception to August 2006 of 8.03 and 8.23 per cent. for the Euro and US Dollar share classes respectively, coupled with low volatility (2.36 per cent. and 2.40 per cent. for the Euro and US Dollar share classes respectively). As of 31 August 2006, the Sark Fund’s annualised Sharpe Ratio, which is a measure of risk-adjusted performance and is further defined in the section headed “Glossary of Selected Terms” beginning on page 138 of this prospectus, was 2.39 and 2.25 for the Euro and US Dollar share classes respectively. Including the performance for the month of September 2006 (2.73 per cent. and 2.83 per cent. for the Euro and US Dollar share classes respectively), from inception to September 2006, the Sark Fund has achieved an annualised return of 8.65 per cent. and 8.88 per cent. for the Euro and US Dollar share classes respectively. The Investment Manager believes that the Sark Fund’s historical returns and Sharpe Ratio demonstrate its ability to generate positive performance on a risk-adjusted basis in comparison to published hedge fund indices, other equity and bond market indices and, in particular versus its hedge fund peers in the convertible and equity arbitrage space (which may have suffered from difficult market conditions in recent years).

The Sark Fund received the 2005 EuroHedge Award for Best Convertible and Equity Arbitrage Fund.

As of 31 December 2003, 31 December 2004 and 31 December 2005 the Sark Fund had assets under management of approximately €416.4 million, €715.0 million and €956.2 million respectively. As of 31 August 2006, the Sark Fund had assets under management of approximately €1.03 billion.

Payment of initial expenses

The Investment Manager will meet the full costs of establishing the Company and of the Global Offering, including any fees payable under the placing agreement described in the section headed “Material contracts” beginning on page 120 of this prospectus. Accordingly, the initial Net Asset Value per Share will not be reduced by the amount of such costs.

Diversified and committed investor base

The Investment Manager’s performance is widely acknowledged in the hedge fund investor community and reflected in its high quality investor base which shows diversity in origin and type. In the Sark Fund, as of 31 August 2006, most investors are funds of funds (58 per cent. of total assets), followed by banks (21 per cent.) and private individuals and families (14 per cent.). Geographically, Continental Europe is the most important origin of funds (43 per cent.), followed by the UK (29 per cent.) and the United States and Canada (24 per cent.). Since inception, the Sark Fund has seen an increase in total assets every year and the strong commitment of the majority of investors in the Sark Fund to the Investment Manager is underlined by a two-year rolling lock-up agreement. The three, five and ten largest investors in the Sark Fund account for 29 per cent., 38 per cent. and 55 per cent. of total assets under management respectively.

Table: Breakdown of total assets under management of the Sark Fund as of 31 August 2006

% by Investor Type		% by Geographic location of Investors	
Fund of Funds	57.8	Continental Europe	42.9
Banks	20.6	UK	28.5
Private Individuals & Families	14.0	US & Canada	24.1
Pension Funds	4.7	Other	3.9
Insurance Companies	3.0	Asia	0.6

Source: Investment Manager.

Investment Process and Risk Management

THOROUGH INVESTMENT PROCESS

Sourcing of ideas

The Investment Manager relies on a fundamentals-driven bottom-up research and analysis approach for sourcing and finding new investment opportunities. The Investment Manager's group employs a team of six financial analysts dedicated to developing new, and monitoring existing and potential, trade ideas. The actual sourcing of ideas is based on a combination of:

- extensive knowledge of many industrial sectors and continuous screening and monitoring of valuation metrics;
- access to an extensive network of entrepreneurs, top executives from both private and listed companies, regulators, and journalists with whom the Investment Manager's analysts can exchange views;
- regular discussions with other hedge fund managers, proprietary and flow traders at large investment banks, and sell-side research analysts;
- on an ongoing basis, the Investment Manager's analysts exchange views with private equity professionals on specific situations from their respective perspectives;
- regular meetings with senior management and investor relations managers of numerous companies in addition to participation in roadshows and investor conferences; and
- access to a wide range of research reports from global investment banks and local brokers, electronic information databases (e.g. Reuters, Bloomberg), and media information sources (e.g. newspapers, specialist magazines, newsletters) from across the world.

Research process

The philosophy behind the research and analysis process is that of a team effort whereby decisions are taken in a collegiate fashion. The Investment Manager does not allocate capital to an individual trader or analyst, acting autonomously, but relies on teamwork and consensus on the investment decision.

Every investment idea is analysed in detail by the most appropriate analyst or trader who, in turn, becomes the "lead manager" for the trade. Depending on the nature and complexity of the trade, the lead manager may be assisted by one or more team members with specific technical skills, sector knowledge or country understanding. Throughout the research process, Emmanuel Boussard, the Investment Manager's Chief Investment Officer, and other members of the Investment Committee of the Investment Manager, challenge the dedicated team in order to improve the depth and breadth of the analysis. Depending on the time required for thorough research, from the idea being generated to a trade being implemented, the team may spend from a few days up to eight weeks (the latter being usually when the Investment Manager seeks external legal or expert advice) on each investment, with the average being two weeks.

Decision process

The Investment Manager uses a four-step approach to come to a conclusion on an investment opportunity:

Step 1: Identification of mispricing or investment opportunity

Based on the research and analysis process, the Investment Manager identifies the existence of a security's "mispricing" that may be arbitrated or of an investment opportunity *per se*. This step is based on

fundamental and quantitative analysis. The quantitative aspects are performed by the Investment Manager's quantitative analysts. These analysts are dedicated to pricing the most complex instruments (with valuation models developed in-house), understanding liquidity issues and using the derivatives market to offset non-linear risk.

Step 2: Explanation of the causes of the mispricing

The Investment Manager will seek to understand the specific risks of the investment and the drivers of the convergence/divergence to the fair value by determining the causes of the perceived mispricing. These may be related to liquidity, complexity, or to the fundamentals of the underlying instruments.

Step 3: Identification of a catalyst for the convergence

The Investment Manager will then try to identify the catalyst for the convergence of the security's price towards its fair value. The strength and expected timing of the catalyst will determine the expected maturity of the trade and contribute to a better understanding of the risk. In the absence of such a trigger, the Investment Manager may consider the trade as a "value" investment opportunity with a significant fundamentals-backed valuation upside potential.

Step 4: Identification of potential scenarios and assignment of probabilities to those scenarios

This step allows the Investment Manager to assess the idiosyncratic risks associated with an investment opportunity, particularly in cases of complex corporate events. During this step, the Investment Committee of the Investment Manager (described further in the section headed "Investment Manager" beginning on page 73 of this prospectus) aims to quantify the risk-reward under various scenarios and to minimise any emotional bias of the lead manager regarding the investment opportunity. Furthermore, it also helps to quantify risks that are not captured by traditional risk systems (e.g. liquidity risk). Given the expected returns and assigned probabilities under each scenario, the Investment Manager calculates an expected Sharpe Ratio: for the trade to be considered further, this will generally have to be above 1.

Trade size decisions

Once a trade has passed the scrutiny of the four-step decision process, the Investment Committee of the Investment Manager takes a decision on the optimal size of the trade based on a multi-criteria approach that takes into consideration the risk-reward profile (both absolute and relative to other trades), the liquidity of the underlying instrument(s), the estimated holding period, the contribution of each new trade to the fund's overall risk profile, and the saturation of each risk constraint (e.g. stress tests and limits on Greeks). Following the calculation of the expected Sharpe Ratio, the Investment Manager calculates the maximum acceptable size of the position depending on the idiosyncratic worst case scenario, crowdedness issues and marginal contribution to each risk bucket. Once this assessment process is completed, the Investment Manager, mostly through its in-house team of traders, will execute the trade in an opportunistic fashion aiming to minimize any market impact.

RIGOROUS RISK MANAGEMENT

Throughout the investment process, the Investment Manager identifies and carefully monitors both idiosyncratic risks affecting only a specific trade and global risks affecting multiple trades. Global risks can be broken down into "catastrophic" and "unmeasurable" risks.

- Idiosyncratic risks are risks specific to a particular issuer which is the subject of an investment or trade and can include, for example, bankruptcy, credit events, cash takeovers, bond offers or credit rating changes.
- Catastrophic risks are risks often related to geopolitical and macroeconomic uncertainty or to a general breakdown of financial markets (e.g. equity market crashes) that have a wide-ranging effect on several positions.
- Unmeasurable risks may include liquidity of the underlying financial instrument(s), the crowdedness of a specific trade (hedge fund liquidation risk) or liquidation risk, i.e. the ability to unwind a specific trade in a reasonable timeframe.

All risks are monitored by the Risk Management Committee of the Investment Manager comprising at least two of Emmanuel Boussard (Chief Investment Officer), Etienne Becker (Head Trader for Volatility

and Equity Strategies), and Christophe Tardieu (Head of Risk Monitoring) and at least one of Emmanuel Gavaudan (Chief Executive Officer) and Francois Cornu (Chief Operations Officer). Generally, on a weekly basis, the Risk Management Committee reviews the entire portfolio of each fund for compliance with all of the Investment Manager's risk management rules. These rules include specific rules on stop-loss dynamics (e.g. if a position loses 5 per cent. of net asset value in any 30 day period, the exposure is reduced by 25 per cent. and if an event occurs that had not been anticipated as a potential scenario, the specific trade will generally be liquidated) and targets on credit risk limits (maximum single name net exposure currently is capped at 20 per cent. for AAA/AA investment grades, 15 per cent. for A rated investment grades and 10 per cent. for other investment grades).

Idiosyncratic risks are identified in the research and decision-making phases of the investment process, when possible scenarios regarding a specific trade are quantitatively and qualitatively analysed. Thereafter, analyses of such scenarios are continuously performed and updated.

The review of liquidity risk is based upon the monitoring of the relevant market for each security (e.g. electronic markets for shares and futures, over-the-counter markets for listed options, over-the-counter options, credit default swaps, inter-dealer markets for corporate warrants and convertible bonds) and aims to estimate the market impact of an immediate liquidation of 25 per cent. of each position (on 90 per cent. of the investments).

Crowdedness and liquidation risks are analysed particularly rigorously in non-linear arbitrage situations by attempting to assess the open interest on related and similar derivatives, the marketing of the trade by brokers and an ongoing monitoring of the evolution of the discount to fair value.

Furthermore, the portfolio is proactively and continuously monitored with the risk system provided by Sophis SA ("**Sophis**"), which allows the measurement of risk through the calculation of the Greeks and scenario analysis through stress testing. Within the stress testing analysis, simulations are run in order to assess the impact on net asset value of multiple scenarios including a market crash, equity-credit decorrelation, market rally and inflationary pressures. The risk constraints are set so that the relevant fund does not lose more than five per cent. of net asset value for any stress scenario or any idiosyncratic scenario.

Through Sophis, all the risk managers have a real time overview of the portfolio through the Greeks and seek to ensure it remains within the set risk limits. In addition, they will monitor the real-time net asset value calculated by Sophis. The risk managers and the middle office will carry independent daily calculations to ensure that the relevant fund remains within its limits. The Greeks position at the end of each day will also be checked versus the profit and loss account to explain the contribution on a trade-by-trade basis. Based on the above rules and procedures, the weekly Risk Management Committee meeting will review the overall performance of the week as well as the relative performance of each strategy compared to its initial expected return, discuss all breaches of limits during the week and the measures taken to reduce exposure, and analyse the proposals for implementing new strategies and the specific scenario calculation to be applied to the approved strategies.

GlobeOp Financial Services LLC ("**GlobeOp**") is responsible for the back and middle office as well as the administration of all of the Investment Manager's funds. Hence, all funds' accounting and net asset value calculations are outsourced to an independent third party. These are cross-checked by the Investment Manager's middle office.

Monthly stress test results for the Sark Fund

The process of stress testing involves applying a combination of variables to the portfolio in order to show how the portfolio might perform. The table below sets out the results of the Investment Manager's stress tests which produced the greatest negative effect on the Sark Fund for each month since inception. **The scenarios used by the Investment Manager in the monthly stress tests are those that the Investment Manager believes are useful in structuring, and judging the risk of, the investments made by the Sark Master Fund and, therefore, ultimately of the investment of the Sark Fund in the Sark Master Fund. These scenarios, which are explained in the Appendix to this prospectus, do not represent all of the possible scenarios that may adversely impact the performance of the Sark Fund, and thus the value of the shares of the Sark Fund. The scenarios used, and the results of the stress tests, are based on assumptions and projections made by the Investment Manager. The impact of the Sark Fund to the occurrence of any particular scenario is dependant on its portfolio of investments at any one time and thus may differ**

significantly from time to time. The results of the stress tests presented below are for comparative purposes only and should not be relied upon by investors when making a decision to invest in the Shares.

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2003			-0.17	-0.50	-0.99	-0.80	-3.00	-3.28	-2.45	-1.37	-1.73	-2.67
2004	-3.39	-3.00	-1.85	-1.97	-1.94	-1.95	-6.11	-3.01	-0.90	-1.95	-3.32	-8.46
2005	-3.94	-2.90	-3.93	-2.94	-2.99	-3.48	-2.42	-3.28	-1.76	-1.25	-1.47	-3.91
2006	-3.65	-2.85	-2.97	-0.78	-0.91	-0.98	-1.08	-0.89	-1.04			

Source: Sark Fund. Figures represent impact as a percentage of net asset value⁽¹⁾.

The results set forth above for the Sark Fund's stress test procedure are those taken from the particular stress test that produces the greatest negative effect on the portfolio of the Sark Fund's investments in any given month. The stress tests involve a calculation based upon a combination of variables, which are explained further in the Appendix beginning on page A-1.

Investment strategies of the Sark Master Fund

The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which aims primarily at arbitrating instruments with non-linear pay-offs in special situations. It uses a variety of instruments at its disposal for the implementation of a number of investment strategies in seeking to meet its investment objective. Set out below are summaries of the key features of the principal strategies used.

Convertible bond arbitrage

Convertible bond arbitrage involves purchasing a convertible bond, which is a security issued by a company that may be converted from debt to equity at various prices and stages in the lifecycle of the contract. There are many types of convertible bonds, including mandatory convertible bonds which have predetermined and fixed conversion or redemption features. The hybrid nature of convertibles, combining both fixed income and equity characteristics, can be exploited through an arbitrage when the price of the convertible bond differs from the sum of the value of each of its components. Managers will purchase (or sell) the convertible bond at discount (or premium) to its fair value and hedge one or more of its components: in general, arbitrage opportunities arise when the equity option embedded in the convertible bond is, for a variety of reasons, priced differently to those of the equivalent pure options that may exist in the market. Hence, the equity component is often hedged by selling short the underlying common stock, while managers sometimes also seek to hedge interest rate or credit exposures.

Volatility arbitrage

Volatility arbitrage is an investment approach that seeks to exploit volatility pricing discrepancies across related instruments. For instance, it is quite common for arbitrage opportunities to exist between warrants issued by a company to its shareholders and the corresponding equivalent options available in the market. This is capitalised upon by buying the warrant and selling the corresponding equivalent option. This particular strategy is referred to as corporate warrant arbitrage. Generally, managers focusing on volatility arbitrage tend to maintain market neutral portfolios that can profit from volatility mean-reverting tendencies.

Gamma trading

Gamma trading is an investment approach that seeks, through the trading of options and other derivative instruments, to take advantage of anticipated or unanticipated significant dislocations in financial markets, such as market crashes. To determine a gamma trading opportunity, the managers will compare the implied volatility embedded in an option with recent realised volatility in order to find a significant implied volatility discount and then, through an element of fundamental analysis, determine motives for this discount and potential catalysts for a significant change in volatility.

(1) From January 2005, the Investment Manager removed scenarios from the stress test analysis the specific parameter tests which simulated the impact on net asset value of -40 per cent. and -50 per cent. movements in global indices but did not change its methodology for such stress tests. The Investment Manager believes that those scenarios were constraining the risk-taking ability of the Sark Fund and the Investment Manager considered that they were only vaguely representative of what could happen to the portfolio in such a scenario. The Investment Manager believes that it is extremely difficult to model the behaviour of all of the assets that it trades under the assumption that global indices are down 40 per cent. to 50 per cent. The Investment Manager continues to aim to constrain the portfolio to under a five per cent. maximum loss with the current set of stress tests.

Special situations strategies

A special situations strategy involves the trading of the securities of a company involved in a significant anticipated capital market relevant corporate event or “special situation”. Examples include spin-offs, divestitures, re-organisations, liquidations, restructurings, and share buybacks. Through scenario analyses, the managers assess the expected value of the securities upon completion of the transaction, the time likely to be involved before completion and the possibility that the transaction will not be completed at all. The uncertainty around the outcome of these special situations creates investment opportunities for the managers who attempt to anticipate correctly their outcomes. They seek to profit by purchasing the securities at a discount to the value at which they will be realised upon completion of the transaction. The primary determinant of the profitability of the investment is the successful conclusion of the transaction within the anticipated time period.

Merger arbitrage strategies

A merger arbitrage strategy is a type of special situations strategy centred specifically on announced merger and takeover transactions. Trades will generally involve taking a long position in the target company’s stock and, in some instances depending on whether the transaction is a cash or share offer, a corresponding short position in the acquirer’s stock. The managers assess the probability of various scenarios and time-frame of completion and seek to capture the “merger spread” to the value that will be realised upon completion of the merger.

Catalyst driven equity long/short strategies

An equity long/short strategy involves the construction of a portfolio of long and short equity positions, sometimes supplemented with derivatives. Managers attempt to add value primarily through stock selection and the determination of corporate events acting as catalysts for changes in valuation. Stock selection is based primarily on fundamental analysis of companies. Stocks perceived to be undervalued are bought and stocks perceived to be overvalued are sold short. Managers will also sometimes seek to take activist roles on corporate governance and vis-à-vis management in an attempt to trigger catalysts.

Value strategies

Value investment is an investment approach that seeks to purchase equity of companies that are perceived to be significantly undervalued versus their intrinsic fair value. When applying this approach, managers are often unable to determine an immediate catalyst that may trigger the convergence of the stock price to its fair value. However, their fundamental analysis suggests a significant undervaluation that should be eliminated in the long-run by an appreciation of the stock price. Value investments often apply to companies operating in mature sectors with strong cash flow generation or to small cap companies.

Capital structure arbitrage strategies

A capital structure arbitrage strategy is based on inefficiencies of pricing among various components within the capital structure of the same company or a related company. Such inefficiencies of pricing present relative value opportunities either within the debt structure or across equity and debt securities of the company. Managers applying this strategy seek to take advantage of valuation discrepancies within a company’s capital structure by taking a long position in the underpriced security and a short position in the overpriced security.

Credit long/short strategies

Credit long/short strategies involve identifying relative value opportunities between corporate securities of companies in similar industries or sectors. The opportunities are not driven by the consummation of an event and do not involve the securities of companies that are or likely to be in distress. These relative value opportunities are identified on the back of extensive fundamental credit research whereby managers seek to capture either the divergence or convergence of credit spreads between corporate securities of companies in similar industries.

Restructuring/distressed securities strategies

Restructuring or distressed securities strategies involve buying securities, often debt instruments, of companies that are or are likely to be in distress and therefore trade at a significant discount to their

redemption or fair value. The managers will determine, on the basis of fundamental research, a scenario and risk analysis, a clear understanding of the legal framework surrounding the specific company's distress and whether the securities' price fails to reflect the company's intrinsic value. Restructurings will often be very lengthy processes and involve a proactive involvement in the financial and operational running of the company and may also involve significant legal proceedings to enhance and crystallise the underlying value.

Attractive risk-adjusted returns of the Sark Fund

The Sark Fund has enjoyed attractive historical risk-adjusted returns, which have led to it receiving the 2005 EuroHedge Award for Best Convertible and Equity Arbitrage Fund of the year. Also, in its first year of launch, the Sark Fund was nominated for the 2003 EuroHedge Award for best New Fund of the Year.

Launched on 3 March 2003, the Sark Fund has an established track record and has enjoyed attractive risk-adjusted performance (net of any fees). The table below shows the historic performance of the Sark Fund up to 31 August 2006, together with other relevant comparators.

	Total return					Volatility ⁽²⁾ Annualised	Sharpe ratio ^(3,4) Annualised	Since inception			
	10m 2003	2004	2005	2006 YTD ⁽¹⁾	Annualised			Beta to Equity Index	Beta to Bond Index	Nb of positive mths/ total of mths	Max Drawdown ⁽⁵⁾
	SARK FUND EUR	9.69%	2.81%	8.70%	6.88%			8.03%	2.36%	2.39	0.09
SARK FUND USD	9.00%	2.08%	9.45%	8.25%	8.23%	2.40%	2.25	0.08	-0.07	32/42	-2.34%
All Strategies											
CS/Tremont Hedge Fund Index	13.23%	9.64%	7.60%	7.50%	10.90%	3.70%	2.18	0.20	0.27	33/42	-2.03%
Greenwich-Van Global Hedge Fund Index	17.96%	7.68%	8.63%	6.65%	11.68%	4.35%	2.03	0.29	0.22	32/42	-2.95%
HFRI Fund Weighted Composite Index	18.76%	9.05%	9.29%	6.93%	12.58%	4.52%	2.16	0.30	0.23	32/42	-3.09%
EuroHedge Composite Index	6.55%	6.00%	8.63%	4.79%	7.45%	2.56%	1.81	0.16	0.06	34/42	-2.31%
Convertible & Equity Arbitrage											
CS/Tremont Conv. Arbitrage Index	8.07%	1.98%	-2.55%	9.43%	4.73%	3.88%	0.49	0.09	0.20	27/42	-8.65%
Greenwich-Van Global Conv. Index	6.75%	0.97%	-1.81%	8.94%	4.16%	3.85%	0.34	0.09	0.16	29/42	-9.31%
HFRI Convertible Arbitrage Index	5.90%	1.19%	-1.86%	8.10%	3.74%	3.35%	0.27	0.08	0.17	29/42	-7.93%
EuroHedge Conv. & Equity Arbitrage Index	4.92%	0.78%	4.67%	5.89%	4.64%	2.89%	0.63	0.11	0.03	31/42	-5.84%
Multi-Strategy											
CS/Tremont Multi-Strategy Index	13.24%	7.54%	7.53%	7.97%	10.41%	3.15%	2.41	0.13	0.19	36/42	-2.49%
Greenwich-Van Global Multi-Strat. Index	15.51%	5.90%	7.99%	6.38%	10.22%	4.23%	1.75	0.24	0.25	29/42	-2.59%
Equity strategy											
HFRI Equity Hedge Index	21.50%	7.69%	10.61%	5.84%	12.97%	5.79%	1.75	0.39	0.19	30/42	-5.51%
EuroHedge Global Equity Index	15.99%	8.05%	14.30%	7.22%	13.06%	5.26%	1.95	0.34	0.16	34/42	-6.60%
Fund of hedge funds											
HFRI Fund of Funds Composite Index	10.31%	6.88%	7.51%	4.77%	8.45%	3.78%	1.49	0.22	0.21	31/42	-3.69%
Traditional indices											
DJ Stoxx 600	25.94%	9.51%	23.47%	7.96%	19.02%	9.85%	1.69	1.00	-0.41	31/42	-9.67%
Lehman Brothers Global Aggregate Bond	9.84%	9.27%	-4.49%	4.50%	5.30%	5.73%	0.43	-0.14	1.00	25/42	-6.50%

Sources: Sark Fund Ltd Annual Report, Sark Fund Monthly Reviews, Bloomberg, Hedge Fund Intelligence—EuroHedge, Lehman Brothers, Inc. and Datastream.

The value of your investment may fluctuate. Results achieved in the past are no guarantee of future results.

(1) YTD = From January 2006 to August 2006.

(2) Annualised volatility is calculated from monthly volatility (standard deviation of reported monthly performance) as: Monthly volatility*12^{0.5}.

(3) Annualised Sharpe ratio is calculated as: (Annualised total return—Annualised risk free rate return)/Annualised volatility.

(4) Sark Fund EUR and DJ Stoxx 600 Sharpe ratios are calculated using Euribor 1M risk free rate. Sark Fund USD and other indices are calculated using US Libor 1M risk free rate.

(5) Maximum drawdown represents the largest drop from a peak to a trough since inception.

The Sark Fund's performance since inception

Set out below are the monthly return statistics for the Sark Fund since inception.

Sark Fund—Euro share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD ⁽¹⁾	ITD ⁽²⁾
2003	—	—	0.75	0.76	0.82	1.04	0.93	1.06	1.18	1.55	1.05	0.17	9.69	9.69
2004	1.07	-0.12	1.03	0.22	0.14	-0.29	-0.42	-0.42	-0.19	-0.49	1.18	1.07	2.81	12.77
2005	1.70	1.06	1.09	-0.69	0.27	1.27	1.16	0.50	1.00	-0.44	0.71	0.77	8.70	22.58
2006	-0.18	1.56	1.64	0.86	-0.47	1.35	0.40	1.56	2.73	—	—	—	9.79	34.58

Sark Fund–US Dollar share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD ⁽¹⁾	ITD ⁽²⁾
2003	—	—	0.67	0.70	0.77	0.94	0.84	0.97	1.15	1.46	1.01	0.15	9.00	9.00
2004	1.00	-0.17	0.96	0.13	0.07	-0.35	-0.47	-0.47	-0.24	-0.59	1.16	1.06	2.08	11.27
2005	1.66	1.08	1.09	-0.64	0.31	1.30	1.22	0.62	1.06	-0.32	0.81	0.89	9.45	21.79
2006	-0.01	1.64	1.78	1.08	-0.29	1.49	0.56	1.74	2.83	—	—	—	11.31	35.57

Source: Sark Fund.

(1) YTD = Aggregate return for the year to date.

(2) ITD = Aggregate return from inception to date.

Performance during 2003

From inception until 31 December 2003, the Sark Fund's performance, net of any fees, was 9.69 per cent. and 9.00 per cent. for the Euro and US Dollar share classes respectively: performance was quite evenly distributed throughout the year with the best month being October (1.55 per cent. and 1.46 per cent. for the Euro and US Dollar share classes respectively) and the worst being December (0.17 per cent. and 0.15 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2003, the Sark Fund had assets under management of €416.4 million.

While all strategies had positive performance, the most significant contributors to the Sark Master Fund's performance were convertible bonds and warrant arbitrage. In a market characterised by tightening credit spreads and decreasing volatilities, the months in the middle of the year witnessed an unusually high level of new issuance of convertible bonds. The Sark Master Fund was particularly active in newly issued mandatory convertibles, contingent value rights and convertibles. Market conditions improved significantly after the summer, as credit spreads tightened further and volatilities picked up selectively, and the Sark Master Fund implemented a three-pronged strategy: trading convertibles with high volatility and low credit spreads, selling those where spread tightening had led to lower volatilities and, finally, increasing exposure to specific names. Both capital structure arbitrage and special situations contributed positively, as corporate restructurings in Europe benefited from positive newsflow and from the rebound of deep value opportunities. The Sark Master Fund initiated some long CDS-long stock trades to arbitrage the relative expensiveness of bonds versus equity, subscribed to new issuances and was involved in a variety of special situations. Gamma trading contributed positively to the Sark Master Fund's overall performance, despite an unfavourable environment characterised by significant and continuing decreases in implied and realised volatilities. The Sark Fund's performance in 2003 was recognised by it being nominated for the 2003 EuroHedge Award for best New Fund of the Year.

Performance during 2004

In 2004, the Sark Fund's performance, net of any fees, equalled 2.81 per cent. and 2.08 per cent. for the Euro and US Dollar share classes respectively: performance was hampered by particularly difficult conditions for the Sark Master Fund, with the best month being November (1.18 per cent. and 1.16 per cent. for the Euro and US Dollar share classes respectively) and the worst being October (-0.49 per cent. and -0.59 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2004, the Sark Fund had assets under management of €715.0 million.

Equity related strategies contributed positively in 2004: the Sark Master Fund benefited from a pick up in corporate events, particularly mergers and acquisitions, after years of corporate restructuring and depressed valuations, and was involved in a variety of special situations. Positive performance was also generated in the credit strategies, where the Sark Master Fund bought, amongst other investments, high-yielding corporate bonds based on fundamental analysis and the understanding of some special situations, including restructurings. Capital structure arbitrage benefited from short volatility trades, particularly long bond—short equity, in the high yield space, while it suffered from long volatility positions as corporate de-leveraging continued and the CDS spreads tightened faster than the corresponding decline in volatilities. The convertible bond and gamma trading strategies contributed negatively to the Sark Master Fund's performance in 2004, as volatilities collapsed throughout the year and a specific arbitrage situation was significantly unprofitable following a mis-interpretation of the legal context. Deteriorating market conditions and the issuance volume of new convertibles significantly below the previous year and at unattractive valuation, led to significant reduction by year-end in exposure to this asset class. The Sark Master Fund had a marginally positive contribution from mandatory convertible strategies.

Performance during 2005

In 2005, the Sark Fund's performance, net of any fees, equalled 8.70 per cent. and 9.45 per cent. for the Euro and US Dollar share classes respectively: except for two months, monthly performance was positive throughout the year, with the best month being January (1.70 per cent. and 1.66 per cent. for the Euro and US Dollar share classes respectively) and the worst being April (−0.69 per cent. and −0.64 per cent. for the Euro and US Dollar share classes respectively). As of 31 December 2005, the Sark Fund had assets under management of €956.2 million.

The environment for convertible bonds and gamma trading continued to be very difficult in 2005, particularly in the first half of the year, as volatilities dropped and stayed at very low levels and there were few new issuances. Nevertheless, the Sark Master Fund recorded a positive performance in these strategies by reducing exposure and focussing particularly on situations with a credit angle. Credit strategies performed very well as the Sark Master Fund continued to focus on restructurings and fundamental investments. Also, the Sark Master Fund implemented some capital structure arbitrage trades, including bond versus equity and volatility trades. 2005 was characterised by a sharp rise in special situations. In particular, corporate deals reached levels unseen in previous years: equities strategies significantly profited from mergers, acquisitions, minority buy-outs and spin-offs. Also fundamental and value investment contributed positively, though the Sark Master Fund suffered from its exposure to telecommunications stocks, which heavily underperformed other equities on rising concerns of competition from alternative technologies. The Sark Fund's performance in 2005 was recognised by being awarded the 2005 EuroHedge Award for Best Convertible and Equity Arbitrage Fund.

Performance during 2006

In the first eight months of 2006, the Sark Fund's performance, net of any fees, equalled 6.88 per cent. and 8.25 per cent. for the Euro and US Dollar share classes respectively, with the best month being March (1.64 per cent. and 1.78 per cent. for the Euro and US Dollar share classes respectively) and the worst being May (−0.47 per cent. and −0.29 per cent. for the Euro and US Dollar share classes respectively). As of 31 August 2006, the Sark Fund had assets under management of approximately €1.03 billion.

Despite turbulent financial markets in May and June 2006, due to macroeconomic uncertainty, the continuation of the very active environment for corporate events, driven by the need for consolidation in many industries and increasing private equity activity, allowed the equity strategies to benefit from a variety of special situations. Credit spreads remained tight but capital structure arbitrage and credit strategies benefited from corporate events and from fundamentally-backed investments. Strategies around convertibles and mandatory convertibles benefited from some new issues, increased influx activity and movements in volatility over the spring and summer months.

From inception in March 2003 to August 2006, the Sark Fund has delivered a monthly gain in 32 months out of 42. The maximum monthly gain was 1.70 per cent. for the Euro share class and 1.78 per cent. for the US Dollar share class in January 2005 and March 2006 respectively, the maximum monthly loss was −0.69 per cent. and −0.64 per cent. for the Euro and US Dollar share classes respectively in April 2005, and the maximum drawdown (defined as the largest drop from a peak to a trough in a certain time period) was −2.01 per cent. and −2.34 per cent. for the Euro and US Dollar share classes respectively between May 2004 and October 2004.

The Sark Fund currently demonstrates a low correlation to traditional comparable markets: the Beta of the Sark Fund with the DJ Stoxx 600 being 0.09 and 0.08 for the Euro and US Dollar share classes respectively with the Lehman Brothers Global Aggregate Bond being −0.07 for both the Euro and US Dollar share classes (all Betas are calculated on a monthly basis from inception to 31 August 2006). For indicative purposes, a Beta of 0.0 means that there is no correlation between two statistical series whilst a Beta of 1.0 means that two statistical series evolve identically and a Beta of −1.0 means that two statistical series evolve in opposite directions.

Performance for September 2006

The performance of the Sark Fund for the month of September 2006 was 2.73 per cent. and 2.83 per cent. for the Euro and US Dollar share classes respectively. September's unusually good performance was due to a large number of catalysts emerging at the same time on a variety of trades, particularly within the equity strategies. From inception to September 2006, the Sark Fund has achieved an annualised return of 8.65 per cent. and 8.88 per cent. for the Euro and US Dollar share classes respectively. Over the same time

period, annualised volatility has been 2.57 per cent. and 2.63 per cent. and the annualised Sharpe Ratio has been 2.42 and 2.28 for the Euro and US Dollar share classes respectively.

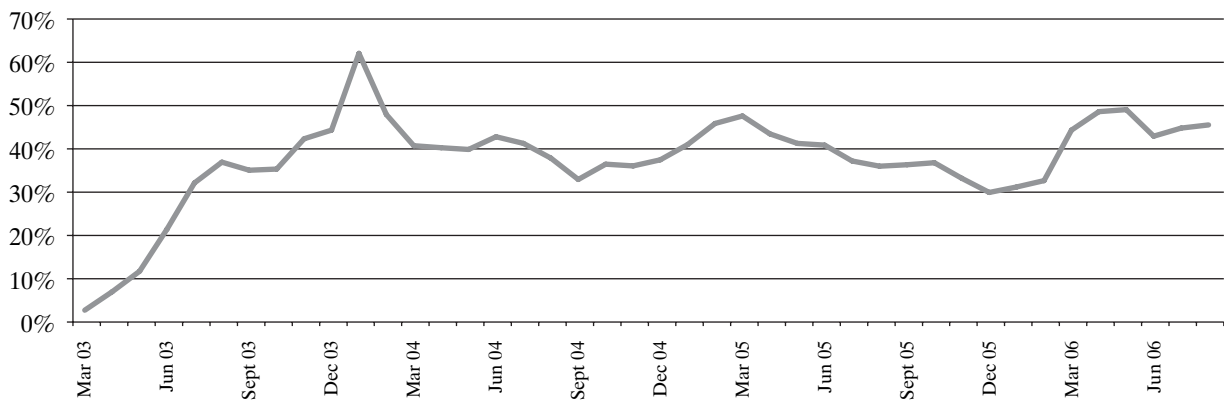
Leverage

In the Sark Fund and the Sark Master Fund

No leverage is used in the Sark Fund.

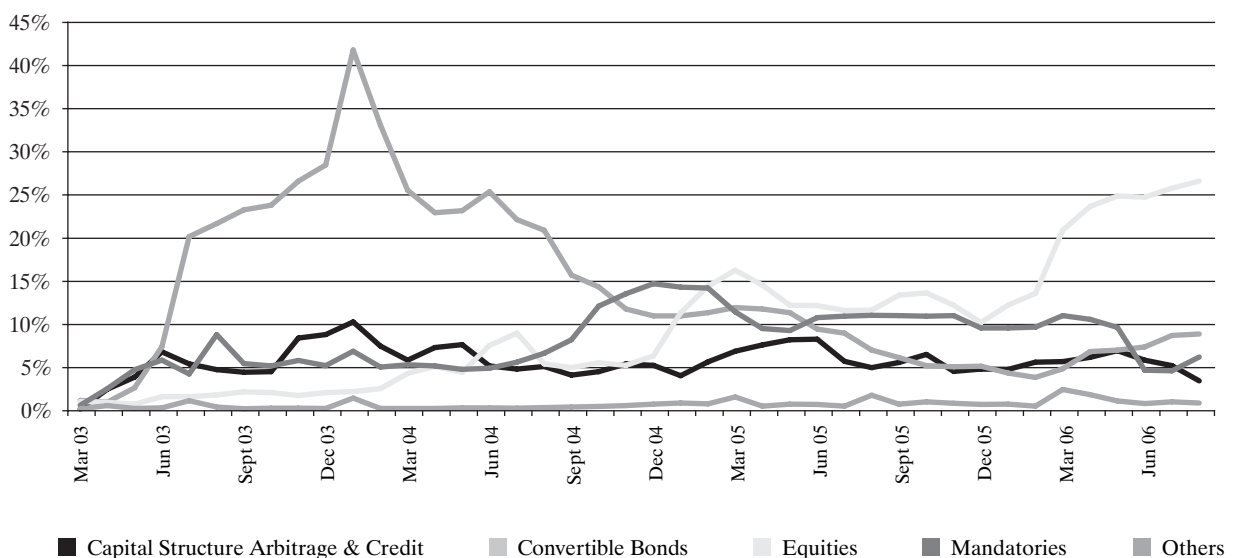
The leverage in the Sark Master Fund mainly consists of short positions and is provided by prime brokers who impose limits on the level of leverage used. In addition, and to a much lesser extent, the Sark Master Fund uses cash facilities. The Investment Manager monitors the solvency of the Sark Master Fund according to the limits defined by its prime brokers and custodians and has defined a model whereby a minimum amount of equity, considered to be at risk, should be allocated to a specific asset class: the “equity at risk”. The equity at risk also allows the Investment Manager to estimate the potential for additional leverage for the Sark Master Fund with its prime brokers and custodians. Total equity at risk for the Sark Master Fund is expected to be within 25 per cent. and 100 per cent.

The Investment Manager monitors the solvency of the Sark Master Fund according to the limits defined by its prime brokers and has defined a model whereby a minimum amount of equity should be allocated to a specific asset class: the “equity at risk” is calculated on a daily basis and the historic equity at risk of the Sark Master Fund is shown on the chart below. As of 31 August 2006, the Sark Master Fund had a 45 per cent. equity at risk ratio and, except for a peak of 62 per cent. equity at risk in January 2004, the Sark Master Fund’s equity at risk has been below 50 per cent. since inception.



Source: Investment Manager.

The following chart shows the allocation of equity at risk between the investment strategies of the Sark Master Fund since inception.



Source: Investment Manager.

In the Company

The Company will have power under its Articles to borrow up to an amount equal to 100 per cent. of its Net Asset Value as at the time of borrowing

It is intended that leverage will be used by the Company for the purposes of (i) managing day-to-day cash flow, i.e. for meeting expenses of the Company and for funding repurchases of Shares and (ii) leveraging possible direct investments made by the Company other than investments in the Sark Fund.

Administrator

Close Fund Services Limited has been appointed as Administrator of the Company pursuant to the Administration Agreement (further details of which are set out on page 121 of this prospectus). The Administrator will have primary responsibility for the Company's general administrative functions such as the calculation and publications of the Net Asset Value and maintenance of the Company's accounting and statutory records. The Administrator will delegate certain functions relating to the calculation and publications of the Net Asset Value and the accounting to GlobeOp.

The Administrator is required to give written notice forthwith to the Guernsey Financial Services Commission in respect of: (a) a proposed material change to the Company's Articles or this prospectus; (b) a proposed change of any of the Company's directors, secretary, Guernsey administrator, service provider, registrar or independent auditors; (c) a proposed material delegation of the duties of any of the parties listed in (b) above; (d) any change in the name or of the ultimate or intermediate beneficial ownership of any of the parties listed in (b) above; (e) any alteration to the Management Agreement; (f) any proposed alteration to the Company, including the Company's name and the Company's investment, borrowing and hedging powers; and (g) any proposal to reconstruct, to amalgamate or prematurely to terminate the life of the Company.

The Administrator will not provide any investment advice to investors in relation to the Shares.

Net Asset Value publication

The Net Asset Value and the Net Asset Value per Share will be calculated by GlobeOp on behalf of the Administrator (or such other person as the Directors may appoint for such purpose from time to time) as at the last day of each calendar month or such other date as the Directors may, in their absolute discretion, determine (the "NAV Calculation Date") based primarily upon information obtained by the Administrator from the administrator of the Sark Fund. It is anticipated that the Administrator will receive the Sark Fund's net asset value (calculated as at each NAV Calculation Date) approximately seven to ten Business Days after each NAV Calculation Date and that the Company's Net Asset Value and the Net Asset Value per Share will be published on the Company's website and on a regulatory information service of Euronext shortly thereafter.

The Directors may temporarily suspend the calculation of the Net Asset Value per Share during any period in which the calculation of the Net Asset Value of the Sark Fund is suspended (for a further explanation of the circumstances in which such a suspension may be made please refer to the section headed "Temporary suspension of net asset value calculations of the Sark Fund's and the Sark Master Fund's shares" beginning on page 128 of this prospectus). Any suspension will be notified to a regulatory information service of Euronext.

The Investment Manager will estimate the Net Asset Value and the Net Asset Value per Share on a daily basis based upon the information it records in its role as investment manager of the Sark Fund and the Sark Master Fund. Such estimates will be published on a regulatory information service of Euronext and on the Company's website.

In addition, the Net Asset Value and the Net Asset Value per Share will be audited yearly and reviewed half-yearly and published in annual and interim reports.

Discount management provisions

The Directors will have Shareholder authority to purchase in the market up to 14.99 per cent. of the Shares in issue immediately following Admission on behalf of the Company and intend to seek annual renewal of this authority from Shareholders. The Company may purchase Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply and demand for Shares and to increase the Net Asset Value per Share. Any Shares bought back will be subsequently cancelled by the Company, except

for those held in Treasury and used for the compensation of the Investment Manager's employees as described below.

Any share purchases will be made in accordance with the Companies Laws and relevant securities laws including market abuse rules and within guidelines established from time to time by the Board). The making and timing of any share purchases will be at the absolute discretion of the Board. Purchases will only be made through the market for cash at prices below the estimated prevailing Net Asset Value per Share and when the Directors believe such purchases will be in the interests of Shareholders.

Compensation policy for the employees of the Investment Manager

Following the Global Offering, the Investment Manager's compensation policy for its employees stipulates that an amount equivalent to every individual's annual cash bonus will be invested into the Company and held by the relevant employee's employer within the Investment Manager's group. Each such invested tranche shall be subject to an 18 month lock-up period during which the Shares in the Company relating thereto may not be transferred and will only be paid out to the employee if they are still employed within the Investment Manager's group at an agreed date following the expiry of the lock-up. The Directors intend to exercise their discretion in deciding whether this reinvestment into the Company should occur through the issuance of new Shares or by acquisition of Shares in the market. For further explanation, see the section headed "Investment in the Company by principals and employees of the Investment Manager" on page 85.

Further issues of Shares

Under the Articles, the Directors have powers to issue further Shares on a non-pre-emptive basis. The Directors will consider issuing further Shares at not less than the then-prevailing estimated Net Asset Value per Share.

The Investment Manager will seek to invest the proceeds of any further issues of Shares, where possible and appropriate, in investments consistent with the Company's existing portfolio at the relevant date, so as to avoid dilution of existing Shareholders' exposure to the prevailing composition of the Company's portfolio. Whilst the Investment Manager will have regard to the Company's investment objective and investment policy in respect of the Company, there can be no assurance that further additions to existing holdings can be achieved.

The Company has undertaken not to issue any further securities for a period of 180 days following the date of Admission, save for issues of Shares to meet investments by principals and employees of the Investment Manager as further described in the section headed "Investment in the Company by principals and employees of the Investment Manager" beginning on page 85 of this prospectus.

Ongoing, annual expenses

The Company will also incur ongoing annual expenses. These expenses will include the following:

Investment Manager

Under the Management Agreement, the Investment Manager will be paid a management fee of 1.5 per cent. per annum of the Net Asset Value. In addition, subject to a performance threshold, the Investment Manager will be paid a performance fee which will be equal to 20 per cent. of the appreciation in the Net Asset Value per Share during the relevant period. These fees are more fully described in the section headed "Fees and expenses" beginning on page 128.

The Company's accounting period will be from 1 January until 31 December in each calendar year.

Administration

The Administrator will be entitled to a fee of £85,000 per annum. In addition the Company will pay GlobeOp €20,000.

Directors

Each Director will be paid a fee of €30,000 per annum (€50,000 per annum for the Chairman).

Audit Committee

The chairman of the audit committee will receive an additional €7,500 per annum for his services in this role.

Other operational expenses

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including travel, accommodation, printing, audit and legal fees. These expenses will be deducted from the assets of the Company and are estimated to be in the region of €255,000 per annum. All out of pocket expenses of the Investment Manager, the Administrator, the Registrar, the Custodian and the Directors relating to the Company will be borne by the Company.

Taxation

Information concerning the tax status of the Company is set out in the section headed “Certain Tax Considerations” beginning on page 87. **If any potential investor is in any doubt about the taxation consequences of acquiring, holding or disposing of Shares, he should seek advice from his own independent professional adviser.**

Litigation

The Company is not, nor since its incorporation has it been, involved in any governmental, legal or arbitration proceedings nor, so far as the Directors are aware, are there any governmental, legal or arbitration proceedings pending or threatened by or against the Company which may have, or have since incorporation had, a significant effect on the Company’s financial position or profitability.

Dutch regulatory environment

The Company and the Investment Manager are subject to The Netherlands Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen 1990, as amended*) and the special supervisory regime for collective investment schemes established outside The Netherlands that is contained in the Circular 05-04 of August 10, 2005 regarding foreign collective investment schemes (*Beleid Buitenlandse Beleggingsinstellingen*) of the AFM. Under The Netherlands Act on the Supervision of Collective Investment Schemes, the Investment Manager will be exempt from the requirement to obtain a licence from The Netherlands Authority for the Financial Markets to act as the management company of a collective investment scheme with its registered office in Guernsey for so long as Guernsey is deemed to have “adequate supervision” of closed-ended funds. By Ministerial Regulation of 16 December 2005 in respect of the accreditation of states as referred to in Article 17c of The Netherlands Act on the Supervision of Collective Investment Schemes, as amended on 20 February 2006, Guernsey was accredited by the Dutch Ministry of Finance (*Ministerie van Financiën*) to have such adequate supervision. The Guernsey Financial Services Commission issued its “supervision statement” (*verklaring van ondertoezichtstelling*) as referred to in article 17c of The Netherlands Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen 1990, as amended*) on 17 October 2006. Irrespective of the exemption referred to above, the Company and the Investment Manager will be subject to certain ongoing requirements under The Netherlands Act on the Supervision of Collective Investment Schemes relating to the disclosure of certain information to investors, including the publication of financial statements.

Obligations of Shareholders to disclose holdings

On 3 July 2006, the Dutch Upper Chamber adopted a legislative proposal replacing the Dutch Act on the Disclosure of Holdings in Listed Companies Act of 1996 (*Wet Melding Zeggenschap in Ter Beurze Genoteerde Vennootschappen 1996*) with the Act on Disclosure of Voting and Capital Interest in Listed Companies (*Wet Melding Zeggenschap en Kapitaalbelang in Effectenuitgevende Instellingen*) (the “**Dutch Act on Disclosure**”). The Dutch Act on Disclosure will become effective in part on 1 October 2006 and in full on 1 November 2006. The provisions of the Dutch Act on Disclosure that relate to notifications to be made by the Company’s Shareholders (as described below) will become effective on 1 November 2006.

Pursuant to the Dutch Act on Disclosure, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights in the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the Company falls on or crosses (whether by exceeding or falling

below) the following thresholds: 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 40 per cent., 50 per cent., 60 per cent., 75 per cent. and 95 per cent.

This notification requirement also applies if a person's capital interest or voting right meets or passes the abovementioned thresholds as a result of a change in the Company's total share capital or voting rights. The notification has to be made no later than the fourth trading day after the AFM has published the Company's notification as described below. The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its share capital or voting rights change by 1.0 per cent. or more subsequent to the Company's previous notification.

Each person who holds an interest in the Company's share capital or voting rights of 5 per cent. or more at the time that the relevant part of the Dutch Act on Disclosure becomes effective, must immediately notify the AFM. In addition, once in every calendar year, every holder of 5 per cent. or more of the Company's share capital or voting rights must renew its notification to the AFM regarding changes in the person's percentage holdings in the Company's share capital or voting rights, including changes as a consequence of changes in the Company's total issued share capital.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares (or depositary receipts for shares) directly held (or acquired or disposed of) by any person; (ii) shares (or depositary receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; and (iii) shares (or depositary receipts for shares) which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of, including, but not limited to, on the basis of convertible bonds). Special rules apply to the attribution of shares (or depositary receipts for shares) which are part of the property of a partnership or other community of property. A holder of a pledge or a right of usufruct in respect of shares (or depositary receipts for shares) can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. If a pledgee or a person with encumbrance rights acquires such (conditional) voting rights, this may trigger the reporting obligations for the holder of the shares (or depositary receipts for the shares).

The AFM keeps a public register of all notifications made pursuant to the Dutch Act on Disclosure.

SELECTED FINANCIAL INFORMATION

With respect to each of the last three completed financial periods of the Sark Fund, in addition to the interim period to 30 June 2006, the net assets of the Sark Fund and the movement in its net asset value per share were as follows:

<u>The Sark Fund</u>	<u>10 months ended 31 December 2003</u>		<u>Year ended 31 December 2004</u>		<u>Year ended 31 December 2005</u>		<u>Six months ended 30 June 2006</u>	
	<u>Euro shares</u>	<u>US Dollar shares</u>	<u>Euro shares</u>	<u>US Dollar shares</u>	<u>Euro shares</u>	<u>US Dollar shares</u>	<u>Euro shares</u>	<u>US Dollar shares</u>
	(€)	(US\$)	(€)	(US\$)	(€)	(US\$)	(€)	(US\$)
Net Assets (€)	416,443,278		714,959,611		956,201,132		988,776,552	
Net asset value per share	109.69	109.00	112.77	111.28	122.58	121.79	128.49	128.86
% increase in net asset value per share by reference to the last completed financial period (or, in the case of the year ended 2003, since inception)	9.69	9.00	2.81	2.08	8.70	9.45	4.82	5.80

With respect to each of the last three completed financial periods of the Sark Master Fund, in addition to the interim period to 30 June 2006, the net assets of the Sark Master Fund and the movement in its net asset value per share were as follows:

<u>The Sark Master Fund</u>	<u>10 months ended 31 December 2003</u>		<u>Year ended 31 December 2004</u>		<u>Year ended 31 December 2005</u>		<u>Six months ended 30 June 2006</u>	
	<u>Euro shares</u>	<u>US Dollar shares</u>	<u>Euro shares</u>	<u>US Dollar shares</u>	<u>Euro shares</u>	<u>US Dollar shares</u>	<u>Euro shares</u>	<u>US Dollar shares</u>
	(€)	(US\$)	(€)	(US\$)	(€)	(US\$)	(€)	(US\$)
Net Assets (€)	425,830,710		719,979,668		977,613,732		1,001,730,816	
Net asset value per share	113.53	112.72	118.61	117.71	133.39	133.68	142.58	144.38
% increase in net asset value per share by reference to the last completed financial period (or, in the case of the year ended 2003, since inception)	13.53	12.72	4.48	4.43	12.46	13.56	6.89	8.01

The information in the above tables has been extracted from the audited financial statements of the Sark Fund and should be read in conjunction with such financial statements, and the notes thereto, which are contained in the section entitled “Financial Information” in this prospectus. The financial statements of the Sark Fund have been prepared in accordance with US GAAP.

OPERATING AND FINANCIAL REVIEW

The following discussion of the Company's, the Sark Fund's and the Sark Master Fund's financial condition and results of operations should be read in conjunction with the rest of this document, including the financial statements and the related notes thereto set out in the section entitled "Financial Information" beginning on page F-1.

This section contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this document, particularly under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors" beginning on pages 32 and 11 respectively.

Overview

The Company was formed on 3 October 2006 as a closed-ended investment company registered and incorporated in Guernsey. The Company's investment objective is to seek long-term appreciation of its assets through an exposure to multiple alternative investment strategies. Immediately after the completion of the Global Offering of the Shares, the Company will invest the proceeds it receives in the Global Offering (net of any working capital requirements, currently expected to be approximately €500,000) in a newly created Euro denominated class of shares of the Sark Fund, which will in turn invest such proceeds in the Sark Master Fund. The Sark Fund is a feeder fund which invests its assets (to the extent not retained in cash) exclusively in the Sark Master Fund. The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which primarily aims at arbitraging instruments with non-linear pay-offs in special situations. See "Business" for a more detailed description of the Sark Fund and the Sark Master Fund.

In addition to its investment in the Sark Fund, the Company intends from time to time to make investments outside of the Sark Fund that are identified by the Investment Manager. In order to fund these investments the Company may dispose of an appropriate number of shares of the Sark Fund, incur indebtedness or raise additional capital. These investments outside of the Sark Fund will be made in other hedge funds and/or other financial assets selected by the Investment Manager.

Future investment performance

The Company is a newly-formed investment company that has not yet commenced operations. The Company does not have any historical financial statements or other meaningful operating or financial data that may be used to evaluate its performance. Immediately following the completion of this Global Offering the Company will invest its assets, other than cash retained for working capital purposes, in the Sark Fund and on a going-forward basis the Company intends that a significant proportion of its assets will continue to be invested in the Sark Fund. The Sark Fund will in turn exclusively invest its assets in the Sark Master Fund. Historical financial statements and other operating and financial data for the Sark Fund and the Sark Master Fund are included in this prospectus. However, the past performance of the Sark Fund and the Sark Master Fund is not necessarily indicative of the future performance of the Company or the performance of any assets in which the Company invests outside of the Sark Fund. See "Risk Factors—No reliance should be placed by investors on the past performance of the Sark Fund or the Sark Master Fund".

The Company is subject to all of the risks and uncertainties associated with any new business, including the risk that it will not achieve its investment objective. The Company believes that its future investment performance will depend substantially on the talent and efforts of the Investment Manager and the Investment Manager's investment professionals, its and the Sark Master Fund's ability to successfully execute respective investment strategies, the availability and cost of capital, its and the Sark Master Fund's success in making investments and the effectiveness of its cash management activities.

Dependence on the Investment Manager

The Company will primarily rely on the skills and capabilities of the Investment Manager in selecting, evaluating, structuring, negotiating, executing, monitoring and exiting investments and in managing any uninvested capital in accordance with applicable investment policies. These activities will be carried out by the Investment Manager's investment professionals. The Investment Manager will have broad discretion when making investment related decisions for the Company and the Sark Master Fund and investment decisions will not be subject to the prior approval of the Directors. The Company's investment in the Sark

Fund will, in most respects, be passive. As a result, the Company's ability to grow its net asset value and the returns its investments generate will depend on the Investment Manager's ability to identify suitable investments and to effectively implement the Company's investment strategy as well as that of the Sark Master Fund. The Investment Manager's investment professionals' historical results with respect to the Sark Fund, the Sark Master Fund and the other funds the Investment Manager oversees are not indicative of the Company's, the Sark Fund's or the Sark Master Fund's future performance.

Execution of investment strategies

The Company's and the Sark Fund's ability to generate increases in their respective net asset values will depend primarily on the ability of the Investment Manager to identify and make investments that generate attractive returns as well as the ability of the Investment Manager to allocate effectively the assets of the Company and the Sark Master Fund. The failure of the Sark Master Fund's investment strategy, the failure of the Investment Manager to execute appropriately such strategies and/or the failure of the Company to identify and make appropriate investments in non-Sark Fund assets may reduce the Company's net asset value and adversely impact the value of the Shares. The success of the Company's and the Sark Master Fund's respective investment strategies are dependant on a number of factors, including many that are out of the control of the Company or the Investment Manager, such as general economic and political conditions, interest rate movements and security market volatility. In addition, the successful execution of investment strategies may be impacted by the growth in, and demand for, investments in hedge funds. This growth has resulted in greater competition among hedge funds for investments and may reduce investment opportunities for the Sark Master Fund and the Company, particularly for those investments based on inefficiencies in the applicable market for such investment. In executing their respective investment strategies, the Company and the Sark Master Fund expect to compete primarily with public and private investment funds and commercial and investment banks. Several of these competitors may be substantially larger and have considerably greater financial, technical and marketing resources than are available to the Company and the Sark Master Fund. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital, and may have similar investment objectives, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to the Company, other than the Sark Fund or the Sark Master Fund, which may create competitive disadvantages with respect to investment opportunities. In addition, some of these competitors may have different investment strategies or different risk assessments, which could allow them to consider a wider variety of investments.

Lack of a track record for investments in assets other than the Sark Fund

The Company's investments in assets other than the Sark Fund are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its and its affiliates' current activities but which are not pursued by the Sark Master Fund due to risk profiles or liquidity profiles inconsistent with those of the Sark Fund and the Sark Master Fund. The Investment Manager and its affiliates may not have previously been active in making investments that are similar to the investments that the Company intends to make; therefore their track record, including the historical rates of return and changes in net asset value achieved by the Sark Fund and the Sark Master Fund, is not indicative of the results that the Company's investments in assets other than the Sark Fund may achieve in the future. The Company cannot predict with certainty at this time the impact that its investments in non-Sark Fund assets will have on its business, financial condition or results of operations or whether such investments will be successful.

Financial reporting

The Company will prepare financial statements on an annual and semi-annual basis in accordance with IFRS and The Companies (Guernsey) Law, 1994. The Company expects that these financial statements will consist of a balance sheet, an income statement, a statement of changes in equity, a statement of cash flows, related notes and any additional information that the Directors deem appropriate or that is required by applicable law. The Company's annual financial statements will be prepared in accordance with IFRS and The Companies (Guernsey) Law, 1994 and audited by an independent accounting firm. If as a result of ongoing work by international regulators in relation to convergence of accounting standards, it becomes permissible for the Company to prepare its accounts in accordance with US GAAP, then the Company may elect to do so in the future. Each of the Sark Fund and the Sark Master Fund have historically prepared their respective financial statements in accordance with US GAAP and intend to continue to do so.

Because the Company will not hold a controlling interest in the Sark Fund or the Sark Master Fund, the Company will not consolidate the results of operations or the assets of any of these entities in its financial statements. As a result, the Company anticipates that the only investments that will be recorded as assets in its financial statements will be its investment in the Sark Fund as well as any non-Sark Fund assets the Company may hold from time to time. The Company does not intend to provide its shareholders with the financial statements of the Sark Fund or the Sark Master Fund.

The preparation of financial statements in conformity with IFRS requires that the Company make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Predicting future events is inherently an imprecise activity and as such requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. The valuation of the Company's interest in the Sark Fund and non-Sark Fund assets and the valuation of the Sark Fund's investment in the Sark Master Fund (in accordance with US GAAP) also involve estimates and will be subject to judgments by the management of each entity.

Measure of financial performance

The Company expects that the primary measure of its financial performance, and the primary measure of the financial performance of the Sark Fund and the Sark Master Fund, will be the net change in net assets (as calculated in accordance with IFRS or US GAAP, as applicable) resulting from operating activities during an accounting period and the corresponding change in the relevant entity's net asset value.

Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange

Realised gains and losses

Realised gains and losses from securities, derivatives transactions and foreign exchange represent the difference between the net proceeds received from the sale or repayment of a derivative contract, including with respect to foreign currency transactions, and the cost basis of such investment. Realised gains and losses will be recorded on a weighted average cost basis. Because the Company will record its interest in the Sark Fund as an asset in its financial statements the Company generally does not expect to record any realised gains or losses with respect to its investment in the Sark Fund in its financial statements except when it redeems shares in the Sark Fund. As the results of operations of the Sark Fund will not be consolidated in the Company's financial statements, any of the Sark Fund's gains and losses will be recognised in the Company's financial statements only to the extent that they affect the value of the Company's interests in the Sark Fund as described below under the section headed "—Value of the Company's interest in the Sark Fund and non-Sark Fund assets".

Investments made by the Company in non-Sark Fund assets will be recorded as assets in the Company's financial statements. Upon a disposal of a non-Sark Fund asset the Company expects to record any realised gain or loss with respect to such investment in its financial statements.

The Company's investments will be designated as fair value through profit or loss. Gains and losses arising thereon will be included in the income statement.

Unrealised gains and losses

The investments that will be carried as assets in the Company's financial statements and the investments that will be carried as assets in the Sark Fund's financial statements will be valued on a monthly basis. In accordance with IFRS or US GAAP, as applicable, any new unrealised appreciation or depreciation in the value of those investments will be recorded as an increase or decrease in the unrealised appreciation or depreciation of investments in securities, derivative transactions and foreign exchange. When an investment that is carried as an asset is sold or repaid and a gain or loss on the investment is realised in connection with the sale or repayment as described above under "—Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange" an accounting entry will be made to reverse any unrealised appreciation or depreciation that has previously been recorded in order to ensure that the gain or loss recognised in connection with the sale or repayment of the investment does not result in the double counting of the previously reported unrealised appreciation or depreciation.

The Directors will be responsible for reviewing and approving valuations of investments that are carried as assets in the Company's financial statements and the directors of the Sark Fund and the Sark Master Fund will be responsible for reviewing and approving valuations of investments that are carried as assets in the Sark Fund's financial statements and the Sark Master Fund's financial statements, respectively. Because

valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, in satisfying its responsibilities, each board of directors will utilise the services of their respective administrator and the Investment Manager, each of whom will make calculations as to investment values. In accordance with IFRS and US GAAP, as applicable, an investment for which a market quotation is readily available will be valued based on bid market prices for the investment as of the end of the applicable accounting period. An investment for which a market quotation is not readily available will be valued based on the latest available valuation provided by the relevant counterparty or based on pricing models that consider the time value of money and the current market prices, contractual prices and potential volatilities of the underlying financial instruments. While there is no single standard for determining fair value in good faith, the Company believes that the methodologies described below generally will be followed when fair value pricing is applied.

Value of the Company's interests in the Sark Fund and non-Sark Fund assets

The only investments that the Company expects to carry as assets in its financial statements will consist of its interests in the Sark Fund and any non-Sark Fund assets it may acquire. The Sark Fund does not have, and the non-Sark Fund assets are not necessarily expected to have, a readily available, liquid market and will therefore be valued using fair value pricing. The Company expects that its interests in the Sark Fund generally will be valued at an amount that is equal to the Company's proportionate interest in the latest published net asset value of the Sark Fund. This value will be based on financial information provided to the Company by the Investment Manager in its capacity as investment manager of the Sark Fund. The Sark Fund's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realised gains and losses on the sale or repayment of investments, if any, that it records in its financial statements and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements. Such investments will consist of its interest in the Sark Master Fund and temporary investments, each of which are expected to be valued using market prices or fair value pricing as described below.

Value of the Sark Fund's interest in the Sark Master Fund and the value of the Sark Master Fund's assets

The investments that the Sark Fund will carry as assets in its financial statements will consist primarily of its interest in the Sark Master Fund, which does not have a readily available market and will therefore be valued at fair value based upon financial information provided by the investment manager of the Sark Master Fund. The Sark Fund expects that its interest in the Sark Master Fund generally will be valued at an amount that is equal to its proportionate share of the net asset value of the Sark Master Fund as determined by the administrator of the Sark Master Fund. The performance of the Sark Fund is directly affected by the performance of the Sark Master Fund. The Sark Master Fund's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realised gains and losses on the sale or repayment of investments, if any, that it records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements.

The assets of Sark Master Fund consist of a wide variety of investments made in accordance with its investment strategy. **Investors should read "Note 2—Significant Accounting Policies" to each of the financial statements of the Sark Master Fund included in this Prospectus for a description of its valuation policies with respect to investments made by it.**

Expectations regarding changes in fair values

The Company, the Sark Fund and the Sark Master Fund will be required to make determinations as to the fair value of investments on a monthly basis. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, each entity's directors will be required to utilise the services of the Investment Manager and the relevant administrator, each of whom will make calculations as to investment values and carry out agreed upon procedures with respect to valuations of investments for which market quotations are not available in order to confirm that the calculations of values of investments are not unreasonable.

The Company, the Sark Fund and the Sark Master Fund expect that their investments will initially be valued at their acquisition cost, which approximates to fair value. While each subsequent valuation will depend on the facts and circumstances known as of the valuation date and the application of the valuation methodologies described above, the Company, the Sark Fund and the Sark Master Fund generally expect

that the value of their respective investments will be increased or decreased only upon the occurrence of one or more events that would support the conclusion that the previous valuation was no longer appropriate.

Investment income

As described above, because the assets of the the Sark Fund and Sark Master Fund will not be consolidated in the Company's financial statements, the Company anticipates that the only investments that will be recorded as assets in its financial statements will be its interest in the Sark Fund and any interests in non-Sark Fund assets that the Company may acquire. As a result, the Company anticipates its investment income will be primarily limited to any dividend or interest income from non-Sark Fund assets, from the Company's cash and cash equivalent investments and from dividend income, if any, from the Sark Fund.

Total expenses

As the results of operations of the Sark Fund and the Sark Master Fund will not be consolidated in the Company's financial statements, the Company expects that its total expenses will be limited to the expenses that it directly incurs in connection with its operation. The Company believes that these expenses will consist primarily of management and performance fees payable to the Investment Manager, fees paid to the Administrator, auditors' fees, directors' fees and other operational expenses such as legal fees and the costs of preparing and printing reports to its shareholders. The Company will not incur expenses in connection with the Global Offering, as these will be borne by the Investment Manager.

Results of operations for the Sark Fund

As the activity of the Sark Master Fund, and hence of the Sark Fund, is trading and investing in financial instruments, the statutory financial statements included herein may not provide the most useful means by which to judge the underlying developments and performance of these funds. In particular, while these statutory financial statements included herein split the result of each trade or investment into various individual items, the Sark Fund, the Sark Master Fund and the Investment Manager focus on the overall change in assets. It also may not be particularly insightful to compare over time individual accounting items as they may vary for very different reasons, including trading and investment strategies deployed, foreign currency transactions outside the trading and investment activity of the relevant entity and total assets under management. Hence, the Company believes that the ultimate indicator is the performance of the fund, i.e. the return to its shareholders. Investors should therefore also read "Business—The Sark Fund's performance since inception" beginning on page 41 for an additional description of the Sark Fund's investments and their performance for the first nine months of 2006 as well as 2003 through 2005. Set out below are the monthly return statistics for the Sark Fund since inception.

Sark Fund—Euro share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD ⁽¹⁾	ITD ⁽²⁾
2003	—	—	0.75	0.76	0.82	1.04	0.93	1.06	1.18	1.55	1.05	0.17	9.69	9.69
2004	1.07	-0.12	1.03	0.22	0.14	-0.29	-0.42	-0.42	-0.19	-0.49	1.18	1.07	2.81	12.77
2005	1.70	1.06	1.09	-0.69	0.27	1.27	1.16	0.50	1.00	-0.44	0.71	0.77	8.70	22.58
2006	-0.18	1.56	1.64	0.86	-0.47	1.35	0.40	1.56	2.73	—	—	—	9.79	34.58

Sark Fund—US Dollar share class (% net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD ⁽¹⁾	ITD ⁽²⁾
2003	—	—	0.67	0.70	0.77	0.94	0.84	0.97	1.15	1.46	1.01	0.15	9.00	9.00
2004	1.00	-0.17	0.96	0.13	0.07	-0.35	-0.47	-0.47	-0.24	-0.59	1.16	1.06	2.08	11.27
2005	1.66	1.08	1.09	-0.64	0.31	1.30	1.22	0.62	1.06	-0.32	0.81	0.89	9.45	21.79
2006	-0.01	1.64	1.78	1.08	-0.29	1.49	0.56	1.74	2.83	—	—	—	11.31	35.57

Source: Sark Fund.

(1) YTD = Aggregate return for the year to date.

(2) ITD = Aggregate return from inception to date.

A significant proportion of the Sark Fund's investors are invested in the Sark Fund through a US Dollar share class. As the Sark Master Fund is a Euro based investment vehicle mainly invested in Euro

denominated assets, all funds received in US Dollars are swapped into Euros. Since US Dollar share class investors do not wish to expose their capital to the fluctuations of the Euro-US Dollar exchange rate, their funds are not converted into Euros but solely swapped into Euros on a rolling monthly basis, ensuring that their holdings remains in US Dollars. Therefore they receive the equivalent in US Dollars of the Euro performance of the Sark Master Fund with no currency risk exposure on their capital.

However, as the financial statements for the Sark Fund are prepared in Euro, when the funds held by US Dollar share class investors are swapped into Euro, the impact of the change in the Euro-US Dollar exchange rate between the beginning and the end of a period may create a significant impact on the results of operations of the Sark Fund. The larger the proportion of the Sark Fund is held through the US Dollar share class and the more significant the change in the Euro-US Dollar exchange rate over the period, the more significant the impact in the accounts denominated in Euro. However, the Company believes that this impact should be neutral to investors in the Sark Fund as its more relevant performance measure is the net asset value per share in Euro for the Euro share class and in US Dollars for the US Dollar share class.

Therefore, the Sark Fund's accounts are significantly affected by fluctuations in the Euro-US Dollar exchange rate. The estimated impact of this effect on the results of operations of the Sark Fund and the Sark Master Fund was a loss of €29.2 million in 2003, a loss of €40.4 million in 2004, and a gain of €68.5 million in 2005. In the first half of 2006, the estimated impact was a loss of €53.2 million versus a gain of €53.7 million in the first half of 2005.

The results of operations of the Sark Fund set forth below represent a combination of the result of the trading activity, the impact of the foreign currency transactions for the rolling swap of the US Dollar share class, and the non-trading activity, which mainly includes fees paid to the Investment Manager and other expenses. The Sark Fund's results of operations include its pro-rata share of each type of income and expense as well the realised and unrealised gains and losses from the Sark Master Fund's results of operations. For the periods covered by the financial statements of the Sark Fund included herein, the Sark Fund owned 100 per cent. of the Sark Master Fund and thus this share was equal to 100 per cent.

	Six Months Ended 30 June 2006	Six Months Ended 30 June 2005	Year Ended 31 December 2005	Year Ended 31 December 2004	10 Months Ended 31 December 2003
	(US GAAP basis) (in €)				
RESULTS OF OPERATIONS OF SARK FUND LIMITED					
<i>Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange allocated from Sark Master Fund Limited</i>					
Net realized gain (loss) from securities, derivatives transactions and foreign exchange	449,722,487	(62,938,454)	(350,153,571)	(223,403,831)	27,340,637
Net change in unrealized appreciation (depreciation) on investments in securities, derivatives transactions and foreign exchange	(435,644,369)	162,315,709	491,221,011	179,368,045	(29,445,530)
Net gain (loss) from securities, derivatives transactions and foreign exchange	14,078,118	99,377,255	141,067,440	(44,035,786)	(2,104,893)
<i>Net investment income/(expense) allocated from Sark Master Fund Limited Interest income</i>					
Net dividend income	47,675,636	45,123,372	83,233,516	57,687,911	15,061,836
Other income	14,244,485	20,636,823	14,736,798	7,494,054	568,705
Expenses	—	—	3,611	—	—
Net investment income (expense) from Sark Master Fund Limited	(55,511,698)	(60,543,713)	(67,423,460)	(36,338,533)	(8,045,920)
Net investment income (expense) from Sark Master Fund Limited	6,408,423	5,216,482	30,550,465	28,843,432	7,584,621
Company income	30,662	2,657	3,409	5,788	17,277
Total expenses	(20,417,905)	(15,013,452)	(31,161,662)	(13,174,901)	(9,395,081)
Net investment income (loss)	(13,978,820)	(9,794,313)	(607,788)	15,674,319	(1,793,183)
Net increase (decrease) in net assets resulting from operations					
	99,298	89,582,942	140,459,652	(28,361,467)	(3,898,076)
Net increase (decrease) in net assets resulting from capital share transactions	32,476,123	41,418,058	100,781,869	326,877,800	420,341,354
Total net increase (decrease) in net assets	32,575,420	131,001,000	241,241,521	298,516,333	416,443,278
SELECTED OTHER DATA FOR SARK FUND LIMITED					
Net assets at the beginning of the period	956,201,132	714,959,611	714,959,611	416,443,278	—
Net assets at the end of the period	988,776,552	845,960,611	956,201,132	714,959,611	416,443,278
Rate EUR/USD	1,2782	1,2100	1,1807	1,3599	1,2605 (1,0963 on 3 March 2003*)
Asset Under Management	988,776,552	845,960,611	956,201,132	714,959,611	416,443,278
SELECTED SHARE DATA FOR SARK FUND LIMITED					
% of NAV in EUR	35.04%	39.36%	33.30%	38.28%	39.60%
% of NAV in USD	64.96%	60.64%	66.70%	61.72%	60.40%
NAV Euro Class (€)	128.49	118.15	122.58	112.77	109.69
NAV USD Class (\$)	128.86	116.70	121.79	111.28	109.00

* This was the date of inception.

Comparison of six months ended 30 June 2006 and six months ended 30 June 2005

Net gain (loss) from securities, derivatives transactions and foreign exchange

Net gain (loss) from securities, derivatives transactions and foreign exchange represents the sum of the realised and unrealised gains and losses from transactions in financial instruments held by the Sark Fund.

The Sark Fund experienced a net gain from securities, derivatives, transactions and foreign exchange of €14.1 million for the six months ended 30 June 2006, a decrease of €85.3 million, or 85.8 per cent., from its €99.4 million gain in the comparable period of 2005. This gain related mostly to the trading by the Sark Master Fund of fixed income securities and also the positive impact of the rolling foreign exchange transactions required to swap the US Dollar funds of the US Dollar share class investors into Euro.

Interest income

Interest income represents the total interest income earned by the Sark Master Fund and which is allocated fully to the Sark Fund.

Interest income for the six months ended 30 June 2006 was €47.7 million as compared to €45.1 million for the first six months of 2005, a 5.7 per cent. increase. This increase was a result of an increased amount of interest received from investments in fixed income securities.

Net dividend income

Net dividend income represents total dividend income, net of withholding taxes, received by the Sark Master Fund from its investments and that was fully allocated to the Sark Fund.

Net dividend income for the six months ended 30 June 2006 was €14.2 million as compared to €20.6 million for the six months ended 30 June 2005, a decrease of 31.0 per cent. This decrease resulted from a decrease in the amount of dividends paid on investments held by the Sark Master Fund during this period.

Expenses

Expenses consist of all the expenses incurred by the Sark Master Fund which are allocated fully to the Sark Fund. These include both expenses directly related to trading and investment activity such as interest expenses, dividends paid, stock borrowing fees, and trading expenses as well as other unrelated costs, such as administration, professional and other fees. The latter are significantly lower than the direct trading expenses.

Expenses decreased for the six months ended 30 June 2006 to €55.5 million from €60.5 million in the first half of 2005, a decrease of 8.3 per cent. This decrease primarily was a result of a drop in dividends and the stock borrowing fees paid.

Total expenses

Total expenses are almost exclusively management and performance fees paid to the Investment Manager in its capacity as investment manager of the Sark Fund. Management fees increase proportionately to the size of the assets under management and are payable at an annual rate of 1.5 per cent. on the net asset value attributable to the ordinary shares, accrued monthly and payable quarterly in arrear. Performance fees are volatile and depend on the underlying investment performance of the Sark Fund and are payable to the Investment Manager on a share-by-share basis with respect to each twelve month period ending on 31 December in an amount equal to 20 per cent. of the appreciation in net asset value per share.

Total expenses were €20.4 million for the six months ended 30 June 2006, an increase of 36.0 per cent. from total expenses of €15.0 million during this period in 2005. This increase largely was due to an increase in management and performance fees paid by the Sark Fund, which increased as a result of a growth in assets under management and better investment performance in the first half of 2006.

Assets under management

Assets under management were €988.7 million at 30 June 2006, an increase of 16.9 per cent. from the €846.0 million recorded at 30 June 2005. This increase arose from a combination of investment performance and of new subscriptions to the Sark Fund, mostly in the US Dollar share class.

Net asset value per share

Net asset values per share were €128.49 and \$128.86 at 30 June 2006 for the Euro and US Dollar share classes respectively. The increase of 8.75 per cent. and 10.42 per cent. from €118.15 and \$116.70 as of 30 June 2005 for the Euro and US Dollar share classes, respectively, represents the investment performance of the Sark Fund over the twelve months ending on 30 June 2006. A more detailed analysis of

the investment performance can be reviewed by investors in “Business—The Sark Fund’s performance since inception” beginning on page 41.

Comparison of year ended 31 December 2005 and year ended 31 December 2004

Net gain (loss) from securities, derivatives transactions and foreign exchange

The Sark Fund experienced a net gain from securities, derivatives, transactions and foreign exchange of €141.1 million for 2005, an increase of €185.1 million from its €44.0 million net loss from securities, derivatives transactions and foreign exchange in 2004. This gain consisted primarily of an increase in short selling transactions executed in a multitude of securities. There was also a significant positive impact in 2005 from the rolling foreign exchange transactions required to swap the US Dollar fund of the US Dollar share class investors into Euro.

Interest income

Interest income for 2005 was €83.2 million as compared to €57.7 million for 2004, a 44.3 per cent. increase.

Net dividend income

Net dividend income for 2005 was €14.7 million as compared to €7.5 million for 2004, an increase of 96.6 per cent. This increase was a result of an increase in dividends paid on investments held by the Sark Master Fund.

Expenses

Expenses increased in 2005 to €67.4 million from €36.3 million in 2004, an increase of 85.5 per cent. This increase was due to a very significant rise in dividends and interest paid during 2005.

Total expenses

Total expenses were €31.2 million in 2005, an increase of 136.5 per cent. from total expenses of €13.2 million in 2004. This increase largely was due to the management and the performance fees paid by the Sark Fund. Management fees reached €12.6 million at the end of 2005, compared to €10.0 million in 2004, while the performance fees increased from €3.1 million in 2004 to €18.6 million at the end of 2005.

Assets under management

Assets under management were €956.2 million at the end of 2005, an increase of 33.7 per cent. from the €715.0 million at the end of 2004. This increase was primarily a result of an increased amount of new subscriptions, net of redemptions, as well as positive investment performance.

Net asset value per share

Net asset values per share were €122.58 and \$121.79 at the end of 2005 for the Euro and US Dollar share classes respectively. The increase of 8.70 per cent. and 9.45 per cent. from €112.77 and \$111.28 for the Euro and US Dollar share classes respectively represents the investment performance of the Sark Fund throughout the financial year. A detailed analysis of the investment performance can be reviewed by investors in “Business—The Sark Fund’s performance since inception” beginning on page 41.

Comparison of year ended 31 December 2004 and year ended 31 December 2003

Net gain (loss) from securities, derivatives transactions and foreign exchange

The Sark Fund experienced a net loss from securities, derivatives, transactions and foreign exchange of €44.0 million for 2004, a decrease of €41.9 million from its €2.1 million net loss in 2003. This loss consisted primarily of net realised investments in the Sark Master Fund and was also impacted by the loss on the rolling foreign exchange transactions required to swap the US Dollar fund of the US Dollar share class investors into Euro.

Interest income

Interest income for 2004 was €57.7 million as compared to €15.1 million for 2003, a 283.0 per cent. increase. This change was the result of the Sark Master Fund's significant increase in investments in fixed income securities during 2004.

Net dividend income

Net dividend income for 2004 was €7.5 million as compared to €0.6 million for 2003, an increase of 1217.7 per cent. This increase was a result of an increase in dividends paid on investments held by the Sark Master Fund.

Expenses

Expenses increased in 2004 to €36.3 million from €8.0 million in 2003, an increase of 351.6 per cent. This increase was due to a very significant rise in dividends and interest paid during the year 2004.

Total expenses

Total expenses were €13.2 million in 2004, an increase of 40.2 per cent. from total expenses of €9.4 million in 2003. This increase primarily was a result of management fees rising from €3.5 million in 2003 to €10.0 million in 2004. Performance fees had a less significant impact on total expenses in 2004 due to the decrease in investment performance.

Assets under management

Assets under management were €715.0 million at the end of 2004, an increase of 71.7 per cent. from the €416.4 million at the end of 2003. This increase resulted from a continued inflow into the Sark Fund through subscriptions to both the Euro and US Dollar class shares. Investment performance had a positive, but less meaningful, contribution to the increase in assets under management during 2004.

Net asset value per share

Net asset values per share were €112.77 and \$111.28 at the end of 2004 for the Euro and US Dollar class shares respectively. The increase of 2.81 per cent. and 2.08 per cent. from €109.69 and \$109.00 for the Euro and US Dollar class shares respectively represents the investment performance of the Sark Fund throughout the financial year. A detailed analysis of the investment performance can be reviewed by investors in "Business—The Sark Fund's performance since inception" beginning on page 41.

Results of operations for the Sark Master Fund

Results of Operations of Sark Master Fund Limited	(US GAAP basis) (in €)				
	Six Months Ended 30 June 2006	Six Months Ended 30 June 2005	Year Ended 31 December 2005	Year Ended 31 December 2004	10 Months Ended 31 December 2003
<i>Realised and unrealised gain/(loss) from securities, derivatives transactions and foreign exchange</i>					
Net realized gain (loss) from securities, derivatives transactions and foreign exchange	449,722,487	(62,938,454)	(350,153,571)	(223,403,831)	27,340,637
Net change in unrealized appreciation (depreciation) on investments in securities, derivatives transactions and foreign exchange	(435,644,369)	162,315,709	491,221,011	179,368,045	(29,445,530)
Net gain (loss) from securities, derivatives transactions and foreign exchange	14,078,118	99,377,255	141,067,440	(44,035,786)	(2,104,893)
<i>Net investment income/(expense)</i>					
Interest income	47,675,636	45,123,372	83,233,516	57,687,911	15,061,836
Net dividend income	14,244,485	20,636,823	14,736,798	7,494,054	568,705
Other income	—	—	3,611	—	—
Expenses	(55,511,698)	(60,543,713)	(67,423,460)	(36,338,533)	(8,045,920)
Net investment income (loss)	6,408,423	5,216,482	30,550,465	28,843,432	7,584,621
Net increase (decrease) in net assets resulting from operations	20,486,541	104,593,737	171,617,905	(15,192,354)	5,479,728

As the Sark Fund invests all of its assets in the Sark Master Fund and the Sark Master Fund is 100 per cent. owned by the Sark Fund, changes in the results of operations of the Sark Master Fund for the periods presented above were driven by the same reasons as changes in the results of operations of the Sark Fund as described above. The only substantial difference in the results of operations between the Sark Fund and the Sark Master Fund is that the Sark Fund pays management and performance fees to the Investment Manager pursuant to an investment management agreement with it. Such fees are set forth in the line item designated as “Total expenses” in the financial statements of the Sark Fund.

Liquidity and capital resources

The Company’s sources of cash and liquidity needs

The Company will use the cash received from the Global Offering to make an investment in shares of the Sark Fund (which will in turn make investments in the Sark Master Fund) and to subsequently acquire non-Sark Fund assets. In addition to its investments, the Company will require cash to pay management and performance fees due to the Investment Manager under the Investment Management Agreement as well as fund its operating expenses (including fees paid to the Directors as well as audit and legal fees). The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements, that is for at least the next 12 months from the date of this prospectus.

The Company’s initial source of liquidity will consist of the gross proceeds that it receives in connection with the Global Offering. These proceeds will initially be invested in Euro class shares of the Sark Fund, net of any amounts (currently expected to be approximately €500,000) retained for the working capital requirements of the Company. In the future, the Company may enter into one or more borrowing facilities to fund its operating expenses and fees owed to the Investment Manager. As the Sark Fund is not expected to pay dividends, the Company expects that the primary source of its future liquidity will depend on borrowings in accordance with its leverage policies, the periodic redemption of shares of the Sark Fund owned by it to the extent necessary to provide sufficient cash to fund its subsequent ongoing costs and expenses and the management of available cash and borrowings. The Company has the power under its Articles to borrow up to an amount equal to 100 per cent. of its Net Asset Value as at the time of

borrowing, although the Directors do not intend that the Company should engage in any structural borrowing for the purposes of investment in the Sark Fund.

See “Business—Leverage” for a further description of the leverage policies of the Company.

The Sark Fund’s and the Sark Master Fund’s sources of cash and liquidity needs

The Sark Fund uses its cash primarily to fund investments in the Sark Master Fund and to pay the fees and expenses charged by the Investment Manager. The Sark Fund will invest the cash that it receives from the Company in connection with the Global Offering to purchase interests in the Sark Master Fund.

The Sark Master Fund uses its cash primarily to fund its investments in accordance with its investment policy, to pay its operating expenses as well as the operating expenses of the Sark Fund, and to fund collateral requirements for foreign currency hedging in which it engages.

The Sark Fund’s primary sources of liquidity are the proceeds received by it from periodic redemptions of its interests in the Sark Master Fund as well as share subscriptions received in connection with the issuance of additional further shares in the Sark Fund. The Sark Fund intends that any cash received by it as dividends or distributions on its investments in the Sark Master Fund will be reinvested in the Sark Master Fund. The Sark Fund does not intend to borrow funds in order to fund its operations or investments.

The Sark Master Fund’s primary sources of liquidity are investments made into it by the Sark Fund and other feeder funds that may be established from time to time, proceeds received from sales of investments and leverage activities in which it engages.

See “Business—Leverage” for a further description of the leverage policies of the Sark Fund and the Sark Master Fund.

Contingencies and contractual obligations

Management Agreement

Under the Management Agreement, the Investment Manager will be paid a management fee of 1.5 per cent. of Net Asset Value. The management fee will be accrued monthly and payable quarterly in arrear. In addition, the Investment Manager will be paid a performance fee which will be equal to 20 per cent. of the appreciation in the Net Asset Value per Share during the relevant period. The performance fee is normally payable to the Investment Manager in arrears within 14 calendar days of the end of each year. See “Relationship with the Investment Manager and related party transactions—Management Agreement” for a further description of the fees payable by the Company pursuant to the Management Agreement.

Debt obligations

The Company may incur debt obligations to use in direct investment strategies (other than investments in the Sark Fund), for managing day-to-day cash flows, for meeting its expenses and for funding repurchases of Shares. Such debt obligations may subject the Company to contractual obligations relating to the periodic payment of interest and the repayment of borrowed principal.

Indemnification

In the normal course of business each of the Company and the Sark Master Fund (on behalf of itself and the Sark Fund) enters into contracts with service providers and other parties, including the Investment Manager, that contain a variety of indemnification obligations. The maximum exposure to the Company or the Sark Master Fund as applicable, is unknown. However neither the Company nor the Sark Master Fund has had prior claims or losses pursuant to these contracts.

Off balance sheet arrangements

The Company does not currently have any off-balance sheet arrangements.

In the normal course of business, the Sark Master Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk. These financial instruments include foreign currency forwards, futures agreements, swap agreements, contracts for differences, written options and securities sold short. See “Note 4—Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk” to each of the financial statements of the Sark Master Fund included in this prospectus for a further description of such items.

Exposure to market risk

The Company expects to be exposed to a number of market risks as a result of the types of investments that the Sark Master Fund make as well as investments that the Company expects to make in non-Sark Fund assets. The Company believes that its exposure to market risks will relate primarily to changes in the values of publicly traded and over-the counter (OTC) securities that are held by the Company or the Sark Master Fund for investment, the credit risk of counterparties, movements in prevailing interest rates, changes in foreign currency exchange rates and risks arising from hedging arrangements.

The Company and the Sark Master Fund may seek to mitigate such risks through the use of hedging arrangements and derivative instruments, which could subject it to additional risks and which may not be completely effective. The Investment Manager, under the Investment Management Agreement, will be responsible for monitoring all these risks and for carrying out risk management activities relating to the Company's investments.

Securities market risks

The Company's non-Sark Fund assets as well as the investments of the Sark Master Fund are expected to include investments in a variety of securities, including equity and debt securities of both corporate and governmental entities, options, forwards, futures and swap contracts. The market prices and values of traded securities may be volatile and are likely to fluctuate due to a number of factors beyond the control of the Company or the Sark Master Fund, including actual or anticipated fluctuations in the quarterly, semi-annual and annual results of such issuers or of other issuers in the industries in which they operate, extraordinary corporate events involving the issuers of such securities, market perceptions concerning the availability of additional securities for sale, interest and currency rate movements, volatility in commodity prices, general economic, social or political developments, industry conditions and changes in government regulation. In accordance with IFRS and US GAAP, as applicable, the Company and the Sark Master Fund will be required to value investments in traded securities based on current market prices at the end of each accounting period, which could lead to significant changes in the net asset values and operating results that the Company, the Sark Fund and the Sark Master Fund report.

Credit risks

In the course of their respective businesses both the Company, in the context of making investments in non-Sark Fund assets, and the Sark Master Fund will enter into investment contracts, such as derivative instruments, with third parties. Credit risk is the risk of the potential inability or refusal of counterparties to perform the terms of such investment contracts, which may be in excess of the amounts recorded in the Company's or the Sark Master Fund's respective balance sheet. In the event a counterparty fails to perform the terms of an investment contract, the Company, the Sark Fund and/or the Sark Master Fund may suffer an adverse effect on its results of operations and net asset value.

Interest rate risks

The Company may incur indebtedness in the future with a view to enhancing shareholder returns, engaging in share buybacks and to meet liquidity needs. The Sark Master Fund has, and may continue to, incur indebtedness in order to enhance its returns. In addition the Company, in respect of a non-Sark Fund asset, or the Sark Master Fund itself may make investments that are sensitive to changes in interest rates. Due to the foregoing, the Company believes that it will be exposed to risks associated with movements in prevailing interest rates. Volatility in interest rates could make it more difficult or expensive for the Company or the Sark Master Fund to obtain debt financing, could negatively cause the prices of long or short positions to move in directions not initially anticipated and could decrease the returns that the Company's and the Sark Master Fund's investments generate.

Foreign currency risks

The functional and presentational currency of the Company, the Sark Fund and the Sark Master Fund will be the Euro. As a result, the investments that are carried as assets in the respective financial statements will be stated in Euros. When valuing investments that are denominated in currencies other than the Euro, the Company and the Sark Master Fund will be required to convert the values of such investments into Euros based on prevailing exchange rates as of the end of the applicable accounting period. Due to the foregoing, changes in exchange rates between Euros and other currencies could lead to significant changes in the net asset values that the Company, the Sark Fund or the Sark Master Fund report and could subject

such net asset values to favourable or unfavourable fluctuations. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Company, the Sark Fund and the Sark Master Fund may engage in a variety of hedging strategies to offset this risk; however there can be no assurance that such strategies can protect against a decline in asset values.

Hedging arrangements

The Company currently is not a party to any hedging arrangements. However in connection with the Company's investments in non-Sark Fund assets, as well as in the ordinary course of business for the Sark Fund and the Sark Master Fund, the Investment Manager may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit the applicable entity's exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. The Company anticipates that the scope of risk management activities undertaken by the Investment Manager will vary based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the type of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that the Investment Manager enters into on behalf of the Company, the Sark Fund or the Sark Master Fund generally will depend on the Investment Manager's ability to correctly predict market changes. As a result, while the Investment Manager may enter into such transactions in order to reduce exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, the Investment Manager may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transactions and the position being hedged. An imperfect correlation could prevent the Investment Manager from achieving the intended result and create new risks of loss. In addition, it may not be possible to fully or perfectly limit the Company's, the Sark Fund's or the Sark Master Fund's exposure against all changes in the values of their respective investments, because the values of such investments are likely to fluctuate as a result of a number of factors, some of which will be beyond the control of the Investment Manager.

Recent accounting pronouncements

Recent changes to US GAAP

In May 2005 the Financial Accounting Standards Board ("FASB") issued FASB statement no. 154, *Accounting Changes And Error Corrections*. This standard provides guidance on the accounting for and reporting of accounting changes including changes in principles, accounting estimates and corrections of errors in previously issued financial statements. This standard is effective for the current year. In February 2006 FASB statement no. 155, *Accounting For Certain Hybrid Financial Instruments* was issued, which amends the previously issued statements no.s 133 and 140. The standard provides guidance on accounting for derivative products embedded in a host contract and indicates that if such host contract is not being accounted for at fair value the embedded derivative should be bifurcated and reported at fair value. This standard is applicable for years beginning after 15 September 2006. As the Sark Fund and the Sark Master Fund carry their investment positions at fair value already this standard is not expected to have a significant impact on either entity.

In July 2006 the FASB issued Final Interpretation no. 48 ("**FIN 48**") *Accounting For Uncertainty In Income Taxes*. FIN 48 creates a single model to address uncertainty in income tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognised in these financial statements. It also provides guidance in other areas such as

disclosures. FIN 48 is effective for years beginning after 15 December 2006. Management of the Sark Fund and the Sark Master Fund are still assessing the implications of FIN 48 for each entity, with their initial assessment being that it is unlikely to have a significant impact on either.

In late September 2006 the FASB issued FASB no. 157 *Fair Value Measurements*. This standard provides guidance for measuring assets and liabilities at fair value by the establishment of a fair value hierarchy, with quoted prices in active markets given highest priority. The standard also requires expanded information about the extent to which entities measure assets and liabilities at fair value, the information used to measure fair value and the effect that fair value measurements have on earnings. The Investment Manager will be undertaking a review of this standard to assess its implications for the Sark Fund and the Sark Master Fund. It is likely that additional disclosures will be required in the annual financial statements of each entity in relation to the sources utilised for the valuation of investment positions at fair value. The standard is effective for year beginning after 15 November 2007.

INFORMATION ON THE SARK FUND AND THE SARK MASTER FUND

The Sark Fund

The Sark Fund was incorporated under registration number 122505 with limited liability in the Cayman Islands on 14 January 2003 as an exempted company and operates under the provisions of the Companies Law (2004 Revision) of the Cayman Islands and the Mutual Funds Law (2003 Revision) of the Cayman Islands. The Sark Fund commenced operations on 3 March 2003.

The Sark Fund's registered office is at PO Box 309, George Town, Cayman Islands, British West Indies (telephone +1 345 949 8066).

The Sark Fund is organised as a feeder fund and all of the Sark Fund's assets (to the extent not retained in cash) are invested in the ordinary shares of the Sark Master Fund, another exempted company incorporated with limited liability in the Cayman Islands, of which the Sark Fund is the only shareholder. The investment objective of the Sark Master Fund is to achieve an attractive risk-adjusted return on capital consistent with principles designed to manage risk of capital loss. The Sark Master Fund is an opportunistic Europe-focused multi-strategy fund which aims primarily at arbitrating instruments with non-linear pay-offs in special situations. The Sark Fund has no employees.

The Euro and US Dollar classes of the Sark Fund's ordinary shares are admitted to trading on the Irish Stock Exchange.

The Euro class of the Sark Fund's ordinary shares into which the Company will invest will not be listed on any exchange.

Investment in the Sark Fund is only suitable for investors seeking long-term capital appreciation who understand the risks involved in the Sark Fund, including the risk of loss of capital.

The Sark Master Fund

The Sark Master Fund was incorporated under registration number 122506 with limited liability in the Cayman Islands on 14 January 2003 as an exempted company and operates under the provisions of the Companies Law (2004 Revision) of the Cayman Islands. The Sark Master Fund commenced operations on 3 March 2003. The Sark Master Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law (2003 Revision). The Sark Master Fund has no employees.

The Sark Master Fund's registered office is at PO Box 309, George Town, Cayman Islands, British West Indies (telephone +1 345 949 8066).

Investment in the Sark Master Fund is only suitable for investors seeking long-term capital appreciation who understand the risks involved in the Sark Master Fund, including the risk of loss of capital.

Investment Objective

The investment objective of the Sark Master Fund is to achieve an attractive risk-adjusted return on capital consistent with principles designed to manage risk of capital loss.

Investment Approach

The Investment Manager seeks to achieve the Sark Master Fund's investment objective principally by arbitrating non-linear instruments (options, convertible bonds, warrants, rights issues, credit default swaps, interest rate swaps and other derivative instruments).

The Investment Manager relies on a combination of fundamental analysis and derivative expertise when making investment decisions for the Sark Master Fund. The Investment Manager attempts to capitalise on price anomalies and inefficiencies linked to special situations relevant to companies.

The investment strategies applied (which may from time to time include any one or more of the strategies known as "gamma trading", "fundamental volatility trading", "capital structure arbitrage", "holdings arbitrage", "merger arbitrage", "convertible bond arbitrage", "corporate warrant arbitrage" and "relative value") focus on European securities and European-related securities and are predominantly of a non-directional nature.

The Sark Master Fund has maximum flexibility to invest in a wide range of instruments including but not limited to options, stocks, bonds, convertible bonds, currencies, futures, credit default swaps, interest rate

swaps and other derivative instruments. The securities in which the Sark Master Fund invests may be listed or unlisted and there is no minimum credit rating for the fixed income securities in which it invests. Derivative instruments may be exchange-traded or over-the-counter. The Sark Master Fund may engage in short sales.

The Sark Master Fund may retain amounts in cash or cash equivalents pending investment or reinvestment or when the Investment Manager otherwise considers this appropriate.

The risk management principles to be applied by the investment manager of the Sark Master Fund have been designed by it to manage the risk of capital loss and limit the size of any monthly drawdown. These include regular monitoring and control of the portfolio through the use of Value at Risk (VaR) analysis and stop losses.

Pursuant to an exemption from registration as a commodity pool operator set forth in the CFTC Rule 4.13(a)(4) in respect of the Sark Fund and the Sark Master Fund, the Investment Manager is not required to register, and is not registered, as a commodity pool operator under the CEA, as amended.

Investment Strategies

The Investment Manager employs a variety of instruments at its disposal for the optimal implementation of the following strategies, which are described in the section headed “Investment strategies of the Sark Master Fund” beginning on page 39.

Changes to investment objective and approach

The Sark Fund and the Sark Master Fund have committed to adhere to the investment objective and approach set out above. Any change to such investment objective and approach would require the consent of shareholders in the Sark Fund and/or the Sark Master Fund, as the case may be.

Borrowing and leverage

The Sark Master Fund may leverage its capital by borrowing, including (but not limited to) margin lending agreements, collateralised borrowing, securities lending and through the use of futures, forwards, contracts, options and other derivative instruments. The Investment Manager monitors the solvency of the Sark Master Fund according to the limits defined by its prime brokers and custodians and has defined a model whereby a minimum amount of equity, considered to be at risk, should be allocated to a specific asset class: the “equity at risk”. The equity at risk also allows the Investment Manager to estimate the potential for additional leverage for the Sark Master Fund with its prime brokers and custodians. Total equity at risk for the Sark Master Fund is expected to be within 25 per cent. and 100 per cent. The Sark Fund will not leverage its capital by borrowing.

Investment restrictions

Neither the Sark Fund nor the Sark Master Fund will:

- (A) invest more than 20 per cent. of its gross assets in the securities of any one issuer. This restriction will not apply in relation to investment in securities issued by a government, government agency or instrumentality of a European Union or OECD Member State or by any supranational authority of which one or more European Union or OECD Member States are members;
- (B) expose more than 20 per cent. of its gross assets to the creditworthiness or solvency of any one counterparty (other than the prime brokers and custodians of the Sark Master Fund);
- (C) invest in real property;
- (D) invest more than 10 per cent., in aggregate, of its gross assets directly in physical commodities; or
- (E) take or seek to take legal or management control of any issuer in which it invests.

The restriction referred to in (B) above will not apply to the extent that the Sark Master Fund enters into transactions with a broker who enters into transactions for its own account or on a principal-to principal basis, rather than as agent, where such broker is: (i) registered with and regulated by the Commodity Futures Trading Commission or the Financial Services Authority; (ii) has financial resources of US\$20 million (or its equivalent in another currency); and (iii) is trading subject to the rules of a Recognised Exchange or with a counterparty which has, or whose parent company has, a Specified Credit

Rating. (Restriction (iii) will not apply to a transaction with any counterparty which advances full and appropriate collateral to the Sark Master Fund in respect of the transaction.)

The restrictions referred to in (A) and (B) above will not apply to the Sark Fund's investment in the Sark Master Fund.

The Sark Master Fund will not knowingly enter into a trade (or instruct any entity to which the Investment Manager may have delegated investment management responsibility to knowingly enter into a trade) which would result in the percentage of private placements (other than Regulation S placements by issuers who have issued shares listed on a Recognised Stock Exchange and Rule 144A placements by public companies), pre-initial public offering investments and such similar investments exceeding five per cent. of the net asset value of the Sark Fund and/or the Sark Master Fund. For these purposes, Recognised Stock Exchanges shall be those designated as follows.

List of Stock Exchanges designated as "Recognised Stock Exchanges":

The Athens Stock Exchange
The Australian Stock Exchange and any of its stock exchange subsidiaries
The Cayman Islands Stock Exchange
The Colombo Stock Exchange
The Copenhagen Stock Exchange
The Helsinki Stock Exchange
The Johannesburg Stock Exchange
The Korea Stock Exchange
The Kuala Lumpur Stock Exchange
The Mexico Stock Exchange
The New Zealand Stock Exchange
The Rio De Janeiro Stock Exchange
The Sao Paulo Stock Exchange
The Singapore Stock Exchange
The Stockholm Stock Exchange
The Stock Exchange of Thailand
The Swiss Stock Exchange

Any stock exchange in the following countries which is a stock exchange within the meaning of the law of the particular country relating to stock exchanges (or as specified below):

Austria
Belgium
Canada: any stock exchange prescribed for the purpose of the Canadian Income Tax Act.
France
Germany
Guernsey
Hong Kong: any stock exchange which is recognised under Section 2A (1) of the Hong Kong Companies Ordinance
Italy
Republic of Ireland
Japan
Luxembourg
Netherlands
Norway
Portugal
Spain
USA: any exchange registered with the Securities and Exchange Commission of the United States as a national securities exchange
USA: The NASDAQ Stock Market as maintained through the facilities of the National Association of Securities Dealers, Inc and its subsidiaries.

It is intended that the Sark Master Fund's exposure to other funds be kept below five per cent. of its net asset value. For the purposes of this calculation, exchange traded funds and quoted funds will be excluded.

The Sark Master Fund will adhere to the principle of risk diversification in respect of its assets.

The above restrictions apply as at the date of the relevant transaction or commitment to invest. Changes in the investment portfolio of the Sark Master Fund will not have to be effected merely because any of the limits contained in such restrictions would be breached as a result of any appreciation or depreciation in value, or by reason of the receipt of any right, bonus or benefit in the nature of capital or of any scheme or arrangement for amalgamation, reconstruction or exchange or by reason of any other action affecting every holder of the relevant investment. However, no further relevant securities will be acquired until the limits are again complied with. In the event that any of the investment restrictions are inadvertently breached, the Investment Manager will take reasonable steps to rectify the breach. The restriction referred to in (E) above may not be breached at any time.

Historical performance

As at 30 September 2006 the net asset value per share of the Sark Fund was €134.58 and \$135.57 for the Euro and US Dollar share classes respectively.

As at 30 September 2006 the net asset value per share of the Sark Master Fund was €151.58 and \$154.17 for the Euro and US Dollar share classes respectively.

There has been no significant change in the trading or financial position of either the Sark Fund or the Sark Master Fund since 30 June 2006.

Manager

The Sark Fund and the Sark Master Fund have each appointed 1729 Management (Cayman) Limited as manager. 1729 Management (Cayman) Limited was incorporated in the Cayman Islands as an exempt company on 29 January 2003 and operates under the Companies Law (2004 Revision) of the Cayman Islands. Its registered office is at PO Box 309, George Town, Cayman Islands, British West Indies (telephone +1 345 949 8066). 1729 Management (Cayman) Limited was appointed to select the investment manager of the assets of the Sark Fund and the Sark Master Fund.

Investment Manager

Boussard & Gavaudan Asset Management, LP has been appointed as the investment manager of the Sark Fund and the Sark Master Fund. It was registered as an English limited partnership and operates under the Limited Partnerships Act 1907 on 11 July 2002 with number LP008216 and is authorised and regulated by the Financial Services Authority in the United Kingdom and was registered as an investment adviser with the US Securities and Exchange Commission on 23 November 2005.

Investment Adviser

Boussard & Gavaudan Gestion has been appointed as investment adviser to the investment manager of the Sark Fund and the Sark Master Fund. Boussard & Gavaudan Gestion is a Société par Actions Simplifiée incorporated in France on 2 August 2002 with its registered office at 69, boulevard Haussmann, 75008 Paris, France (telephone +33 (0) 1 44 90 41 00). Boussard & Gavaudan Gestion is authorised by the AMF to conduct investment business.

Boussard & Gavaudan Gestion has been appointed to provide advice to the investment manager of the Sark Fund and the Sark Master Fund in relation to its management of the investments of the Sark Fund and the Sark Master Fund. Boussard & Gavaudan Gestion has also had delegated to it by the Investment Manager of the Sark Fund and the Sark Master Fund responsibility for the management of part of the assets of the Sark Master Fund.

Redemptions

General

The Company may redeem the shares it holds in the Sark Fund at its option by sending a completed redemption request in the form available from the administrator of the Sark Fund to be received by the administrator of the Sark Fund no later than 5.00 pm (Cayman Islands time) on the first Business Day falling at least 60 calendar days before the relevant Dealing Day, or such lesser period as the directors of the Sark Fund may in any particular case determine, failing which the redemption request may be held over until the next Dealing Day following the expiry of such period. Such shares will be redeemed at the redemption price applicable on that Dealing Day.

Redemption requests may be sent by facsimile, but redemption proceeds will not be remitted until the administrator of the Sark Fund has received the original of the redemption request.

A request for a partial redemption of shares may be refused, or the holding redeemed in its entirety, if, as a result of such partial redemption, the net asset value of the shares retained by the Company would be less than the Minimum Holding. A redemption request, once given, is irrevocable save with the consent of the directors of the Sark Fund (which consent may be withheld).

Key man event

In the event that either or both of Emmanuel Gavaudan and Emmanuel Boussard ceases to be substantially involved in the management of the assets of the Sark Fund and the Sark Master Fund, shares in the Sark Fund may be redeemed on the next Dealing Day by delivery of a written notice to the administrator of the Sark Fund on or before the Valuation Day immediately preceding such Dealing Day. In such event, the Investment Manager will notify the Company in writing within five Business Days. Where shares in the Sark Fund are redeemed as described above the directors of the Sark Fund will waive the payment of a redemption fee. In addition, in such circumstances, requests for partial redemptions of holdings of shares in the Sark Fund will not be refused by the Sark Fund unless the shares retained represent a minimum holding of €100,000.

Breach of particular investment restriction

In the event that the percentage of private placements, pre initial public offering investments and such similar investments exceeds five per cent. of the net asset value of the Sark Fund and/or the Sark Master Fund or in the event that the Sark Master Fund's exposure to other funds exceeds five per cent. of the Sark Master Fund's net asset value, shares in the Sark Fund may be redeemed on the next Dealing Day by delivery of a written notice to the administrator on or before the Valuation Day immediately preceding such Dealing Day.

Where shares are redeemed as described above the directors of the Sark Fund will waive the payment of any redemption fees, penalties or other charges and in addition, in such circumstances requests for partial redemptions of holdings of shares will not be refused and will not be subject to any restrictions of redemptions (other than where the calculation of the net asset value has been suspended) unless the shares retained represent a minimum holding of €100,000.

Redemption price

The redemption price per share will be equal to the net asset value per share as at the Valuation Day immediately preceding the relevant Dealing Day.

Redemption fee

A redemption fee of up to five per cent. of redemption proceeds will be payable at the discretion of the directors of the Sark Fund on redemptions of shares in the Sark Fund. The redemption fee will not apply in respect of redemptions made in accordance with the above procedure on any Dealing Day falling two years after the date of issue of the relevant shares or every two years thereafter. The redemption proceeds will be reduced by the amount of the redemption fee and the net amount paid to the Company. The directors of the Sark Fund may at their discretion waive the payment of a redemption fee or part thereof. The amount of such redemption fee will be retained by the Sark Fund.

Settlement

Payment of redemption proceeds will normally be made within 15 Business Days of the relevant Dealing Day. Payment will be made in Euro by direct transfer in accordance with instructions given by the Company to the administrator of the Sark Fund and at the Company's risk and cost.

Suspension

The directors of the Sark Fund may declare a suspension of the redemption of shares in the following circumstances:

- (A) any period (other than ordinary holiday or customary weekend closings) when any market is closed which is the main market for a significant part of the Sark Fund's or the Sark Master Fund's investments, or when trading thereon is restricted or suspended;
- (B) any period when any emergency exists as a result of which disposal by the Sark Fund or the Sark Master Fund of investments which constitute a substantial portion of its assets is not practically feasible;
- (C) any period when for any reason the prices of a material portion of the investments of the Sark Fund or the Sark Master Fund cannot be reasonably, promptly or accurately ascertained;
- (D) any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, investments of the Sark Fund or the Sark Master Fund cannot, in the opinion of the directors of the Sark Fund or the Sark Master Fund, as the case may be, be carried out at normal rates of exchange;
- (E) any period when proceeds of the sale or redemption of the shares cannot be transmitted to or from the Sark Fund's account or when proceeds of the sale or redemption of ordinary shares in the Sark Master Fund cannot be transmitted to or from the Sark Master Fund's account; or
- (F) any period during which the issue or redemption of ordinary shares in the Sark Master Fund is temporarily suspended.

No shares will be redeemed during any such period of suspension.

Compulsory redemptions

The directors of the Sark Fund have the right to require the compulsory redemption of all shares held by or for the benefit of a shareholder if the directors determine that the shares are held by or for the benefit of any shareholder who is or becomes an ineligible applicant (defined, *inter alia*, as investors unable to acquire and hold shares in the Sark Fund without breaching applicable laws and, generally, US Persons) and/or is not or is no longer an eligible investor (defined, *inter alia*, as professional or high net worth investors). These provisions should not affect the Company. The Sark Fund also reserves the right to require compulsory redemption of all shares held by a shareholder if the net asset value of the shares held by the shareholder is less than the Minimum Holding and in certain other circumstances as described in the Sark Fund's prospectus. Where the net asset value of the shares held by a shareholder is less than the Minimum Holding, and the Sark Fund decides to exercise its right to compulsorily redeem, the Sark Fund will notify the shareholder in writing and allow such shareholder thirty days to purchase additional shares to meet the Minimum Holding requirements. Any compulsory redemption of shares will be effected at the prevailing net asset value of the relevant class and no redemption fee will be applicable.

Any compulsory transfer or redemption will be at the net asset value per share of the relevant class of shares calculated to take into account any amounts relating to the fees of the manager of the Sark Fund. Where shareholders are compulsorily redeemed through no fault of their own, they will not be charged any fiscal charges (excluding, for the avoidance of doubt, any taxes a redeeming shareholder would be subject to), fees or other expenses arising from the redemption.

Ordinary shares in the Sark Master Fund

The Sark Fund may redeem ordinary shares in the Sark Master Fund at such times as the directors of the Sark Fund may determine at the net asset value per share of the Sark Master Fund. The Sark Master Fund will effect redemptions on such days as its directors determine at their discretion. The directors of the Sark Master Fund have determined to effect redemptions of ordinary shares in the Sark Master Fund on a basis not less frequent than the Sark Fund.

USE OF PROCEEDS

The costs and expenses of, and incidental to, the Global Offering will be borne by the Investment Manager such that the gross proceeds of the Global Offering, net of any amounts (currently expected to be approximately €500,000) retained for the working capital requirements of the Company, will be available to the Company for investment following Admission. On the basis that 50,000,000 Shares are issued under the Global Offering (excluding Shares issued pursuant to the Over-allotment Option), the gross proceeds will be approximately €500,000,000 and this amount will be invested in the shares of the Sark Fund, net of any amounts retained for the working capital requirements of the Company.

The Company expects that a significant portion of such proceeds will result from certain current investors in the Sark Fund switching their investment to the Company. See the section headed “The Global Offering—Switching by Investors in the Sark Fund” on page 111 of this prospectus. The Investment Manager believes that investment opportunities at the Sark Master Fund level will allow the immediate investment of such proceeds as are invested therein, through the Company’s investment in the Sark Fund. The maximum number of Shares available under the Global Offering should not be taken as an indication of the number of Shares finally to be issued or the total amount of proceeds to be received by the Company in the Global Offering.

DIVIDEND POLICY

The Directors do not expect to declare any dividends and income earned in the portfolio will be reinvested.

It is not envisaged that any income or gain derived from their investments will be distributed by the Sark Fund or the Sark Master Fund by way of dividend and no dividend has ever been paid by either the Sark Fund or the Sark Master Fund. This does not preclude the directors of the Sark Fund and/or the Sark Master Fund from declaring a dividend at any time in the future if they consider appropriate to do so. In the event that a dividend is declared and remains unclaimed after a period of six years from the date of declaration, such dividend will be forfeited and will revert to the Sark Fund or the Sark Master Fund, as the case may be. To the extent that a dividend may be declared, it will be paid in compliance with any applicable laws and, with respect to the Sark Fund, Irish Stock Exchange requirements.

CAPITALISATION

The following table sets forth the total assets and total net assets of the Company as of 17 October 2006, on an actual basis and adjusted to give effect to:

- the offer and sale of 50,000,000 Shares in the Global Offering in exchange for approximately €500,000,000 gross proceeds from investors; and
- the application of the proceeds that the Company receives in connection with the Global Offering as described under “Use of Proceeds” on page 71.

This information assumes that the Company will place and offer 50,000,000 Shares in the Global Offering at an initial issue price of €10 per Share. This information should be read in conjunction with the sections headed “Use of Proceeds”, “Operating and Financial Review” and “Financial Statements” (including the notes thereto).

As at the date of this prospectus, the Company has not, and as at Admission the Company will not have:

- (i) any secured, unsecured or unguaranteed indebtedness, including indirect and contingent indebtedness;
- (ii) granted any mortgage or charge over any of its assets; or
- (iii) any contingent liabilities or guarantees.

The following table shows the capitalisation of the Company as at 17 October 2006:

<u>Shareholders' equity</u>	<u>As at 17 October 2006 (€)</u>	
	<u>Actual</u>	<u>Adjusted</u>
Share capital	0.0002	5,000
Legal reserve ⁽¹⁾	—	—
Other reserves ⁽¹⁾	—	499,995,000
Total	0.0002	500,000,000

Note:

(1) Legal Reserve and Other Reserve do not include profit and loss reserves.

The information in the above table has not been audited.

As at the date of this prospectus, the Company's issued and fully paid share capital is €0.0002 and it has allotted two subscriber Shares of €0.0001 each.

INVESTMENT MANAGER

Investment Manager

Boussard & Gavaudan Asset Management, LP acts as the Investment Manager and, as such, is responsible for the day-to-day management of the assets of the Company. It was registered as an English limited partnership under the Limited Partnerships Act 1907 on 11 July 2002 with number LP008216 and is authorised and regulated by the Financial Services Authority in the United Kingdom. Since 23 November 2005, the Investment Manager has been registered with the United States Securities and Exchange Commission as an investment adviser.

Emmanuel Boussard and Emmanuel Gavaudan are limited partners of the Investment Manager. The Investment Manager acts through its general partner, Boussard & Gavaudan Partners Limited (the “**General Partner**”). The General Partner was incorporated in England and Wales on 24 June 2002. The directors of the General Partner are Emmanuel Boussard, Emmanuel Gavaudan and Pascal Gillot.

Boussard & Gavaudan Gestion S.A.S. (“**BGG**”), the wholly-owned subsidiary of the General Partner in Paris—France, was created on 29 July 2002 as a “société par actions simplifiée” and provides services and investment advice to the Investment Manager. BGG has also some latitude in implementing investment decisions in respect of the Sark Master Fund through a partial delegation of the Investment Manager’s function. Both functions are regulated by contracts and are provided on an arm’s length basis.

The Investment Manager is an asset management company focused on achieving the investment objectives of all its funds by relying on a combination of fundamental analysis and trading expertise, particularly in relation to derivatives. Total assets under management in the Investment Manager’s four funds as of 31 August 2006 were approximately €1.27 billion.

The Investment Manager and BGG currently manage four funds: the Sark Fund, Channel Bridge Special Situations Fund, BG Eonia Arbitrage and BG Long Term Value.

On 1 June 2006, the Investment Manager launched Channel Bridge Special Situations Fund, a catalyst-driven fund based on in-depth fundamental analysis seeking to capture absolute returns in companies undergoing corporate events. It focuses on European events and invests in a wide range of securities across the equity and debt spectrum, with extensive use of instruments with non-linear pay-offs. Total assets as of 31 August 2006 were approximately €125 million.

BG Eonia Arbitrage is a dynamic cash fund. The fund is registered in France and conforms to the EC Directive on Collective Investments. BG Eonia Arbitrage aims at outperforming the interest rate offered by the monetary market (Eonia compounded) by combining expertise in credit, fixed income, arbitrage and risk management. Total assets as of 31 August 2006 were approximately €96 million.

BG Long Term Value is an equity fund which aims at outperforming the DJ Euro Stoxx 50 Index Total Return with an investment horizon of five years. The fund is registered in France and conforms to the EC Directive on Collective Scheme. Total assets as of 31 August 2006 were approximately €16 million.

In addition, the Investment Manager also manages one discretionary account and operates a wealth management activity.

The Investment Manager was granted approval as an Investment Management Firm by the UK Financial Services Authority in December 2002 and granted registration as an Investment Adviser by the US Securities and Exchange Commission in November 2005. BGG was granted approval as a “société de gestion de portefeuille” (investment management firm) by the French *Autorité des Marchés Financiers* (“**AMF**”) in April 2003.

The Investment Manager’s group currently has 35 employees, of whom 7 are located in London and 28 in Paris.

Details of the Investment Manager’s key personnel are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Emmanuel Gavaudan	44	Partner
Emmanuel Boussard	36	Partner
Charles-Edouard Joseph	31	Partner
Etienne Becker	35	Partner
Pascal Gillot	44	Partner
Christophe Tardieu	34	Partner

Emmanuel Gavaudan

Emmanuel Gavaudan is a founding partner of the Investment Manager and previously spent over 13 years at Goldman Sachs in London and Zurich. He served first as a portfolio manager for high-net-worth individuals, managing equities, bonds, derivatives and currencies, providing asset allocation analysis and implementing asset allocation decisions. He became a Managing Director in 1998 and subsequently went to Zurich as the General Manager of Goldman Sachs & Co Bank, responsible for all divisions of Goldman Sachs in Switzerland. He returned to London in 2000 as a Partner, co-head of Private Banking in Europe. He joined the European Management Committee, the board of Goldman Sachs International, the board of Goldman Sachs & Co Bank as well as the Private Wealth Management Global Operating Committee. Emmanuel obtained his MBA from the Wharton School, University of Pennsylvania and a JD in Law from Paris University-Assas. He is a French national.

Emmanuel Boussard

Emmanuel Boussard is a founding partner of the Investment Manager having been with Goldman Sachs International from August 1996 until July 2002. Most recently he was an executive director of Goldman Sachs International based in Paris, where he was responsible for European equity derivatives proprietary trading. From January 1998 until June 2001, he was in charge of the French stock options book. Between August 1996 and June 1998, he held responsibility for the Goldman Sachs’ “World Book” which contained options involving correlation on equity indices around the world. Prior to that, Mr Boussard was at Bankers Trust International where from March 1996 to July 1996 he was a derivatives trader on the path dependent options book. From August 1994 to February 1996, he was at Bankers Trust Company where he traded swaps, futures and currencies in South East Asian, South American and European markets and completed the Associate MBA training programme. Between August 1990 and August 1994 he completed the doctoral programme in mathematics at the École Normale Supérieure in Paris. He is a French national.

Charles-Edouard Joseph

Charles-Edouard Joseph joined BGG in February 2003 and is a partner of the Investment Manager. He is the head of the fundamental analysis team. Previously he worked in the Investment Banking Division of Goldman Sachs International in London and Paris for five years, working, in his last capacity, as an associate on a variety of advisory assignments (including mergers and acquisitions, financing, capital markets transactions) within the French team. He is a graduate from the French premier business school HEC. He is a French national.

Etienne Becker

Etienne Becker joined BGG in May 2004 and is a partner of the Investment Manager. He is the head trader for volatility and equity based strategies. He has nine years of experience as a trader with UBS Warburg and Goldman Sachs International in London. In his last position with Goldman Sachs, he was responsible for the financials book, trading single stocks and sector index options. Previously, he worked at UBS Warburg in London, mostly on pricing, trading and hedging options on swap indices, in the interest rates derivatives division and was an options trader and a market-maker. He is a graduate from École Normale Supérieure and holds a PhD in Probability from Paris University of Jussieu. He is a French national.

Pascal Gillot

Pascal Gillot joined the Investment Manager in October 2003 and is a partner responsible for administration and finance. He has an extensive experience of twelve years in audit in the banking sector (KPMG, Salustro Reydel) and one year with the Commission Bancaire, the French banking supervisory authority. In his last position prior to joining the Investment Manager, he worked at the Conseil National de la Comptabilité (CNC), the French accounting standard authority where he was in charge of coordinating international relations. Before the CNC, Pascal worked at CDR (Credit Lyonnais Defeasance) where he set up the internal audit department, coordinated relations with external auditors and regulatory authorities and acted as litigation support for major law suits. He is a graduate from the Ecole Supérieure de Commerce de Reims and a French Certified Public Accountant. He is a French national.

Christophe Tardieu

Christophe Tardieu joined the Investment Manager in April 2004 and is a partner responsible for risk monitoring. Previously, he worked at Sophis for six years where he was initially a pre-sales executive and then became the head of professional services for Continental Europe covering investment banks and asset management companies. Before he was at Société Générale for three years in the equity derivatives R&D Department where he was involved in the development of the front office and risk management systems. In that capacity, he also did some research around exotic options static hedging. He holds a Master's Degree in IT and Mathematics, and a post-graduate degree in Statistics from Paris University Dauphine. He is also a post-graduate from Paris University Pantheon Sorbonne in Financial Analysis. He is a French national.

Investment Committee

The Investment Committee of the Investment Manager comprises Emmanuel Boussard, Emmanuel Gavaudan, Etienne Becker, Charles-Edouard Joseph, Filippo Tarenghi and Valérie Daoud-Henderson (all being Partners in the Investment Manager) and is heavily involved in any investment and decision process. The Investment Committee convenes weekly and can only take place if at least one of Emmanuel Boussard and Emmanuel Gavaudan is present. As the Chief Investment Office, Emmanuel Boussard validates any investment opportunity and is the ultimate decision-maker with the power to veto any trade. Emmanuel Gavaudan has the power to veto and over-ride investment decisions when the portfolio does not respect its risk limits.

The address of the Investment Manager is Boussard & Gavaudan Asset Management, LP, 33 Bruton Street, London W1J 6HH (telephone +44 (0)207 514 0700). It is not possible for the Investment Manager to provide any investment advice to investors in relation to the Shares.

MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities. The Directors will hold board meetings on a quarterly basis and at other times as may be required to discharge properly their obligations. All of the Directors are independent of the Investment Manager. The business address of all of the Directors is PO Box 105, Trafalgar Court, Admiral Park, St Peter Port, Guernsey GY1 2JA.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>
Christopher Fish	61	Company director
Sameer Sain	35	Company director
Nicolas Wirz	46	Company director

Christopher Fish

Christopher Fish is a British citizen and a Guernsey resident. He was born in 1945.

Since August 2004 he has been acting as non-executive Chairman of Close International Asset Management Holdings Limited and Close International Bank Holdings Limited. He is also a non-executive Director of Close Fund Services Limited. Mr. Fish also holds a Personal Fiduciary Licence (issued by the Guernsey Financial Services Commission) covering private company directorships and fiduciary activities. He currently holds directorships in a number of regulated entities including seven mutual funds.

From 1999 to July 2004, Mr. Fish was the Managing Director of Close International Private Banking, which provided Banking, Treasury, Trust and Company Services, Asset Management, Mutual Fund Administration and Custodian Trustee Services. In 1998 he was working for Rea Brothers (Guernsey) Limited as Senior Executive Director and Group Head of Trust. Rea Brothers (Guernsey) Limited was acquired by Close Brothers Plc in 1999.

From 1992 to February 1998 he worked at Coutts & Co., as Managing Director, Coutts & Co (Cayman) Ltd then as Americas Offshore Head, and finally as Senior Client Partner and Director of Coutts Offshore Businesses: Bahamas, Bermuda, Cayman, Guernsey, Jersey, Isle of Man.

From 1989 to 1992 Mr. Fish was the Chief Executive of Leopold Joseph Holdings (Guernsey) Ltd and from 1973 to 1989 he was the Deputy Managing Director of the Royal Bank of Canada (Channel Islands) Limited.

Mr. Fish started his career in 1963 with Lloyds Bank plc in the Executor & Trustee Division.

Sameer Sain

Sameer Sain is a British national resident in India and was born in 1970.

Since March 2006, Mr. Sain has been Chief Executive Officer of Future Capital Holdings Limited and Managing Director of Indivision Investment Advisors Limited.

Having started his career in 1995, Mr. Sain spent 11 years working in various positions at Goldman Sachs International, including an appointment as Executive Director in Goldman Sachs Private Wealth Management and culminating in his role as a Managing Director in Goldman Sachs International's Investment Management Division.

Mr. Sain holds a Bachelor of Commerce degree from Sydenham College, Bombay University, a Bachelor of Business Administration from the University of Massachusetts at Amherst and was awarded his Master of Business Administration by Cornell University in 1995.

Nicolas Wirz

Nicolas Wirz is a French national and resident and was born in 1960.

Nicolas is a Managing Director of Carlton Capital Partners and a member of its Investment Committee. Prior to joining Carlton, Nicolas was at Morgan Stanley for 11 years where his most recent position was *Directeur Général* of Morgan Stanley International Limited in Paris, Head of Equities France and Managing Director in charge of Equity Sales in Continental Europe.

Prior to this Mr. Wirz was head of Equities at Transbourse (part of Crédit Agricole), Head of Sales and Head of Equities at Dupont Denant (now Natexis Capital). Mr. Wirz holds a BA in Economics from Paris X.

Meetings and reports to Shareholders

All general meetings of the Company shall be held in Guernsey. The Company will hold a general meeting as its annual general meeting each year, which is expected to be in July each year, with the first meeting to be held in July 2007.

The Company's audited annual report and accounts will be prepared to 31 December each year, commencing on 31 December 2007, and it is expected that copies will be sent to Shareholders in June each year, or earlier if possible. Shareholders will also receive an unaudited interim report each year commencing in respect of the period to 30 June 2007, expected to be despatched in October each year, or earlier if possible. The Company's audited annual report and accounts will be available on the Company's website. The Company is required to send copies of its annual report and accounts to the Guernsey Financial Services Commission as soon as reasonably practicable after their publication. The Company is also required to provide certain statistical information to the Guernsey Financial Services Commission.

The Company's accounts will be drawn up in Euros and in compliance with IFRS and The Companies (Guernsey) Law, 1994.

Corporate Governance

The Company complies with the corporate governance obligations that are applicable to it under Guernsey law.

Audit, remuneration and nomination committees

The Company's audit committee will meet formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts and interim report. Where non-audit services are to be provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. The audit committee comprises Sameer Sain and Nicolas Wirz. The principal duties of the audit committee will be to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

The Company has not so far established a separate remuneration committee as the Board is satisfied that any relevant issues can be properly considered by the Board or by the established committee. As all the Directors are non-executive, it is not proposed to have a nominations committee.

Major interests

As at the date of this prospectus, insofar as is known to the Company, no person has or will have, immediately following the Global Offering, an interest in the capital or voting rights of the Company which is notifiable under Guernsey law. None of the Shareholders has voting rights attached to the Shares to be allotted that will be different from the voting rights attached to the other shares in the Company.

Directors' interests

Insofar as is known to the Company, the Directors will subscribe for 49,500 Shares in aggregate under the Global Offering. The Company is not aware of any other interests of any Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, such Director whether or not held through another party, in the share capital of the Company, together with any options in respect of such capital, immediately following the Global Offering.

No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles of Association and without compensation. There is no notice period specified in the Articles of Association for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation;

(ii) unauthorised absences from board meetings for 12 months or more; (iii) written request of the other Directors; and (iv) a resolution of a majority of the shareholders eligible to vote.

No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

Christopher Fish, a Director of the Company, is also a non-executive director of Close Fund Services Limited (the Administrator). Save for such appointment, as at the date of this prospectus, there is no conflict of interest between any duty of any of the Directors owed to the Company and their respective private interests.

None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

In addition to their directorships of the Company, the Directors hold or have held the following directorships, and are or were members of the following partnerships, over or within the past five years:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Christopher Fish . .	Adirondack Trust Company Ltd	Addison Racing Ltd
	Al Shams Holdings Ltd	Aegis Euro Fund Ltd
	Aries Trust	Aegis US\$ Fund Ltd
	Arkesdon Aviation Ltd	Alkhaldia Berth SA
	Premier Asian Assets Trust Ltd	Alkhaldia Land SA
	Blenheim Fiduciary Group Ltd	Alkhaldia SA
	Canaletto Holdings Ltd	Al Mulk Holdings Ltd
	Close Fund Services Ltd	Artem Ltd
	Close International Asset	Canaletto Holdings SA
	CMA Global Hedge PCC Limited	Clock House Ltd
	Management Holdings Ltd	Close Bank Cayman Ltd
	Close International Bank Holdings Ltd	Eaton Realty Ltd
	The Collette Trust	Elstreet Limited
	Glavestone Jersey Ltd	Magna Holdings Ltd
	Harlequin Insurance PCC Ltd	Parfrance Holdings Ltd
	Polygon Insurance PCC Ltd	Sutto Ltd
	The Hugo Trust	Trans Properties Ltd
	Iceni Ltd	Trans Securities Ltd
	Kafinvest Operating Ltd	Tusmore Park Holdings SA
	KRSF Investments Ltd	Vintem Ltd
	Lake Grace Ltd	
	LLCF Charitable Trust	
	Louvre Fiduciary Group Ltd	
	Magna Petrochemicals Ltd	
	Mannequin Insurance PCC Ltd	
	Merstal Ltd	
	Mersy Investments Ltd	
	The Montaigne Trust	
	Morant Wright Japan Income Trust Ltd	
	New Star Financial Opportunities Fund Ltd	
	Novastel Ltd	
	Palmyra Investments Ltd	
	Parkway Administration Guernsey Ltd	
	Pentagon Insurance Brokers Ltd	
	Prodesse Investment Ltd	
	The Racine Charitable Trust	
	Safingest International SA	
	Sagitta International Ltd	
	SKO Investments International Ltd	
	Samar Telecoms Ltd	
	Tap Hal One Ltd	
	Tap Property Ltd	
	Teesland Advantage Property Income Trust Ltd	

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
	Teuco Consultoria Economica Sociadade Unipessoal Limitada UK Commercial Property Trust Ltd Wahid Investments Ltd Winstar Ltd Zenobia Maritime Ltd	
Sameer Sain	Future Capital Holdings Ltd	None
Nicolas Wirz	None	None

At the date of this prospectus none of the Directors:

- has any convictions in relation to fraudulent offences for at least the previous five years;
- was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings; or
- has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The Company will maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or, immediately following the Global Offering, could exercise control over the Company.

No members of the Administrator or Investment Manager have any service contracts with the Company.

Interests of Directors

Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) an interest (other than by virtue of his interest in shares or debentures or other securities of the Company).

A Director who to his knowledge is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, otherwise than by virtue of his interest in Shares or debentures or otherwise in or through the Company, shall disclose the nature of his interest to the Board. A Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposals in which he is to his knowledge alone or together with any person connected with him materially interested, save that a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company in which he (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he (and any persons connected with him)

does not to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital of or the voting rights in the relevant company;

- (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which only awards him a privilege or benefit generally awarded to the employees to whom it relates; or
- (f) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a director, managing director or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

Remuneration of Directors

The aggregate remuneration and benefits-in-kind of the Directors in respect of the Company's accounting period ending on 31 December 2007 which will be payable out of the assets of the Company are not expected to exceed €137,500. Each of the Directors will receive €30,000 per annum. The Chairman will be entitled to receive €50,000 per annum and the chairman of the audit committee will receive an additional fee of €7,500 per annum. The Directors shall also be entitled to be paid all reasonable travel, hotel and incidental expenses properly incurred by them in attending and returning from general meetings, Board or committee meetings or otherwise in connection with the performance of their duties.

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as the Directors may determine.

The Directors may from time to time appoint one or more of their body to the office of managing director for such term and at such remuneration and upon such terms as they determine.

The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall be eligible for re-election at the next annual general meeting following his appointment. Without prejudice to those powers, the Company in general meeting may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director.

Retirement of Directors

At each annual general meeting of the Company all the Directors who held office at the two preceding annual general meetings and did not retire shall retire from office and shall be available for re-election at the same meeting.

A Director shall not be required to hold any shares in the Company in order to qualify to be a Director.

There is no age limit at which a Director is required to retire.

The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for a consecutive period of twelve months and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director, if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom or if he becomes prohibited from being a Director by reason of any order made under any provisions or any law or enactment.

Directors of the Sark Fund and the Sark Master Fund

The directors of the Sark Fund and the Sark Master Fund are responsible for the overall management and control of the Sark Fund and the Sark Master Fund. The directors review the operations of the Sark Fund and the Sark Master Fund at regular meetings. It is the current intention of the directors to meet at least quarterly in the case of both the Sark Fund and the Sark Master Fund. For this purpose, the directors

receive periodic reports from the investment manager of the Sark Fund and the Sark Master Fund detailing the performance of the Sark Master Fund and providing an analysis of the investment portfolio. The investment manager of the Sark Fund and the Sark Master Fund provides such other information as may from time to time be reasonably required by the directors. All the directors of the Sark Fund and the Sark Master Fund act in a non-executive capacity.

The current directors of the Sark Fund and the Sark Master Fund are:

Emmanuel Gavaudan

Please refer to the description above in the section headed “Investment Manager” beginning on page 73.

Françoise Henry

Françoise Henry is a consultant to Goldman Sachs International since 2002. From June 1999 to November 2002, she was an executive director of Goldman Sachs Asset Management where she had responsibility for the trading of external hedge fund portfolios using strategies including the Global Tactical Trading, Japan Long/Short Equities and Europe Long/Short Equities. Between 1995 and 1999, she was Chairman of CC Trading Europe, a wholly owned subsidiary of Commodities Corporation Princetown (which was acquired by Goldman Sachs in 1997) where she was responsible for the setting up CC Trading Europe and development of Commodities Corporation activities in Europe. Whilst at CC Trading Europe she managed CCIP Portfolio, a hedge fund of funds principally using Tactical Trading and Macro strategies. From 1987 to 1995, she was a director of Caisse Nationale du Crédit Agricole (“CNCA”) where, from 1987 to 1992, she had responsibility for Proprietary Trading. From 1992 to 1995 she established the Alternative Investment Department for CNCA and launched Greenway, the first French fund of funds.

Pierre-Louis Lions

Pierre-Louis Lions is currently a researcher at the College de France (appointed 2002), a professor at the Université Paris-Dauphine (appointed 1981) and a professor of Applied Mathematics at the École Polytechnique (appointed 1992). Mr. Lions is also a director of the Alcatel Group having been appointed to the board in 1996. He is a member of the French Academy of Sciences and a Chevalier of the French *Légion d’Honneur*. He has received a number of awards including the Fields Medal for mathematics, the IBM Prize and the Ampère Prize.

Angelos Metaxa

Angelos Metaxa is a Founding Partner of Bermuda based Capital Management Advisors Group (“CMA”). CMA oversees over US\$1.5 billion in alternative investments, specialising in multi-manager hedge fund portfolios. CMA has made over 100 investments in hedge funds and actively monitors around 300 hedge funds. Before leaving to found CMA in 1999, Mr. Metaxa ran a family office allocating assets to third party investment managers. In 1998, Mr. Metaxa worked as a hedge fund analyst with Global Asset Management in London. From 1991 to 1997, Mr. Metaxa worked as a fixed income and foreign exchange trader with SBC Warburg in London and New York. He holds a BA in Economics from Tufts University.

Each of the directors of the Sark Fund and the Sark Master Fund has held their position since the Sark Fund and the Sark Master Fund were incorporated on 14 January 2003.

The business address of all of the directors of the Sark Fund and the Sark Master Fund is PO Box 309, George Town, Cayman Islands, British West Indies.

Emmanuel Gavaudan is a director and shareholder and Angelos Metaxa is a director of 1729 Management (Cayman) Limited (the manager of the Sark Fund and the Sark Master Fund). Emmanuel Gavaudan is also a limited partner of the Investment Manager, a director and shareholder of the general partner of the Investment Manager and a shareholder of Boussard & Gavaudan Gestion.

As at the date of this prospectus, none of the directors of the Sark Fund or the Sark Master Fund:

- has any convictions in relation to fraudulent offences for at least the previous five years;
- was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings; or

- has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

In addition to their directorships of the Sark Fund and the Sark Master Fund, the directors of the Sark Fund and the Sark Master Fund hold or have held the following directorships, and are or were members of the following partnerships, over or within the past five years:

<u>Director</u>	<u>Current</u>	<u>Past</u>
Emmanuel Gavaudan . . .	1729 Management (Cayman) Limited Boussard & Gavaudan Asset Management, LP Boussard & Gavaudan Partners Limited Capital Management Advisors Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited CMA Global Hedge PCC Limited Indivision India Partners	Goldman Sachs & Co Bank (Zurich) Goldman Sachs International
Françoise Henry	Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited Cross Europe Fund Cross Credit Fund Cross Asia Fund European Equity Tranche Income Limited Monolith Fund Pragma wales MGMT	CCIP CC Trading Europe Swann Swann 2
Pierre-Louis Lions	Alcatel SA Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited	None
Angelos Metaxa	A&A Metaxa SA Atacama Fund Limited Atacama Master Fund Limited Berklay Global Fund Limited Channel Bridge Special Situations Fund Limited Channel Bridge Special Situations Master Fund Limited	None

Directors' remuneration

The articles of association of the Sark Fund and the Sark Master Fund provide that the remuneration of the directors of the Sark Fund and the Sark Master Fund in respect of services rendered or to be rendered to the Sark Fund and the Sark Master Fund shall be determined by a resolution of the directors. Each of the directors is currently entitled to a fee of €10,000 per annum in aggregate in respect of the Sark Fund and the Sark Master Fund. The total fees and other emoluments paid to the directors of the Sark Master Fund for the financial year ending 31 December 2005 were €102,600. No fees were paid to directors by the Sark Fund in the financial year ending 31 December 2005. The directors' fees may be increased (but not by an amount in excess of €10,000 per director) if the directors are required to carry out duties which significantly exceed those contemplated in the prospectus of the Sark Fund dated 11 October 2006. The directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and

returning from meetings of the directors or any committee of the directors or general meetings of the Sark Fund or the Sark Master Fund or in connection with the business of the Sark Fund or the Sark Master Fund. As of 17 October 2006 there were no service agreements between the Sark Fund or the Sark Master Fund and any of their directors.

Transactions with directors

No agreement or transaction between the Sark Fund or the Sark Master Fund and one or more of its directors or any person in which any director of the Sark Fund or the Sark Master Fund has a financial interest or to whom any director is related, including as a director of that other person, is void or voidable for that reason only or by reason only that the director is present at the meeting of directors or at the meeting of the committee of directors that approves the agreement or transaction, or that the vote or consent of that director is counted for that purpose, provided that the material facts of the interest of each relevant director in the agreement or transaction, and his interest in or relationship to any other party to the agreement or transaction, are disclosed in good faith to or known by the other directors.

A director of the Sark Fund or the Sark Master Fund who has an interest in any particular business to be considered at a meeting of the directors or shareholders the Sark Fund or the Sark Master Fund may be counted for the purpose of determining whether the meeting is duly constituted.

RELATIONSHIP WITH THE INVESTMENT MANAGER AND RELATED PARTY TRANSACTIONS

Management Agreement

Under the Management Agreement, the Investment Manager has been given responsibility for the day-to-day discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objectives and policy, subject to the overall supervision of the Directors.

The Management Agreement is terminable by either party giving to the other not less than twelve months' notice in writing, such notice not to expire before the third anniversary of Admission, except in certain circumstances where, *inter alia*, the Investment Manager becomes insolvent or is in material breach of the Management Agreement, in which case the Management Agreement may be terminated forthwith. The Company shall not serve notice to terminate the Management Agreement on notice unless this course of action has been unanimously agreed to by the Directors and confirmed by a special resolution of the Company in general meeting. In the event that the Management Agreement is terminated, the Company shall have the right to redeem its shares in the Sark Fund within a reasonable period of time and otherwise in accordance with the normal redemption provisions applicable to shareholders in the Sark Fund. In the event that the Management Agreement is terminated before the third anniversary of Admission other than, *inter alia*, as a result of the material breach or insolvency of the Investment Manager, the Company would, nonetheless, be obliged to pay the Investment Manager any management fee or performance fee that would otherwise be payable in respect of the period to the third anniversary of Admission. This has been agreed on the basis of the Investment Manager bearing the costs and expenses of establishing the Company.

The Investment Manager may, with the consent of the Directors, delegate the provision of investment management and other services to a third party but will remain liable for the acts of any such third party and will be responsible for their remuneration.

Management Fee

The Investment Manager will receive a management fee calculated at the annual rate of 1.5 per cent. of Net Asset Value (before deduction of that month's management fee and before deduction of any accrued performance fees). Such fee will be payable quarterly in arrear and will be accrued and calculated on the first calendar day of each month and/or such other day or days as the Directors may from time to time determine (each a "Dealing Day").

Performance Fee

The Investment Manager will also be entitled to receive a performance fee. The performance fee will be calculated in respect of each Calculation Period. The first Calculation Period will be the period commencing on the Business Day immediately following the Settlement Date and ending on 31 December 2006. The performance fee is deemed to accrue on a monthly basis as at each Valuation Day.

For each Calculation Period, the performance fee will be equal to 20 per cent. of the appreciation in the Net Asset Value per Share during that Calculation Period above the Base Net Asset Value per Share. The Base Net Asset Value per Share is the highest Net Asset Value per Share achieved as at the end of any previous Calculation Period (if any), or, in the case of the first Calculation Period, the Net Asset Value per Share as at Admission. The performance fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share before deduction for any accrued performance fee.

The performance fee is payable to the Investment Manager in arrear within 14 calendar days of the end of each Calculation Period.

If the Management Agreement is terminated before 31 December 2006 or 31 December in any subsequent year, the performance fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period.

To the extent that the Company invests in any fund managed by the Investment Manager, other than the Sark Fund, the Company's investment will be structured such that the Investment Manager only receives management and performance fees at one level and that there is no duplication of such fees in respect of such investments.

Conflicts of interest

The Investment Manager and its affiliates may from time to time act as investment manager in relation to, or be otherwise involved in, other funds established by parties other than the Company, the Sark Fund and the Sark Master Fund which have similar objectives to those of, or invest in similar securities to those held by the Company, the Sark Fund and the Sark Master Fund, including Channel Bridge Special Situations Fund, BG Eonia Arbitrage and BG Long Term Value. It is, therefore, possible that it or its partners, principals, officers, agents or employees may, in the course of business, have potential conflicts of interest with the Company, the Sark Fund and the Sark Master Fund. The Investment Manager will, at all times, have regard in such event to its obligations to the Company, the Sark Fund and the Sark Master Fund and will endeavour to resolve such conflicts fairly and adequately. In addition, the Investment Manager and its affiliates may deal, as principal or agent, with the Company, the Sark Fund or the Sark Master Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. The Investment Manager and its affiliates or any of their partners, principals, officers, agents or employees may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Company, the Sark Fund or the Sark Master Fund. The Investment Manager is not, nor are any of its affiliates nor any person connected with it, under any obligation to offer investment opportunities of which any of them becomes aware to the Company, the Sark Fund or the Sark Master Fund or to account to the Company, the Sark Fund or the Sark Master Fund in respect of (or share with the Company, the Sark Fund or the Sark Master Fund or inform the Company, the Sark Fund or the Sark Master Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company, the Sark Fund or the Sark Master Fund and other clients.

The Investment Manager may, from time to time at its discretion, enter into transactions in relation to Shares and/or derivatives of Shares in the Company on behalf of the Sark Fund. Any such transactions would only be carried out to the extent permissible, and in accordance with, all relevant law and regulation

Investment in the Company by principals and employees of the Investment Manager

The Investment Manager, its partners, its group's employees and the Directors will, in the aggregate, invest at least €20,000,000 into the Shares as part of the Global Offering and on the same terms as any other Shareholder. These investments shall be subject to an 18 month lock-up period starting on the date of Admission and during which the relevant Shares may not be transferred by the relevant individual, provided that the lock-up described above shall not apply to any transfer or encumbrance which may arise pursuant to a short-term financial arrangement to be entered into between the Investment Manager and BNP Paribas referred to in the section headed "Relationship with the Joint Global Coordinators" on page 114 of this prospectus.

Following the Global Offering, the Investment Manager's compensation policy for its group employees stipulates that an amount equivalent to every individual's annual cash bonus will be invested into the Company and held by the relevant employee's employer within the Investment Manager's group. Each such invested tranche shall be subject to an 18 month lock-up period during which the Shares in the Company relating thereto may not be transferred and will only be paid out to the employee if they are still employed within the Investment Manager's group at an agreed date following the expiry of the lock-up. The Directors intend to exercise their discretion in deciding whether this reinvestment into the Company should occur through the issuance of new Shares or by acquisition of Shares in the market.

As of 31 August 2006, entities within the Investment Manager's group held, on trust for their employees, the following numbers of Euro and US Dollar class shares in the Sark Fund:

<u>Employer entity</u>	<u>Number of Euro shares</u>	<u>Number of Euro shares as a percentage of the Euro class in the Sark Fund</u>	<u>Number of US dollar shares</u>	<u>Number of US dollar shares as a percentage of the US dollar class in the Sark Fund</u>
Boussard & Gavaudan Gestion	21,868.686791	0.28	—	—
Boussard & Gavaudan Partners Limited .	7,860.176885	0.10	—	—

Emmanuel Gavaudan is also a shareholder of the Sark Fund and as of 31 August 2006 held 30,000 Euro shares and 10 US Dollar shares of the Sark Fund. No other director of the Sark Fund or the Sark Master Fund holds shares in the Sark Fund or the Sark Master Fund.

EURONEXT MARKET INFORMATION

Eurolist by Euronext of Euronext Amsterdam N.V.

Prior to the Global Offering, there has not been a public market for the Shares. The Company has applied for the Shares issued under the Global Offering to be admitted to trading on Euronext Amsterdam and to listing on Eurolist by Euronext. Upon listing and trading of the Shares on Eurolist by Euronext and, as a result, the Company will be subject to Dutch securities regulations and supervision by the relevant Dutch authorities.

Market Regulation

The market regulator in The Netherlands is the Authority for the Financial Markets (*Autoriteit Financiële Markten*) (“**AFM**”) insofar as the supervision of market conduct, publication of information by listed companies and with respect to publication of inside information by listed companies is concerned. The AFM has supervisory powers with respect to the application of takeover regulations. It also supervises the financial intermediaries (such as credit institutions and investment firms) and investment advisers. Pursuant to the implementation of the Prospectus Directive in The Netherlands on 1 July 2005, the AFM is the competent authority for approving all prospectuses published for admission of securities to trading on Euronext Amsterdam (except for prospectuses approved in other member states of the European Economic Area that are used in The Netherlands in accordance with applicable passporting rules). The surveillance unit of Euronext Amsterdam and the AFM monitor and supervise all trading operations.

Listing and Trading of Shares

Application has been made to list the Shares issued under the Global Offering on Eurolist by Euronext. Public trading of the Shares can occur only after listing has been approved by Euronext Amsterdam.

CERTAIN TAX CONSIDERATIONS

General

The information below, which relates only to Guernsey, United States and Netherlands taxation, summarises the advice received by the Board and is applicable to the Company and to persons who are resident or ordinarily resident in Guernsey, the United States and The Netherlands for taxation purposes and who hold Shares as an investment. It is based on current Guernsey, United States and Netherlands revenue law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein.

The switching of an investor's shares in the Sark Fund for Shares in the Company may be a taxable event, depending on the applicable laws in the jurisdiction of residence of such an investor.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than Guernsey, the United States or The Netherlands, you should consult your professional adviser.

Guernsey

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

The Company has applied for and will be granted exempt status for Guernsey tax purposes.

In return for the payment of a fee, currently £600, a company is able to apply annually for exempt status for Guernsey tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey.

Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

In response to the review carried out by the European Union Code of Conduct Group, the Policy Council of the States of Guernsey has announced that the States of Guernsey intends to abolish exempt status for the majority of companies with effect from January 2008 and to introduce a zero rate of tax for companies carrying all but a few specified types of regulated business. However the States of Guernsey Administrator of Income Tax has advised that because collective investment schemes, including closed ended investment vehicles, were not one of the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, it is intended that collective investment schemes and closed ended investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007.

These proposals have yet to be enacted.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Document duty is payable on the creation or increase of authorized share capital at the rate of one half of one per cent. of the nominal value of the authorized share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

The Shareholders

Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will suffer no deduction of tax by the Company from any dividends payable by the Company whilst it holds Exempt Company status but the Administrator will provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Shares owned by them.

Guernsey has introduced measures equivalent to the EU Savings Directive. However, closed ended funds established in Guernsey are outside the scope of those measures as they are not considered "UCITS equivalent" and therefore payments made by closed ended investment companies are not subject to the terms of the Directive or its equivalent measures.

The Netherlands

General

The information set out below is a general summary of certain Dutch tax consequences in connection with the acquisition, ownership and transfer of the Shares. The summary does not purport to be a comprehensive description of all the Dutch tax considerations that may be relevant for a particular holder of the Shares, who may be subject to special tax treatment under any applicable law and this summary is not intended to be applicable in respect of all categories of holders of Shares. The summary is based upon the tax laws of The Netherlands as in effect on the date of this prospectus, as well as regulations, rulings and decisions of The Netherlands and its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which could apply retroactively and could affect the continuing validity of this summary. As this is a general summary, we recommend investors or shareholders to consult their own tax advisers as to the Dutch or other tax consequences of the acquisition, ownership and transfer of the Shares, including, in particular, the application to their particular situations of the tax considerations discussed below.

The following summary does not address the tax consequences arising in any jurisdiction other than The Netherlands in connection with the acquisition, ownership and transfer of the Shares.

The Company believes that it is not a resident nor that it is deemed to be a resident of The Netherlands nor that it has a presence in The Netherlands for Dutch tax purposes, and the following summary assumes that the Company will not be treated as a resident or deemed resident of The Netherlands nor have a presence in The Netherlands for Dutch tax purposes.

The description of taxation set out in this summary is not intended for any holder of the Shares, who is:

- an individual and for whom the income or capital gains derived from the Shares are attributable to employment activities the income from which is taxable in The Netherlands;
- an individual and who holds, or is deemed to hold a substantial interest in us (as defined below);
- an entity that is a Resident of The Netherlands and that is not subject to or is exempt, in whole or in part, from Dutch corporate income tax;
- an entity for which the income or capital gains derived in respect of the Shares are exempt under the participation exemption (as set out in the Dutch Corporate Income Tax Act 1969);
- an entity that alone or together with one or more entities affiliated with it as defined in Section 10a paragraph 4 of the Dutch Corporate Income Tax Act, holds an interest in us of 25 per cent. or more, as meant in article 28b of the Dutch Corporate Income Tax Act 1969; or
- an investment institution (*beleggingsinstelling*) as defined in the Dutch Corporate Income Tax Act 1969.

Generally a holder of Shares will have a substantial interest in us (“**Substantial Interest**”) if he holds, alone or together with his partner, whether directly or indirectly, the ownership of, or certain other rights over, shares representing 5 per cent. or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire shares, whether or not already issued, that represent at any time 5 per cent. or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of shares) or the ownership of certain profit participating certificates that relate to 5 per cent. or more of the annual profit and/or to 5 per cent. or more of our liquidation proceeds. A holder of the Shares will have a Substantial Interest in us if certain relatives of that holder or of his partner also have a Substantial Interest in us. If a holder of Shares does not have a Substantial Interest, a deemed Substantial Interest will be present if (part of) a Substantial Interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Dividend Withholding Tax

Distributions from the Company are not subject to Dutch dividend withholding tax.

Corporate Income Tax and Individual Income Tax

A “Resident of The Netherlands” is a holder of Shares who is, or who is deemed to be, a resident of The Netherlands or, if he is an individual, who opts to be taxed as a resident of The Netherlands for purposes

of Dutch taxation. A “Non-Resident of The Netherlands” is a holder of Shares who is not treated as a resident of The Netherlands for purposes of Dutch taxation.

Residents of The Netherlands

Individuals

A Resident of The Netherlands who is an individual and who holds Shares will generally be subject to Dutch income tax on the income and/or capital gains derived from the Shares at the progressive rate (up to 52 per cent.) if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise the ordinary shares are attributable; or
- (ii) the holder derives income or capital gains from the Shares that are taxable as benefits from “miscellaneous activities” (*resultaat uit overige werkzaamheden*).

If conditions (i) and (ii) mentioned above do not apply, any holder of Shares who is an individual will be subject to Dutch income tax on a deemed return regardless of the actual income and/or capital gains benefits derived from the Shares. The deemed return amounts to 4 per cent. of the average value of the holder’s net assets in the relevant fiscal year (including the Shares) insofar as that average exceeds the exempt net asset amount (*heffingvrij vermogen*). The deemed return is taxed at a flat rate of 30 per cent.

Entities

A Resident of The Netherlands who is an entity will generally be subject to Dutch corporate income tax with respect to the income and capital gains derived from the Shares. The Dutch corporate income tax rate is 25.5 per cent. over the first €22,689 of taxable income and 29.6 per cent. over the taxable income exceeding €22,689.

Non-Residents of The Netherlands

A Non-Resident of The Netherlands who holds Shares is generally not subject to Dutch income or corporate income tax on the income and capital gains derived from the Shares, provided that:

- (i) such Non-Resident of The Netherlands does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable or deemed attributable;
- (ii) in the case of a Non-Resident of The Netherlands who is an individual, such individual does not derive income or capital gains from the Shares that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*); and
- (iii) such Non-Resident of The Netherlands is neither entitled to a share in the profits of an enterprise nor co-entitled to the net worth of such enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Shares or payments in respect of the Shares are attributable or deemed attributable.

Gift and Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the transfer of the Shares by way of gift by or on the death of a holder, unless:

- (i) the holder is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions;
- (ii) the transfer is construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions; or
- (iii) the Shares are attributable or deemed attributable to an enterprise or part of an enterprise which is carried on through a permanent establishment or a permanent representative in The Netherlands; or

- (iv) the holder of such Shares is entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through a employment contract, to which enterprise such offer shares are attributable or deemed attributable.

For purposes of Dutch gift, estate and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual who is not of Dutch nationality will be deemed to be resident of The Netherlands if he has been a resident in The Netherlands at any time during the 12 months preceding the date of the gift.

Value Added Tax

No Dutch value added tax is payable in respect of the issuance, transfer or redemption of the Shares or with regard to distributions on the Shares.

Other Taxes and Duties

No Dutch capital tax, net wealth tax, registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be due in The Netherlands by a holder of Shares in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

United States

The tax status of the Company and its Shareholders under the federal income tax laws of the United States is summarised below. This summary is based upon the United States Internal Revenue Code of 1986, as amended (“Code”), Treasury Regulations issued under the Code, published US Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This summary does not consider the potential effects, either adverse or beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. No representation is made or intended by the Company (i) that changes in such laws or their application or interpretation will not be made in the future (and applied retroactively), or (ii) that the IRS will agree with the interpretation described below as applied to the Company’s methods of operations. Persons interested in purchasing Shares should consult their own tax advisers with respect to the US federal, state and/or local tax consequences to them of the purchase, holding and sale of the Shares.

(i) US Treasury Circular 230 Notice

THE TAX DISCUSSION CONTAINED HEREIN WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING US FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SHARES DESCRIBED IN THIS DOCUMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

(ii) The Company

The Company expects to be treated as a corporation for US federal tax purposes. In general, the US federal income taxation of the Company will depend in material part upon whether it is considered to be “engaged in a trade or business within the United States.” If it were so considered, so much of the Company’s income as is deemed to be “effectively connected” to that trade or business would be subject to US federal income taxation at graduated rates, plus a “branch profits” surtax imposed on the after-tax portion of that “effectively connected” income at a flat 30 per cent. rate; the balance of the Company’s income that is treated as “fixed or determinable annual or periodical income” from US sources would be subject to a gross-basis US withholding tax at a flat 30 per cent. rate, subject to certain exceptions generally must be in registered form (for instance on interest derived from “portfolio obligations”, which generally must be in registered form). If the Company is not considered to be engaged in a US trade or business, only the withholding tax described in the previous sentence will apply.

As of the date of this prospectus, the Company does not expect to conduct any activity in the United States (directly or through its employees (if any) or agents). Based on the foregoing, the US federal income tax

treatment of the principal categories of income expected to be derived by the Company should be as follows:

- the Company should not be subject to US federal income tax on a net income basis except to the extent that it recognises gains from investments in “United States real property interests”; and
- payments, including dividends and interest, derived from sources outside the United States, original issue discount accrued on short-term obligations (obligations with a term of no more than 183 days) and interest derived from US sources on “portfolio obligations” (which generally must be in registered form) by the Company should not be subject to US federal income or withholding tax. The Company will be subject to US withholding tax at a 30 per cent. rate on other US-source interest and original issue discount, and on US-source dividends.

Notwithstanding the foregoing, if the Company invests directly in a partnership or other pass-through entity that engages in an activity in the United States other than investing and trading in stocks, securities and commodities such that the partnership (or other pass-through entity) is considered to be engaged in a trade or business within the United States, then the Company would be considered to be engaged in a trade or business within the United States and generally would be subject to US federal income taxation on its “effectively connected income”.

As a general matter, the Company does not expect that the investment funds in which it directly or indirectly invests, including the Sark Fund and the Sark Master Fund, will be treated as engaged in a trade or business in the United States, and therefore generally does not expect those lower-tier investment funds to be subject to US federal income tax on a net income basis other than in respect of gains from investments in “United States real property interests”.

(iii) Non-US Holders

Unless they are independently considered to be “engaged in a trade or business within the United States” and hold their Shares in connection with that trade or business, Shareholders which are not US Holders (as defined below) generally should not be subject to US federal income or withholding tax on capital gains from a disposition of their Shares or on Company dividends.

(iv) US Holders

The following is a summary of certain US federal income tax consequences under current law of the acquisition, ownership and disposition of the Shares by a US Holder (as defined below). This summary deals only with initial purchasers of the Shares that are US Holders and that will hold such Shares as capital assets. This discussion does not purport to be a complete analysis of all the potential US federal income tax considerations relating to the acquisition, ownership and disposition of the Shares, and does not address all aspects of taxation that may be relevant to particular investors in light of their individual circumstances or to certain types of investors (including banks, insurance companies, investors liable for the alternative minimum tax, dealers in securities, US Holders whose functional currency is not the US Dollar, individual retirement accounts and other tax-deferred accounts and tax-exempt organisations) subject to special treatment under US federal tax laws. Each prospective investor must recognise that the complexity of these laws and their accompanying interpretative regulations, when combined with the limited scope of this document, prevents a detailed explanation of all aspects of the US federal tax consequences to any investor in the Shares. Further, this summary does not address, take into account or anticipate any state, local or non-US tax considerations.

As used herein, a “US Holder” means a beneficial owner of Shares that is for US federal income tax purposes:

- a citizen or individual resident of the United States,
- a corporation or partnership organised in or under the laws of the United States or any state thereof (including the District of Columbia),
- an estate the income of which is subject to US federal income taxation regardless of its source, or
- a trust (i) as to which one or more US persons (as defined for federal tax purposes) have the authority to control all substantial decisions and over which a court within the United States is able to exercise primary supervision, or (ii) that was in existence on August 20, 1996, was considered a US trust as of that date, and has in effect an election to continue to be so treated.

The term “Non-US Holder” means an investor that is not a US Holder.

(A) Distributions by the Company

Subject to the discussion below under “Passive Foreign Investment Company Considerations”, US Holders of Shares receiving distributions from the Company will be required to include in gross income for US federal income tax purposes the gross amount of such distributions, equal to the US Dollar value of such distributions, to the extent that the Company has current or accumulated earnings and profits, without reduction for any income tax withheld from such distributions. Such tax withheld may be credited, subject to certain limitations, against the US Holder’s federal income tax liability or, alternatively, may be deducted in computing US federal taxable income by US Holders who itemise their deductions. To the extent that distributions exceed current or accumulated earnings and profits of the Company, then, subject to the discussion below under “Passive Foreign Investment Company Considerations”, they will be treated first as a return of capital up to the US Holder’s adjusted basis in the Shares, and thereafter as capital gain from the sale or exchange of the Shares. A distribution paid in a currency other than the US Dollar will be included in income in a US Dollar amount calculated by reference to the exchange rate in effect on the day the distribution is received by a US Holder. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the distribution is includible in income of the US Holder to the date that payment is converted into US Dollars generally will be treated as ordinary income or loss.

Distributions paid by the Company to US Holders of Shares that are treated as dividends will not qualify for the reduced tax rate applicable to qualified dividend income. Further, it is expected that US Holders that are corporations will not be eligible for the dividends-received deduction provided to corporations receiving dividends from certain corporations.

(B) Sale or Other Disposition of Shares

A US Holder’s adjusted tax basis in a Share generally will be its cost, adjusted upward to reflect net amounts included in income with respect to that Share pursuant to a QEF election or mark-to-market election (both of these elections are described below under “Passive Foreign Investment Company Considerations”) to the date of disposition, and adjusted downward to reflect distributions not subject to tax as a result of a QEF election. Subject to the discussion below under “Passive Foreign Investment Company Considerations,” a US Holder will recognise gain or loss upon the sale or other disposition of Shares equal to the difference, if any, between (i) the US Dollar value of the amount of cash plus the fair market value of any property received, and (ii) the US Holder’s adjusted tax basis in those Shares. This gain or loss will be long-term capital gain or loss if the Shares are held for more than one year, except as described below with respect to gains on the disposition of stock in a passive foreign investment company (“**PFIC**”).

Preferential tax rates apply to long-term capital gains of US Holders that are individuals, estates or trusts. Deductions for net capital losses are subject to significant limitations. For US Holders that are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For US Holders that are corporations (other than corporations subject to Subchapter S of the Code), any unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

A cash basis US Holder that receives payment in a currency other than the US Dollar generally will realise an amount equal to the US Dollar value of the amount received, calculated by reference to the exchange rate in effect on the day the payment is received by the US Holder. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the US Holder determines its amount realised to the date that payment is converted into US Dollars generally will be treated as ordinary income or loss.

(C) Passive Foreign Investment Company Considerations

The Code contains rules governing PFICs which can have significant tax effects on US Holders of stock in certain non-US corporations. These rules do not apply to non-US Holders. A PFIC is a corporation that is not formed in the United States and, for any taxable year, either (i) 75 per cent. or more of its gross income is “passive income”, or (ii) the average percentage, by fair market value (or, in some cases, by adjusted tax basis), of its assets that produce or are held for the production of “passive income” is 50 per cent. or more. The Company expects that it and any investment funds in which it directly or indirectly invests that are classified as corporations for US federal income tax purposes will meet certain income and asset tests so as to be treated as passive foreign investment companies (“**PFIC**”) for such purposes for the

current taxable year and the foreseeable future. Assuming the Company is treated as a PFIC as expected, US Holders will be deemed to own their proportionate share of the Company's direct and indirect equity interests in lower-tier entities that are treated as PFICs.

As a result, unless a US Holder makes separate, valid "qualified electing fund" ("QEF") elections in respect of the Company and any PFIC investment funds in which the Company directly or indirectly invests, that holder generally will be subject to adverse US federal income tax consequences in respect of its investment in the Shares, including its deemed ownership under the PFIC rules of its proportionate share of the Company's direct and indirect equity interests in those lower-tier PFIC investment funds. The Company will use commercially reasonable efforts to comply with record-keeping requirements, and provide US Holders with US tax information, necessary for US Holders to make valid QEF elections in respect of the Company. The Company also expects that each lower-tier PFIC investment fund in which it directly or indirectly owns equity interests, including the Sark Fund, generally will use commercially reasonable efforts to comply with record-keeping requirements, and provide the Company with US tax information, necessary for US Holders to make valid QEF elections in respect thereof. There can be no assurance, however, that these record-keeping requirements will be satisfied.

A US person who holds stock in a non-US corporation during any year in which such corporation qualifies as a PFIC is subject to US federal income taxation under one of three alternative tax regimes, at the election of such US person (assuming that the relevant mitigating elections are available as discussed herein). The following is a discussion of those three alternative tax regimes as they may apply to US Holders of the Shares of the Company. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a "controlled foreign corporation" (as defined below) and a US person owns, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of stock entitled to vote of such non-US corporation.

Under the first PFIC regime (the default PFIC regime that applies in the absence of any mitigating elections discussed below), a US Holder generally would be required to allocate over its entire holding period for the Shares all gains realised on the disposition of the Shares and all excess distributions on such Shares during a taxable year. All gains or excess distributions allocated to prior taxable years of the US Holder would be taxed in the current taxable year at the highest tax rate for each such prior taxable year applicable to ordinary income. The US Holder also would be liable for interest on the foregoing tax liability for each such prior taxable year calculated as if such liability had been due with respect to each such prior taxable year. A US Holder that is not a corporation must treat this interest charge as non-deductible "personal interest". The balance of the gain or the excess distribution would be treated as ordinary income in the taxable year of the disposition or distribution.

Similar rules would apply in respect of an interest in any lower-tier investment fund or portfolio company that is a PFIC where a US Holder is deemed to own that interest under the PFIC rules, unless a US Holder has made one of the mitigating elections discussed below in respect of that interest. In particular, a US Holder will be subject to the adverse consequences described above upon the occurrence of any transaction that decreases the US Holder's proportionate interest in a lower-tier PFIC, or upon the deemed receipt of certain distributions from a lower-tier PFIC, unless the US Holder is able to make, and does in fact make, a valid QEF election or a valid mark-to-market election with respect to that lower-tier PFIC (regardless of whether any such election is made with respect to the Company or any other lower-tier PFIC). However, there can be no assurance that any lower-tier PFIC will comply with the record-keeping requirements, or make available the US tax information, necessary to allow US Holders to elect to treat such lower-tier PFIC as a QEF. In addition, there can be no assurance that US Holders will be able to make a mark-to-market election with respect to the shares of a lower-tier PFIC even if such shares constitute marketable stock for purposes of the mark-to-market election.

Under the second PFIC regime, a US Holder of Shares who elects in a timely manner to treat the Company as a QEF (an "**Electing US Holder**") will be subject to current US federal income tax for any taxable year in which the Company qualifies as a PFIC on his pro rata share of the Company's (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing US Holder, and (ii) "ordinary earnings" (the excess of earnings and profits of the Company over its net capital gain), which will be taxed as ordinary income to the Electing US Holder, in each case, for the Holder's taxable year in which (or with which) the Company's taxable year ends, regardless of whether such amounts are actually distributed.

A timely QEF election also allows the Electing US Holder: (i) generally to treat any gain realised on the disposition of his Shares (or deemed to be realised on the pledge of his Shares) as capital gain; (ii) to treat

such US Holder's share of the Company's net capital gain, if any, as long-term capital gain instead of ordinary income; and (iii) either to avoid interest charges resulting from PFIC status altogether or to make an annual election, subject to certain limitations, to defer payment of current taxes on that US Holder's share of the Company's annual realised net capital gain and ordinary earnings, subject to an interest charge. If the Electing US Holder is not a corporation, such an interest charge would be treated as non-deductible "personal interest".

Distributions paid by the Company from earnings and profits to US Holders of Shares will not be treated as dividends to the extent previously included in the US Holder's income under a QEF election.

The procedure for a US Holder to make an effective QEF election will depend on whether the year of the election is the first year in the US Holder's holding period in which the Company is a PFIC. If the US Holder makes a QEF election in that first year, i.e. a timely QEF election, then the US Holder may make the QEF election by simply filing the appropriate documents at the time the US Holder files his tax return for such first year. If, however, the Company was a PFIC in a prior year during which the US Holder held Shares, then, in addition to filing documents, the US Holder must elect to recognise (i) any gain that the Holder would otherwise recognise if the Holder sold those Shares on the qualification date, or (ii) if the Company is a "controlled foreign corporation" (as defined below), the US Holder's pro rata share of the Company's post-1986 earnings and profits as of the qualification date. The qualification date is the first day of the Company's first tax year in which the Company qualified as a QEF with respect to such US Holder. The elections to recognise such gain or earnings and profits can only be made if such US Holder's holding period for the Shares includes the qualification date. By electing to recognise such gain or earnings and profits, the US Holder will be deemed to have made a timely QEF election. A QEF election, once made with respect to the Company, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to its revocation.

If a US Holder does not make a timely QEF election during a year in which the Holder holds (or is deemed to have held) the Shares and the Company is a PFIC (a "**Non-Electing US Holder**"), then the special rules discussed above will apply to (i) gains realised on an actual or constructive disposition of the Holder's Shares, and (ii) certain "excess distributions", within the meaning of Section 1291 of the Code, by the Company.

Under the third PFIC regime, US Holders that hold (actually or constructively) marketable stock of a non-US corporation that qualifies as a PFIC may annually elect to mark such stock to the market ("mark-to-market election"), provided that the stock is "regularly traded" on a securities exchange that is a "qualified exchange" within the meaning of the applicable US Treasury Regulations. If such election is made, the US Holder generally will not be subject to the special rules discussed above concerning excess distributions. Instead, any excess of the fair market value of the Shares at the close of the tax year over the US Holder's adjusted basis in such Shares will be included in the Holder's income. The US Holder may deduct any excess of the of the US Holder's adjusted basis in the Shares over the fair market value of such Shares at the close of the taxable year; however, deductions are limited to the net mark-to-market gains on Shares that the US Holder included in income in prior tax years. A US Holder's adjusted basis in the Shares is increased by the income recognised under the mark-to-market election and decreased by the deductions allowed under the election. Income recognised under the mark-to-market election and gain on the sale of Shares with respect to which an election is made will be treated as ordinary income. Deductions allowed under the election and loss on the sale of Shares with respect to which an election is made, to the extent that the amount of loss does not exceed the net mark-to-market gains previously included, will be treated as ordinary losses. The source of any income or losses as US or foreign source is determined as if the amount were a gain or loss from the sale of stock in the Company. There can be no assurance that Shares will be deemed to be marketable stock for purposes of the mark-to-market election such that the mark-to-market election will be available to US Holders of the Shares.

The IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing US Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganisations, and transfers at death. Generally, in such cases the basis of the Shares in the hands of the transferee and the basis of any property received in the exchange for the Shares would be increased by the amount of gain recognised. Under these proposed Treasury Regulations, an Electing US Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganisations, and transfers at death. The transferee's basis in these cases will depend on the manner of the transfer. In the case of a transfer by an Electing US Holder upon death, for example, the transferee's basis generally will be equal to the fair market value of the

Electing US Holder's Shares as of the date of death. The specific tax effect to the US Holder and the transferee may vary based on the manner in which the Shares are transferred.

Certain special, generally adverse, rules will apply with respect to the Shares while the Company is a PFIC, whether or not it is treated as a QEF. For example, a US Holder that uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Shares.

Prospective US Holders of Shares should consult their tax advisors concerning the treatment of income and gains and the availability and desirability of making a QEF election or a mark-to-market election in respect of the Shares and any lower-tier PFIC interests under the PFIC rules.

(D) Controlled Foreign Corporation Considerations

If more than 50 per cent. of the total combined voting power of all classes of shares entitled to vote or the total value of the shares of the Company is owned, actually or constructively, by US persons within the meaning of Section 7701(a)(31) of the Code, each of which owns, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of shares entitled to vote of the Company (each a "US Shareholder"), the Company would be treated as a controlled foreign corporation ("CFC") under Subpart F of the Code. The United States generally taxes US Shareholders of a CFC currently on their pro rata shares of the CFC's "Subpart F income" regardless of whether that income is actually distributed. Such US Shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income and are also subject to current US federal income tax on their pro rata shares of the CFC's earnings invested in certain US property. Foreign tax credits may reduce the US federal income tax on these amounts. In addition, gains from the sale or exchange of Shares by a US Holder who is or was a US Shareholder at any time during the five-year period ending with the sale or exchange will be treated as ordinary income to the extent of the current or accumulated earnings and profits of the Company attributable to the Shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to US Shareholders of the CFC. There can be no assurance that the Company will not be considered a CFC for its initial taxable year or any future taxable year.

(E) Information Reporting and Backup Withholding

Any US person owning 10 per cent. or more (taking certain stock attribution rules into account) of either the total combined voting power or total value of all classes of the shares of a foreign corporation, such as the Company, likely will be required to file an information return with the IRS containing certain disclosure concerning the filing shareholder, other shareholders and the corporation. The Company has not committed to provide all of the information about the Company or its Shareholders needed to complete such information return. In addition, a US person that transfers cash to a foreign corporation, such as the Company, will likely be required to report the transfer to the IRS if (i) immediately after the transfer, such person holds (directly or indirectly pursuant to certain stock attribution rules) at least 10 per cent. of the total voting power or total value of such corporation, or (ii) the amount of cash transferred by such person (or any related person) to such corporation during the twelve-month period ending on the date of the transfer exceeds \$100,000. US Holders are urged to consult their own tax advisers concerning the applicability of these and any other information reporting requirements to their ownership of Shares.

For a non-corporate US Holder, information and reporting requirements, on IRS Form 1099, generally will apply to:

- payments of dividends or other taxable distributions in respect of Shares made within the United States, and
- the payment of proceeds from the sale of Shares effected at a US office of a broker.

Additionally, backup withholding may apply to these payments if the non-corporate US Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or fails to report all interest and dividends required to be shown on its US federal income tax returns.

Non-US Holders are generally exempt from backup withholding and information reporting requirements with respect to:

- dividend payments made outside the United States by the Company or another non-US payer, and

- other dividend payments and the payment of the proceeds from the sale of Shares effected at a US office of a broker, as long as (i) the income associated with such payments is otherwise exempt from US federal income tax; (ii) the payer or broker does not have actual knowledge or reason to know that the holder is a US person; and (iii) the Non-US Holder has furnished the payer or broker:
 - an IRS Form W-8BEN or an acceptable substitute on which it certifies, under penalties of perjury, that it is a non-US person, or
 - other documentation upon which it may rely to treat the payments as made to a non-US person in accordance with Treasury Regulations, or
 - the holder otherwise establishes an exemption.

Payment of the proceeds from the sale of Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of Shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the holder at a US address, or
- the sale has some other specified connection with the United States as provided in Treasury Regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a US person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

In addition, a sale of Shares effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a US person,
- a controlled foreign corporation for US federal income tax purposes,
- a foreign person 50 per cent. or more of whose gross income is effectively connected with the conduct of a US trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
 - one or more of its partners are US persons who in the aggregate hold more than 50 per cent. of the income or capital interest in the partnership, or
 - such foreign partnership is engaged in the conduct of a US trade or business,

unless the broker does not have actual knowledge or reason to know that the holder is a US person and the documentation requirements described above are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge or reason to know that the holder is a US person.

Backup withholding is not an additional tax and will be credited against the US Holder's US federal income tax liability or refunded to the US Holder, provided that the US Holder files a tax return with the IRS.

Certain US persons who hold interests in foreign corporations or who transfer property to foreign corporations must comply with certain additional US tax reporting requirements. In February 2003, the IRS released final Treasury Regulations expanding previously existing information reporting, record maintenance and investor list maintenance requirements with respect to certain "tax shelter" transactions (the "Tax Shelter Regulations"). The Tax Shelter Regulations potentially may apply to a broad range of investments that would not typically be viewed as tax shelter transactions, including investments in investment companies and portfolio investments of investment companies. Under the Tax Shelter Regulations, if the Company engages in a "reportable transaction", a US Holder would be required, under certain circumstances, to (i) retain all records material to such "reportable transaction"; (ii) complete and file IRS Form 8886, "Reportable Transaction Disclosure Statement" as part of its federal income tax return for each year it participates in the "reportable transaction"; and (iii) send a copy of such form to the IRS Office of Tax Shelter Analysis at the time the first such tax return is filed. The scope of the Tax Shelter Regulations may be affected by further IRS guidance. Non-compliance with the Tax Shelter Regulations may involve significant penalties and other consequences. Each US Holder should consult its own tax advisers as to its obligations under the Tax Shelter Regulations.

Prospective Shareholders should consult their own tax advisers about the US tax reporting requirements that may apply to them with respect to the acquisition, ownership and disposition of Shares.

This summary is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any Shareholder or prospective Shareholder. Further, this summary is not intended to constitute a complete analysis of all US federal income tax consequences relating to US Holders of their acquisition, ownership and disposition of the Shares. Accordingly, prospective US Holders of the Shares should consult their own tax advisers about the US federal, state, local, and non-US tax consequences of the acquisition, ownership and disposition of the Shares.

Withholding tax

The Global Offering consists of a public offering in Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom. Except as described below, the Company has been advised that it will not be required to withhold tax on dividends paid (if any) to residents of those jurisdictions provided that it is not treated as being resident for taxation purposes in a country other than Guernsey.

Finland

All payments made under the Shares by the Company to corporations, collectives and partnerships defined in the Finnish Income Tax Act (1992, as amended), where such partnerships are registered with the Finnish Trader Register, or to any entity not resident in Finland for tax purposes, may be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature, imposed, levied, collected, withheld or assessed by Finland or any political subdivision or authority thereof or therein having power to tax.

However, payments made under the Shares by the Company exceeding €20 and paid through a Finnish intermediary, such as a Finnish credit institution or financial institution, securities dealer or securities broker or Finnish branch of a foreign credit institution, to other Finnish resident recipients than mentioned above including Finnish resident private individuals and estates, may be subject to a tax prepayment withheld from the payment. The possible tax prepayment is levied at a flat rate of 28 per cent. or, if the recipient does not provide his or her name and social security code to the payer, at a flat rate of 60 per cent. The Finnish intermediary is liable for collecting and remitting the possible tax prepayment. The possible tax prepayment is credited in connection with the Finnish tax assessment procedure against final tax, if any, payable by the recipient, or in the absence of corresponding final tax, refunded.

Greece

Greek tax residents holding Shares in the Company will be taxed pursuant to the general provisions of Greek tax law in relation to any dividend paid by the Company. As at the date of this prospectus, the relevant tax rates are: (i) 40 per cent. in the case of any individual holder of Shares; and (ii) 29 per cent. in the case of any entity holding Shares in respect of the current tax year and 25 per cent. thereafter. To any such dividends paid by the Company to Greek holders of Shares, a Greek income withholding tax at a rate of 20 per cent. is applicable.

Sweden

Foreign entities that offer shares into Sweden from abroad through cross-border business without establishing a branch or a similar establishment in Sweden are obliged to file a written undertaking with the Swedish Financial Supervisory Board regarding their obligation to submit information to the Swedish Tax Agency prior to the cross-border business being initiated. As a consequence, such an entity is required to provide information regarding, inter alia, any dividend payment made by the entity to a Swedish individual or estate of deceased Swedish individuals. The entity is not obliged to withhold tax on such dividend. However, if a Swedish administrator or other Swedish intermediary is involved and effects the dividend payment, not only the liability to file information in relation to the payment lies with the intermediary but also a liability to withhold tax at a rate of 30 per cent.

Portugal

In principle the payment of dividends to individual investors resident in Portugal is subject to Portuguese Personal Income tax at the rate of 20 per cent. If the payment of dividends is made through an intermediary resident in Portugal, this intermediary will withhold the tax due at the final rate of 20 per cent. If the payment of dividends is made directly by the company or a paying agent from outside of Portugal, Portuguese law does not require the company or paying agent to withhold any tax.

SELLING AND TRANSFER RESTRICTIONS

This prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

Notice to prospective investors in the European Economic Area

In any EEA Member State that has implemented the Prospectus Directive other than Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom once this prospectus has been approved by the Autoriteit Financiële Markten in The Netherlands and published and passported in such jurisdictions in accordance with the Prospectus Directive as implemented in each such jurisdiction, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This prospectus has been prepared on the basis that all offers of Shares, other than the offers contemplated in the prospectus in Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom once this prospectus has been approved by the Autoriteit Financiële Markten in The Netherlands and published and passported in such jurisdictions in accordance with the Prospectus Directive as implemented in each such jurisdiction, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of Shares. Accordingly any person making or intending to make any offer (other than an offer contemplated by this prospectus) within the EEA of Shares which are the subject of the placement or offering contemplated in this prospectus should only do so in circumstances in which no obligation arises for the Company or any of the Placing Agents to produce a prospectus for such offer. Neither the Company nor the Placing Agents have authorised, nor do they authorise, the making of any offer of Shares through any financial intermediary, other than offers made by the Placing Agents and offers specifically agreed in a placement letter entered into with the Company, in each case which constitutes the final placement of Shares contemplated in this prospectus.

Each person in a Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) (other than, in the case of paragraph (a) below, persons receiving offers contemplated in the prospectus in Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom once this prospectus has been approved by the Autoriteit Financiële Markten in The Netherlands and published and passported in such jurisdictions in accordance with the Prospectus Directive as implemented in each such jurisdiction) who receives any communication in respect of, or who acquires any Shares under, the Global Offering contemplated in this prospectus, will be deemed to have represented, warranted and agreed to and with each Placing Agent and the Company that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Shares acquired by it in the Global Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an “offer” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Notice to prospective investors in Austria

No public offer within the meaning of section 24 of the Austrian Investment Funds Act (*Investmentfondsgesetz*) or section 33 of the Austrian Investment Funds Act or section 1 para 1 no 1 of the Austrian Capital Market Act (*Kapitalmarktgesetz*) of the Shares is being made in Austria. The Shares are not registered or authorised for distribution under the Austrian Investment Funds Act. The Shares are being offered by way of a private placement in Austria to a limited number of addressees in Austria whereby the Company has determined the identity of the addressees of the Global Offering by name before the marketing was commenced.

The Company is not under the supervision of the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*) or any other Austrian supervision authority. In particular, the structure of the Company, its investment objectives, investor's participation therein, etc. may differ from the structure, investment objectives, investor's participation, etc. of investment vehicles provided for in the Austrian Investment Funds Act or the Austrian Capital Market Act.

Neither this document nor any other document in connection with the Shares is a prospectus according to the Austrian Investment Funds Act or the Austrian Capital Markets Act and has therefore not been drawn up, audited and published in accordance with such acts. Neither this document nor any other document connected with the Shares may be distributed, passed on or disclosed to any other person in Austria, save as specifically agreed with the Company. No steps may be taken that would constitute a public offer of the Shares in Austria and the Global Offering may not be advertised in Austria. This document is distributed under the condition that the above obligations are accepted by the recipient and that the recipient undertakes to comply with the above restrictions.

Notice to prospective investors in Belgium

The Company has not been registered as an undertaking for collective investment with the Belgian Banking, Finance and Insurance Commission ("*Commission bancaire, financière et des assurances*" / "*Commissie voor het Bank-, Financie- en Assurantiewezen*", the "BFIC"). The offer materials have not been notified to or approved by the BFIC and are therefore transmitted on a purely confidential basis. Accordingly, the Shares may not be offered for sale, sold or marketed in Belgium by means of a public offering under Belgian law. Any offer to sell the Shares in Belgium will be permitted exclusively to:

- (a) persons who each subscribe for a minimum of €50,000; and
- (b) qualified investors, acting for their own account, listed in Article 10 of the Law of July 16, 2006 on public offers of investment instruments and on admission of investment instruments to trading on regulated markets.

In addition, any offer to sell or sale of the Shares must be made in compliance with the provisions of the Law of July 14, 1991 on consumer protection and trade practices and its implementing legislation to the extent applicable pursuant to the Royal Decree of December 5, 2000 rendering applicable to securities and financial instruments certain provisions of the Law of July 14, 1991 on consumer protection and trade practices.

Notice to prospective investors in Germany

The Shares have not been and will not be registered or authorised for distribution in Germany under the German Investment Act (*Investmentgesetz*) and accordingly, the Shares, this prospectus and any related material may not be, and are not being, distributed in Germany by way of a public offer, public advertising or in any similar manner under the German Investment Act. Therefore, an offer to purchase any Shares is only being made to recipients to whom this prospectus is personally addressed and may only be made in accordance with the German Investment Act and all other applicable laws in Germany governing the issue, offering and sale of the Shares.

Notice to prospective investors in Denmark

This prospectus has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark.

The Shares have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless the Company is approved by the Danish Financial Supervisory Authority pursuant to Section 16 of the Danish Act on Investment Associations, Special-Purpose Associations and Other

Collective Investment Schemes Etc. and Executive Order no. 1445 of 21 December 2005 on Marketing Carried out by Certain Foreign Investment Undertakings in Denmark issued pursuant thereto as amended from time to time.

Notice to prospective investors in Israel

The securities being offered have not been registered under the Israeli Securities Law 5728-1968 (the “**Israeli Securities Law**”), nor have they been registered with any governmental authority of the State of Israel. This prospectus has not been reviewed or approved by any governmental nor other entity in Israel. The Company is not being registered as a “Mutual Fund” as defined under the Israel Joint Investment Trust Law 5721-1961, as amended. Neither the Company nor its principals acting as agent or adviser of the Company with respect to managing the affairs of the Company will be registered as an investment adviser under the Investments Advice and Investments Portfolio Management Law, 5755-1995, as amended from time to time. In the State of Israel, securities may be offered and sold to not more than 35 (thirty-five) offerees in each 12-month period, not including investors listed in the First Schedule to the Israeli Securities Law (the “**Schedule**”), 5728-1968. The Schedule covers and includes mainly joint investment funds, provident funds, insurance companies, banks, portfolio managers, investment advisers, members of the Tel Aviv Stock Exchange purchasing for themselves, underwriters, and venture capital funds (collectively, “**Institutional Investors**”), as defined in the Schedule. Institutional Investors may be required to submit written confirmation that they fall within the scope of the Schedule.

Notice to prospective investors in the Republic of Italy

This prospectus and the Global Offering of the Shares have not been cleared neither by CONSOB (the Italian Securities Exchange Commission) nor by the Bank of Italy and—therefore—no Shares may be offered, sold or delivered nor may copies of this prospectus or any other documentation relating to the Shares be distributed in the Republic of Italy either to retail or to professional investors notwithstanding any exemption applicable under the Prospectus Directive insofar as the requirements set out in the next paragraph are not complied with.

The Shares may not be offered, sold or delivered and copies of this prospectus or any other documentation relating to the Shares may not be distributed, in the Republic of Italy except, in such case, in accordance with: (i) Legislative Decree No. 58 of 24 February 1998 and its implementing rules and regulations; (ii) Legislative Decree No. 385 of 1 September 1993 and its implementing rules and regulations; and (iii) any other applicable rules and regulations.

This prospectus and the information contained herein are intended only for the use of their recipient and are not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy may rely on this document or its content.

Notice to prospective investors in Monaco

This prospectus is personal to the recipient and has been prepared solely for use in connection with the proposed Global Offering described herein. Distribution of this prospectus and any material included therewith to any person other than the recipient and those persons, if any, retained to advise such recipient with respect to the offer and sale of the Shares referred to in the prospectus is unauthorised, and any disclosure of any of its contents is prohibited. Each recipient, by accepting delivery of this prospectus, agrees to the foregoing and agrees to make no copies of this prospectus. This prospectus does not constitute an offer to sell, or any solicitation of an offer to buy, any of the Shares offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. Neither the delivery of this prospectus nor any sale made hereunder of the shares described herein shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof. If the recipient does not purchase any Shares, or this offering is terminated, the recipient agrees to return this prospectus and all documents delivered concerning it to the Placing Agent or its representative who provided the same.

Notice to prospective investors in Switzerland

The Global Offering is only made on a non-public basis in accordance with art. 652a of the Swiss Federal Code of Obligations of March 30, 1911, as amended. The Company and the Global Offering, respectively, are not licensed or supervised by the Swiss Federal Banking Commission. The Global Offering is further only made in accordance with the private placement exemptions as defined: (a) Until December 31, 2006,

in the Circular 03/1 of the Swiss Federal Banking Commission on Public Advertisements pursuant to Swiss Investment Fund Laws, of March 28, 2003, as amended; (b) From January 1, 2007, the new Swiss Federal Act on Collective Investments of June 23, 2006, and its ordinance.

Notice to prospective investors in Norway

This material has not been produced in accordance with the prospectus requirements laid down in the Norwegian Securities Trading Act 1997. This material has not been approved or disapproved by, or registered with, either the Oslo Stock Exchange nor the Norwegian Registry of Business Enterprises, although it is the Company's intention to register this material with the Oslo Stock Exchange under the procedure available under the Prospectus Directive. Until such registration is made, distribution of this material to any person other than the recipient and those persons, if any, retained to advise such recipient with respect to the offer and sale of the shares referred to in this material is unauthorized, and any disclosure of any of its contents is prohibited. Further, no copies of this material shall be made. Each recipient, by accepting delivery of this material, agrees to the foregoing.

General

Prospective investors should rely only on the information contained in this prospectus. No broker, dealer or other person has been authorised by the Company, its Directors or the Placing Agents to issue any advertisement or to give any information or to make any representation in connection with the Global Offering or sale of the Shares other than those contained in this prospectus and, if issued, given or made, any such advertisement, information or representation must not be relied upon as having been authorised by the Company, its Directors or the Placing Agents.

Prospective investors should not treat the contents of this prospectus as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Neither BNP Paribas nor Lehman Brothers make any representation, express or implied, or accept any responsibility whatsoever for the contents of this prospectus nor for any other statement made or purported to be made by it or by any of them or on its or their behalf in connection with the Company, the Shares or the Global Offering. Each of BNP Paribas and Lehman Brothers accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this prospectus or any such statement.

This prospectus should be read in its entirety before making any application for Shares.

All times and dates referred to in this prospectus are, unless otherwise stated, references to Amsterdam times and dates.

The contents of the Investment Manager's website do not form part of this document.

This prospectus contains certain forward-looking statements based on assumptions and expectations of future performance, taking into account currently available information. These assumptions and expectations may change as a result of many possible events or factors, not all of which are known. Investors should consider this risk before making an investment decision and should read in full the risk factors beginning on page 11.

Purchase and Transfer Restrictions

Purchase and Transfer of Shares: US Investors

Each US Person who: (i) acquires Shares in the Global Offering; (ii) acquires Shares from a US Person who acquired Shares in the Global Offering; or (iii) is otherwise connected to a US Person who acquired Shares in the Global Offering by an unbroken series of transactions that did not include a bona fide sale to a non-US Person meeting the requirements of Regulation S under the Securities Act will be required

to execute and deliver to the Company an investment letter in which it represents, acknowledges and agrees that:

1. The Shares have not been, and will not be, registered under the Securities Act and accordingly, may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons (as defined in Rule 902 of Regulation S under the Securities Act) unless registered or an exemption from registration is available.
2. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
3. If it acquired Shares under the Global Offering, it is, and each account for which it is purchasing is, a QIB as defined in Rule 144A under the Securities Act. If it bought subsequently, it is, and each account for which it is purchasing is, a QIB.
4. (i) At the time the Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
5. It is not a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended.
6. It is, and each account for which it is purchasing is, a “qualified purchaser” within the meaning of Section 3(c)(7) of the Investment Company Act.
7. It is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
8. It has received, carefully read and understands this prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing. It understands that this prospectus is subject to the requirements of the Prospectus Directive and Euronext Amsterdam and the information herein, including any financial information, may be materially different from any disclosure that would be provided in a registered US offering.
9. It understands and acknowledges that neither the Company, the Sark Fund or any of the Joint Global Coordinators, nor any of their respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the re-offer, re-sale, pledge or transfer of the Shares. It understands that the Shares to be purchased by it are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act.
10. It agrees, on its own behalf and on behalf of any accounts for which it is acting, that if it should offer, resell, pledge or otherwise transfer any Shares, it will do so only in accordance with any applicable securities laws of any state of the United States and:
 - (a) outside the United States to a non-US Person in accordance with Rule 903 or 904 of Regulation S under the Securities Act (and not in a pre-arranged transaction resulting in the resale of such Shares into the United States or to a US Person), provided that it notifies the Company, with copies to the Administrator and the Registrar, of such proposed transaction and that it intends to make such sale in accordance with the terms of this sub-paragraph 10(a) and obtains from the purchaser a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation from the purchaser that it is not, and is not acting on behalf of, a US Person in the form required by the Company; or
 - (b) pursuant to another exemption from registration under the US Securities Act provided that, if such transfer is to a US Person, the purchaser is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act and it notifies the Company, with copies to the Administrator and the Registrar, of such proposed transaction and that it intends to make such sale in accordance with the terms of this sub-paragraph 10(b) and obtains from the purchaser a signed letter addressed to the Company, with copies to the Administrator and the Registrar,

containing the representations, agreements and acknowledgements relating to the relevant transfer restrictions in the form required by the Company.

11. It agrees, on its own behalf and on behalf of any accounts for which it is acting, that if it should deposit any Shares with a custodian, it will do so only after notifying the Company, with copies to the Administrator and the Registrar, that it intends to deposit Shares with a custodian in accordance with the terms of this paragraph 11 and obtains from the custodian a signed letter addressed to the Company, with copies to the Administrator and the Registrar, in which the custodian agrees (i) to hold the Ordinary Shares only in certificated form, and (ii) not to issue a request to the Registrar for such Shares to be dematerialised unless it obtains from the transferee a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation from the transferee that it is not, and is not acting on behalf of, a US Person in the form required by the Company.
12. It will only hold the Shares in certificated form and will only transfer the Shares in certificated form unless it sells the Shares to a non-US Person and the purchaser provides a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation that the purchaser is not a US Person (in the form required by the Company), in which case the Shares will be eligible for settlement through a clearing system.
13. It agrees that it will inform each subsequent purchaser of the Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Shares, any offer, resale or transfer will be made in compliance with the US Securities Act, the Investment Company Act and any other applicable US securities laws and that it will procure that each subsequent investor executes and delivers to the Company an investment letter in this form.
14. It understands and acknowledges that if a beneficial owner of Shares is at any time not a qualified purchaser, the Company may (i) require such beneficial owner to sell its Shares to a person who is not a US Person or who is a US Person who is also a qualified purchaser and a QIB and who is otherwise qualified to purchase such Shares in a transaction exempt from registration under the Securities Act or (ii) sell such Shares on behalf of the beneficial owner at the best price reasonably obtainable to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such Shares in a transaction exempt from registration under the Securities Act.
15. In making the investment decision with respect to the Shares, it has:
 - (a) not relied on the Company, the Sark Fund, the Sark Master Fund or the Joint Global Coordinators or any of their respective affiliates (except, where the Shares are acquired under the Global Offering, to the extent of the information in this prospectus);
 - (b) had access to such financial and other information concerning the Company and the Shares as it deems necessary in connection with its decision to purchase the Shares; and
 - (c) investigated the potential tax consequences affecting it in connection with its purchase of the Shares.
16. It understands that any share certificates or other written evidence of the Shares that it receives shall bear the following legend:

The Company has not been registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”) and the security evidenced hereby has not been registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered, sold, pledged or otherwise transferred except (A) outside the United States to a non-US person (as defined in Rule 902 of Regulation S, “US Person”) in accordance with Rule 903 or 904 of Regulation S under the Securities Act (and not in a pre-arranged transaction resulting in the resale of such security into the United States or to a US Person) or (B) pursuant to an exemption from registration under the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act (provided that, if such transfer pursuant to this clause (B) is to a US Person, the purchaser is a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act) and, in each case in accordance with any applicable securities laws of the States of the United States and other jurisdictions.

The holder of this security agrees that it will comply with the foregoing restrictions. No representation can be made as to the availability of any exemption under the Securities Act for resales of the security.

The holder acknowledges that the Company reserves the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

Each purchaser or transferee of this security will be required to represent or will be deemed to have represented that it is not a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended.

If a beneficial owner of this security who is required to be a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act is at any time not such a qualified purchaser, the Company may (A) require such beneficial owner to sell this security to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such security in a transaction exempt from registration under the Securities Act or (B) sell this security on behalf of the beneficial owner at the best price reasonably obtainable to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such security in a transaction exempt from registration under the Securities Act. This security may not be dematerialised into Euroclear or any other paperless system unless the party requesting such dematerialisation first obtains a letter from the transferee stating that such transferee is not, and is not acting on behalf of, a US Person.

The holder of this security is deemed to have acknowledged that this legend will not be removed from this security for as long as the Company relies on Section 3(c)(7) of the Investment Company Act.

Investors should note that there can be no assurance US Persons will be able to locate acceptable purchasers or obtain the certifications required by paragraph 10 of the investment letter signed by US Persons upon acquisition of the Shares.

17. It has investigated the potential US tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the Shares.
18. The Investment Manager has filed a notice of exemption from registration requirements as a CPO with respect to the Company pursuant to CFTC Rule §4.13(a)(4). Consequently, the Investment Manager is not required to provide Shareholders with a disclosure document or certified annual report meeting the requirements of the CFTC rules otherwise applicable to registered CPOs. This prospectus has not been, and is not required to be, filed with the CFTC, and the CFTC has not reviewed or approved the prospectus and the offering of Shares.
19. It acknowledges that the Company, the Sark Fund, the Investment Manager and the Joint Global Coordinators named in the prospectus and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

Each US Person purchasing Shares at any time that is not required to execute the above investment letter will be deemed to have represented, acknowledged and agreed as follows:

1. The Shares have not been, and will not be, registered under the Securities Act and accordingly, may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons unless registered or an exemption from registration is available.
2. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
3. It is, and each account for which it is purchasing is, a “qualified purchaser” within the meaning of Section 3(c)(7) of the Investment Company Act.

4. It understands that each Share offered and sold pursuant to Regulation S will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Share in accordance with applicable law:

The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”). Consequently, this security may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

5. It is not a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended.
6. It is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
7. It agrees that it will inform each subsequent purchaser of the Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Shares, any offer, resale or transfer will be made in compliance with the US Securities Act, the US Investment Company Act and any applicable US securities laws.
8. The Investment Manager has filed a notice of exemption from registration requirements as a CPO with respect to the Company pursuant to CFTC Rule §4.13(a)(4). Consequently, the Investment Manager is not required to provide Shareholders with a disclosure document or certified annual report meeting the requirements of the CFTC rules otherwise applicable to registered CPOs. This prospectus has not been, and is not required to be, filed with the CFTC, and the CFTC has not reviewed or approved the prospectus and the offering of Shares.
9. It acknowledges that the Company, the Sark Fund, the Investment Manager and the Joint Global Coordinators named in the prospectus and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

Purchase and Transfer of Shares: Non-US Investors

Each non-US purchaser of the Shares in the Global Offering represents, acknowledges and agrees as follows (terms used below that are defined in Regulation S under the Securities Act have the meanings given to them in Regulation S) and each subsequent non-US purchaser of Shares will be deemed to have represented, acknowledged and agreed as follows:

1. It and the person, if any, for whose account it is acquiring the Shares are not US Persons (as defined in Rule 902 of Regulation S under the Securities Act) and are purchasing the Shares outside the United States in an offshore transaction meeting the requirements of Regulation S.
2. It and the person, if any, for whose account it is acquiring the Shares are Non-United States persons as defined in CFTC Rule 4.7(a)(1)(iv). Under CFTC Rule 4.7(a)(1)(iv) “Non-United States person” means:
 - (A) a natural person who is not a resident of the United States;
 - (B) a partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;

- (C) an estate or trust, the income of which is not subject to United States income tax regardless of source;
 - (D) an entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the Commission's regulations by virtue of its participants being Non-United States persons; or
 - (E) a pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.
3. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration under the Securities Act.
 4. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
 5. It understands that each Share offered and sold pursuant to Regulation S will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Share in accordance with applicable law:

The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition, the Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Consequently, this security may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

6. It is not a benefit plan investor (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA), or other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended.
7. It is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the US Securities Act, the Investment Company Act or any other applicable securities laws.
8. It has received, carefully read and understands this prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing and that it understands that this prospectus is subject to the requirements of the Prospectus Directive and all rules promulgated thereunder and the information therein, including any financial information, may be materially different from the disclosure that would be provided in a US offering.
9. It agrees that it will inform each subsequent purchaser of the Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Shares, any offer, resale or transfer will be made in compliance with the US Securities Act, the US Investment Company Act and any applicable US securities laws.
10. (i) At the time the Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.

11. It acknowledges that the Company reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person's status under the US securities laws, including without limitation whether it is a qualified purchaser as defined in Section 2(a)(51)(A) of the US Investment Company Act, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Shares or interests immediately under the direction of the Company.
12. It acknowledges that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositories.
13. In respect of each person in a Relevant Member State (other than, in the case of paragraph (a) below, persons receiving offers contemplated in the prospectus in Finland, France, Greece, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom once this prospectus has been approved by the Autoriteit Financiële Markten in The Netherlands and published and passported in such jurisdictions in accordance with the Prospectus Directive as implemented in each such jurisdiction) who receives any communication in respect of, or who acquires any Shares under, the Global Offering that (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and (b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Shares acquired by it in the Global Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.
14. If applicable, it is entitled to subscribe for the Shares comprised in the Global Offering under the laws of all relevant jurisdictions which apply to it, that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid any issue, transfer or other taxes due in connection with its acceptance in any jurisdiction and that it has not taken any action or omitted to take any action which will or may result in any of the Joint Global Coordinators or the Company or any of its respective directors, officers, agents, employees or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Global Offering or its acceptance of participation in the Global Offering.
15. It acknowledges that the Company, the Sark Fund, the Investment Manager and the Joint Global Coordinators named in the prospectus and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

CERTAIN ERISA CONSIDERATIONS

ERISA and the Code impose certain restrictions on (i) employee benefit plans (as defined in Section 3(3) of ERISA) subject to Part 4 of Subtitle B of Title I of ERISA (“**Plans**”) (ii) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans, to which Section 4975 of the Code apply (also, “**Plans**”), (iii) any entities whose underlying assets include plan assets by reason of a plan’s investment in such entities or otherwise (together with Plans, “**ERISA Plan Investors**”) and (d) persons who have certain specified relationships to such Plans (“**parties in interest**” under ERISA and “**disqualified persons**” under the Code; collectively, “**Parties in Interest**”). An insurance company’s general account may be deemed to include assets of the Plans that have an interest in such account (e.g. through the purchase of an annuity contract), in which case the insurance company would be treated as an ERISA Plan Investor and a Party in Interest with respect to Plans having an interest in the general account. ERISA, among other things, imposes certain duties on persons who are fiduciaries of Plans subject to ERISA, and ERISA and the Code prohibit certain transactions between a Plan and Parties in Interest with respect to the Plan. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

The United States Department of Labor (“**DOL**”) has issued a regulation (29 C.F.R. §2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (as modified by Section 3(42) of ERISA, the “**Plan Asset Regulation**”). Under the Plan Asset Regulation, if a Plan invests in an “equity interest” of an entity that is neither a “publicly offered security” nor a security issued by an investment company registered under the US Investment Company Act of 1940, the Plan’s assets are deemed to include both the equity interest itself and an undivided interest in each of the entity’s underlying assets, unless it is established that the entity is an “operating company” or that equity participation by “benefit plan investors” (as defined below) is not “significant”.

Under the Plan Asset Regulation, the Shares constitute “equity interests” in the Company, but are not “publicly offered” (as defined in the Plan Asset Regulation) or issued by a company registered under the US Investment Company Act of 1940. Therefore, if at any time equity participation in the Company by benefit plan investors (as defined below) is “significant,” within the meaning of the Plan Asset Regulation, the Company’s assets would be deemed to be the assets of any ERISA Plan Investors holding Shares at such time. If the assets of the Company were deemed to constitute the assets of any Plans holding Shares (directly or indirectly), among other things, (i) the Investment Manager and other persons providing services to the Company could be fiduciaries and/or Parties in Interest under ERISA and the Code, (ii) transactions involving the Company’s assets could constitute direct or indirect prohibited transactions, resulting in the imposition of excise taxes, other liabilities, and/or the required rescission of the prohibited transaction, and (iii) the fiduciary causing the Plan to make an investment in the Shares could be deemed to have impermissibly delegated its responsibility to manage the assets of the Plan.

Under the Plan Asset Regulation, equity participation by benefit plan investors is “significant” on any date if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the value of any class of equity interest in the entity is held by benefit plan investors (the “**25 per cent. threshold**”). The term “benefit plan investor” is defined to include (i) an “employee benefit plan” (as defined in Section 3(3) of ERISA subject to Part 4 of Subtitle B of Title I of ERISA), (ii) a “plan” (as defined in Section 4975(e)(1) of the Code), to which Section 4975 of the Code applies, including without limitation, individual retirement accounts and Keogh plans, and (iii) an entity whose underlying assets include plan assets by reason of a plan’s investment in the entity (each a “**Benefit Plan Investor**”). For purposes of making any determination under the 25 per cent. threshold, the value of any Shares held by a person (other than a benefit plan investor) that has discretionary authority or control with respect to the assets of the Company or that provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person, is disregarded.

U.S. governmental plans and certain church plans, while not subject to Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to state, local, or other laws or regulations that would have the same effect as the Plan Asset Regulation.

Purchasers are required to represent, or are deemed to represent, that they are not a Benefit Plan Investor, or any other employee benefit plan subject to any federal, state, local or other law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”). No assurances can be given, however, that one or more Benefit Plan Investors or other employee benefit plans subject to Similar Law will not acquire Shares. See “Selling and Transfer Restrictions” beginning on page 98.

THE TAX DISCUSSION CONTAINED HEREIN WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING US FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SHARES DESCRIBED IN THIS DOCUMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

THE GLOBAL OFFERING

Up to 50,000,000 Shares (not taking into account Shares issued pursuant to the Over-allotment Option as described in the section headed “Over-allotment” beginning on page 113), of €0.0001 par value are being marketed and are available under the Global Offering at an issue price of €10 each. As at the date of this prospectus, the actual number of Shares to be subscribed under the Global Offering is not known. The maximum number of Shares available under the Global Offering should not be taken as an indication of the number of Shares finally to be issued.

Global Offering

Shares will be issued at €10. The Global Offering is not being underwritten.

The Global Offering is conditional, *inter alia*, upon:

- Admission; and
- the Placing Agreement not being terminated in accordance with its terms at any time prior to Admission.

The Investment Manager has agreed to pay the formation and initial expenses of the Company, being those which are necessary for the incorporation of the Company and the Global Offering. These expenses will be paid on or around Admission and will include fees payable under the Placing Agreement, registration, listing and admission fees, printing, advertising and distribution costs and legal fees and any other applicable expenses. As the formation and initial expenses will be borne by the Investment Manager, the gross proceeds of the Global Offering shall be available to the Company in their entirety following the end of the Global Offering. It is intended that this will allow the Company's Net Asset Value per Share to be equal to the Issue Price on Admission.

General

The minimum application under the Global Offering is for €50,000. The Directors may in their absolute discretion waive the minimum application requirements in respect of any particular application under the Global Offering. Multiple subscriptions from individual subscribers will not be accepted.

All applications for Shares at the Issue Price will be payable in full in cash. No commissions will be paid by the Company to any applicants under the Global Offering. Definitive certificates in respect of Shares in certificated form will be dispatched by post in the week commencing 6 November 2006. Temporary documents of title will not be issued.

The Shares will be offered to institutional investors. In addition, certain intermediaries will be invited to apply for Shares in the Global Offering on behalf of clients. No specific number of Shares has been set aside for, and there will be no preferential treatment of, intermediaries. Applications by intermediaries for Shares will be treated in the same manner, and allocations will be determined on the same basis, as those received from institutional investors.

In making an application, each intermediary will be undertaking on its own behalf (and not on behalf of any other person) to make payment for the Shares to which its application relates. An application by an intermediary must be made on an intermediaries application form, which will contain the terms and conditions on which intermediaries will be invited to apply. Intermediaries will be required to represent and warrant certain matters, including in respect of compliance with local securities laws.

Following the closing of the Global Offering on the Closing Date, the Directors will resolve to allot such number of Shares to such persons as is required to give effect to the Global Offering.

Placing Agreement

The Company, the Investment Manager, the Placing Agents and the Directors, have entered into the Placing Agreement whereby the Placing Agents have agreed, as agents for the Company, to use their reasonable endeavours to procure subscribers for Shares under the Global Offering at the Issue Price. Under the terms of the Placing Agreement, the Investment Manager will pay all of the fees of the Placing Agents under the Placing Agreement, comprising a commission of 3.5 per cent. of the gross proceeds of the Global Offering. The commission will not be payable on any monies raised from shareholders in the Sark Fund that switch their shareholding from Sark Fund to the Company or any Shares subscribed for by the Investment Manager's wealth management branch, on behalf of and for the account of its clients. The

Joint Global Coordinators will retain 1.5 per cent. of the 3.5 per cent. gross spread for their own account as a base fee for the structuring and managing of the Global Offering and the balance of 2 per cent. of the gross spread will be allocated as a distribution fee to the Joint Global Coordinators or any other Placing Agents that the Joint Global Coordinators may determine.

Under the Placing Agreement, the Company will grant BNP Paribas, on behalf of the Joint Global Coordinators, the Over-allotment Option under which it will agree to make available up to 15 per cent. of the aggregate number of Shares available in the Global Offering (before any exercise of the Over-allotment Option) for the purpose of meeting over-allotments in connection with the Global Offering. This option will be exercisable upon notice by the Joint Global Coordinators given not later than noon on the thirtieth day following the announcement of the results of the Global Offering. Save as required by law, the Joint Global Coordinators do not intend to disclose the extent of any over-allotment made and/or any stabilisation transactions.

Under the Placing Agreement, which is subject to certain customary conditions precedent and which may be terminated by the Placing Agents in certain customary circumstances prior to Admission, the Company, the Investment Manager and the Directors have given warranties and (in the case of the Company and the Investment Manager) indemnities to the Placing Agents concerning, *inter alia*, the accuracy of the information contained in this prospectus. The warranties and indemnities given by the Company and the Investment Manager are standard for an agreement of this nature and there is no cap on their liability. In addition, the Company and the Investment Manager have given indemnities to the Placing Agents. The warranties given by the Directors are subject to financial caps.

Switching by investors in the Sark Fund

Certain existing investors in the Sark Fund may switch their investment in the Sark Fund to the Company without effecting an actual redemption of their shares in the Sark Fund. This is intended to avoid any adverse impact on the performance of the Sark Fund or the Sark Master Fund as a result of such redemptions while allowing such investors to obtain Shares.

Sark Fund investors choosing to switch will be required to notify the Company of this intention prior to the Closing Date. On the Closing Date, the net asset value of the Sark Fund will be estimated (the “**Interim Switching NAV**”). Sark Fund investors choosing to switch will transfer their holding in the Sark Fund (or such proportion thereof as they choose to switch) to the Company in return for an issue to them of Shares with a value equal to the Interim Switching NAV of the Sark Fund shares so transferred, less a discount of 20 basis points. The Sark Fund shares so transferred will simultaneously be exchanged for Euro denominated shares in the Sark Fund which are not subject to management or performance fees.

Upon confirmation of the Interim Switching NAV (the “**Confirmed Switching NAV**”) (which is expected to occur within seven to ten days of the date of the Interim Switching NAV, the Company shall pay to switching investors an amount, in cash, equal to the amount (if any) by which the value of the Shares allotted (at the Issue Price) is less than the Confirmed Switching NAV of the Sark Fund shares transferred. The cost of this cash payment will form part of the Company’s working capital requirements.

In the event that the Confirmed Switching NAV is less than 99.8 per cent. of the Interim Switching NAV as calculated on the Closing Date, no further payment will be made by switching investors.

The option to switch currently held shares of the Sark Fund for Shares will not be made in the United States and is not available to investors in the Sark Fund that are US Persons (as defined in Regulation S of the Securities Act). Each investor in the Sark Fund that intends to switch shares in the Sark Fund for Shares will be required to execute a letter, which will be distributed separately to them, containing representations and warranties regarding various matters, including such investor’s status as a non-US Person and location outside the United States.

Transfer of Shares

The transfer of Shares outside the Euroclear system following the Global Offering should be arranged directly through the Registrar. However, an investor’s beneficial holding held through the Euroclear system may be exchanged, in whole or in part, only upon the specific request of a beneficial owner to the Registrar for share certificates or an uncertificated holding in definitive registered form. If a Shareholder or transferee requests Shares to be issued in certificated form and is holding such Shares outside Euroclear, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares.

Shareholders holding definitive certificates may elect at a later date to hold such Shares through Euroclear or in uncertificated form provided they surrender their definitive certificates and subject to the applicable restrictions, if any, set forth in the section headed “Selling and Transfer Restrictions” beginning on page 98 of this prospectus.

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and/or Guernsey, the Company and its agents or the Investment Manager will require evidence in connection with any application for Shares, including further identification of the applicant(s), before any Shares are issued.

Further issues of Shares

The Company has undertaken not to issue any further securities for a period of 180 days following the date of Admission, save for issues of Shares to meet investments by principals and employees of the Investment Manager as further described in the section headed “Investment in the Company by principals and employees of the Investment Manager” beginning on page 85 of this prospectus.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

BNP Paribas and Lehman Brothers are acting as Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners in connection with the Global Offering.

Listing Agent and Paying Agent

Lehman Brothers is acting as the listing agent with respect to the listing of the Shares on Eurolist by Euronext and admission for trading on Eurolist by Euronext. Kempen & Co N.V. is acting as paying agent for the Shares.

Security Codes

The following are the security codes for the Shares:

ISIN: GG00B1FQG453

Amsterdam Security Code: 29098

Stabilisation

In connection with the Global Offering, BNP Paribas as stabilisation manager, on behalf of the Joint Global Coordinators or any other person acting for them, may over-allot or effect transactions which are intended to stabilise or maintain the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 days after the results of the Global Offering are announced. However, there may be no obligation on the Joint Global Coordinators, or any agent of the Joint Global Coordinators, to do this and any such stabilisation transactions may be stopped at any time. Such transactions may be effected on Euronext Amsterdam and any other securities market, over the counter market, stock exchange or otherwise. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end 30 days after the results of the Global Offering are announced. Save as required by law, the Joint Global Coordinators do not intend to disclose the extent of any over-allotment and/or stabilisation transactions under the Global Offering or the amount of any long or short positions.

Stabilisation transactions must be conducted in accordance with all applicable securities laws and regulations, including (i) the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), as amended, and the rules promulgated thereunder; (ii) Commission Regulation EC 2273/2003; and (iii) Rule A-2408 of Rule Book II of Eurolist by Euronext. Rule A-2408 provides that only Euronext members may engage in stabilisation activities on Eurolist by Euronext. The stabilisation agent that the Company will appoint in connection with the Global Offering will be a Euronext member.

Neither the Company nor either of the Joint Global Coordinators make any representation or prediction on the magnitude of effect that the stabilisation transactions described above may have on the price of the Shares. In addition, neither the Company nor either of the Joint Global Coordinators make any representation that the stabilisation manager, on behalf of the Joint Global Coordinators or any other person acting for them, will engage in such transactions or that such transactions will not be discontinued without notice, if they are commenced.

Change in Maximum Number of Shares

The maximum number of Shares being offered in the Global Offering may be increased prior to the Settlement Date. The actual number of shares offered in the Global Offering will be determined after taking into account market conditions, and criteria and conditions such as those listed below:

- demand for the Shares in the Global Offering; and
- the economic and market conditions, including those in the debt and equity markets.

The actual number of Shares offered in the Global Offering will be set out in an allocation statement which will be deposited with the AFM and will be announced in at least one national newspaper distributed daily in The Netherlands on or about 2 November 2006.

Over-allotment

The Company will grant BNP Paribas, on behalf of the Joint Global Coordinators, the Over-allotment Option, exercisable for a period of 30 days after the results of the Global Offering are announced which will require the Company to issue up to 15 per cent. of the aggregate number of Shares available in the Global Offering (before any exercise of the Over-allotment Option) at the Issue Price to cover over-allotments (if any). Any such Shares will be offered on the same terms and conditions as other Shares in the Global Offering.

Payment, Delivery, Clearing and Settlement

Under the Global Offering, payment for the issue price of the Shares will take place in full and, subject to arrangements made with investors wishing to switch from the Sark Fund described in the section headed “Switching by investors in the Sark Fund” beginning on page 111 of this prospectus, in cash, on the settlement date of 6 November 2006.

Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland.

The Company expects that the closing of the subscription period of the Global Offering will take place on or about 31 October 2006 (the “**Closing Date**”) and listing and trading in the Shares on Euronext Amsterdam is expected to commence on or about 2 November 2006 (the “**Euronext Listing Date**”) on an “as-if-and-when-issued” basis. Delivery of the Shares is expected to take place on or about 6 November 2006 (the “**Settlement Date**”), the second business day following the Euronext Listing Date (T+2), through the book-entry facilities of Euroclear Netherlands and Clearstream Luxembourg, in accordance with their normal settlement procedures applicable to equity securities and, subject to arrangements made with investors wishing to switch from the Sark Fund, against payment for the Shares in immediately available funds.

Investors who wish to enter into transactions in the Shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the Global Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Placing Agreement and which are described under “Global Offering” are not satisfied or waived or occur on or prior to such date. If closing of the Global Offering does not take place on the Closing Date or at all, the Global Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in the Shares on Euronext Amsterdam will be cancelled. All dealings in the Shares on Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading on an “as-if-and-when-issued” basis as from the Euronext Listing Date until the Settlement Date.

If the Global Offering is withdrawn, and at the time of withdrawal any new Shares in the Global Offering have been sold short, such sales will not be unwound and any person so selling the Shares will bear the risk of being unable to settle such sale by delivering the Shares from the Global Offering.

If Shareholders request to receive their Shares in certificated form, temporary documents of title will not be issued pending the despatch by post of definitive certificates, which is expected to take place by 10 November 2006. Pending the despatch of such certificates, transfers will be certified against the

Company's register of members. Shares initially issued under the Global Offering in certificated form may subsequently be deposited in uncertificated form into Euroclear Nederland, save that US Persons who receive Shares under the Global Offering may not deposit their Shares into Euroclear Nederland in uncertificated form but must hold their Shares in certificated form.

Any Shares held by a US Person who: (i) acquired such Shares under the Global Offering; (ii) acquired such Shares from a US Person who acquired such Shares under the Global Offering; or (iii) is otherwise connected to a US Person who acquired Shares in the Global Offering by an unbroken series of transactions that did not include a bona fide sale to a non-US Person meeting the requirements of Regulation S under the Securities Act must be held in certificated form and will only be eligible for dematerialisation upon the sale of the Shares to a non-US Person and the provision by the purchaser of a signed letter addressed to the Company, with copies provided to the Administrator and the Registrar, containing representations that the purchaser is not a US Person.

Application has been made for all the Shares issued under the Global Offering to be admitted to trading on the Euronext Amsterdam and to listing on Eurolist by Euronext under the symbol "BGHL". We expect that such listing will become effective and that dealings in the Shares on Euronext Amsterdam will commence on the Euronext Listing Date.

Allocation

The Directors and the Joint Global Coordinators reserve the right to scale back any or all applications in such manner as they, in their absolute discretion, consider appropriate. In exercising their discretion, the Directors intend to give priority to applications from current shareholders in the Sark Fund. It is expected that the Company will notify investors of the number of Shares in respect of which their application has been successful and the actual number of Shares to be issued under the Global Offering will be announced in an allocation statement which will be deposited with the AFM and will be announced in at least one national newspaper distributed daily in The Netherlands on or about 2 November 2006.

The Shares to be issued under the Global Offering will be issued shortly prior to Admission.

Relationship with the Joint Global Coordinators

In the ordinary course of business, BNP Paribas trades convertible bonds and a small amount of credit default swaps and equity options with the Sark Master Fund. In addition, BNP Paribas proposes to enter into a short-term financing arrangement with the Investment Manager and Lehman Brothers International (Europe) also has an agreement in place under which it may, from time to time and in the ordinary course of business, enter into some trades with the Sark Master Fund. The Sark Master Fund is also a brokerage client of an affiliate of BNP Paribas.

GENERAL INFORMATION

Incorporation and administration

The Company was incorporated with limited liability in Guernsey under the Companies Laws on 3 October 2006 with registered number 45582 as a closed-ended investment company. The registered office and principal place of business of the Company is Trafalgar Court, Admiral Park, St Peter Port, Guernsey and the telephone number is +44 1481 710607. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no subsidiaries or employees.

The Directors confirm that the Company has not traded and that no accounts of the Company have been made up since its incorporation on 3 October 2006. The Company's accounting period will terminate on 31 December of each year, with the first year end on 31 December 2007.

Save for its entry into the material contracts summarised in the section headed "Material contracts" beginning on page 120 of this prospectus and certain non-material contracts, since its incorporation the Company has not carried on business nor incurred borrowings. The Company will apply for a certificate from H.M. Greffier in Guernsey entitling it to commence business and exercise borrowing powers.

Changes in the authorised and issued share capital of the Company since incorporation are summarised in the section headed "Shares" below.

There has been no significant change in the trading or financial position of the Company since its incorporation.

Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in Clause three of the Memorandum of Association, copies of which are available for inspection at the addresses specified in the section headed "Documents available for inspection" on page 124.

The Articles of Association contain provisions, *inter alia*, to the following effect:

Shares

The share capital of the Company is represented by 100,000,000 shares of €0.0001 par value. At incorporation, two shares were subscribed by CO1 Limited and CO2 Limited of 7 New Street, St Peter Port, Guernsey, the subscribers to the Memorandum of Association. These shares will be transferred to applicants as part of the Global Offering. The Directors have absolute authority to allot such Shares.

The maximum issued share capital of the Company (all of which will be fully paid) immediately following the Global Offering will consist of 50 million Shares (excluding Shares issued pursuant to the Over-allotment Option).

On 13 October 2006 the holders of the two subscriber shares in the Company, CO1 Limited and CO2 Limited, passed a written special resolution approving the cancellation of the entire amount which will stand to the credit of the share premium account immediately after the Global Offering, conditionally upon the issue of the Shares pursuant to the Global Offering and the payment in full thereof. An application will be made to the Royal Court of Guernsey to confirm the reduction of the share premium account. This cancellation, when confirmed by the Royal Court, will enable the Company to effect purchases of its own Shares.

Voting

The Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company and each holder of shares being present in person or by attorney at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by attorney shall have one vote in respect of each share held by him.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Company at any time by ordinary resolution may determine and subject to and in default of such determination as the Board may determine.

Subject to the provisions of the Companies Laws, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Directors, the Company may from time to time purchase or enter into a contract under which it will or may purchase any of its own shares. The making and timing of any buy back will be at the absolute discretion of the Directors.

If at any time the share capital is divided into further classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not the Company is being wound up be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

Duration

The Company will have an unlimited life.

Winding-up

On a winding-up, the Shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

Notice requiring disclosure of interest in shares

The Directors shall have power by notice in writing to require any member to disclose to the Company the identity of any person other than the member (an interested party) who has any interest in the shares held by the member and the nature of such interest.

Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Article on a requisition of members holding not less than 1/10th of the paid up capital of the Company that at that date carries voting rights. If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more in value of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the “**default shares**”) and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

Dividends

Shareholders are entitled to receive, and participate in, any dividends or other distributions out of the profits of the Company available for dividend and resolved to be distributed in respect of any accounting period or other income or right to participate therein.

No dividend shall be paid other than out of the profits of the Company, provided always that all monies realised on the sale or other realisation of any capital assets in excess of book value and all other monies in the nature of accretion to capital shall not be treated as profits available for dividend.

The Directors may if they think fit at any time declare and pay such annual or interim dividends as appear to be justified by the position of the Company.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute by dividend.

Commission

The Company may pay commission in money or shares to any person in consideration for his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares in the Company or procuring or

agreeing to procure subscriptions whether absolute or conditional for any shares in the Company provided that the rate or amount of commission shall be fixed by the Directors. The Company may also pay brokerages.

Transfer of shares

The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the Euroclear System. If the Directors implement any such arrangements no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:

- (i) the holding of shares of that class in uncertificated form; or
- (ii) the transfer of title to shares of that class by means of the Euroclear System.

Where any class of shares is, for the time being, admitted to settlement by means of the Euroclear System such securities may be issued in uncertificated form in accordance with and subject as provided in the applicable requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holders in certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with the applicable requirements and the restrictions described in the section headed "Selling and Transfer Restrictions" beginning on page 98 of this prospectus. Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the Euroclear System in accordance with the applicable requirements. Every transfer of shares from a Euroclear account of a Euroclear member to a Euroclear account of another Euroclear member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed.

Subject to such of the restrictions of the Articles as may be applicable, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The Directors may refuse to register a transfer of any share in certificated form which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of certificated shares which is prohibited by the provisions described above, or any transfer of shares unless such transfer is in respect of only one class of shares, is in favour of a single transferee or no more than four joint transferees, is delivered for registration to the registered office or such other place as the Directors may decide, and is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Subject to such of the restrictions of the Articles as may be applicable, any member may transfer all or any of his uncertificated shares by means of a relevant system authorised by the Directors in such manner provided for, and subject as provided, in any regulations issued for this purpose under the Companies Laws or such as may otherwise from time to time be adopted by the Directors on behalf of the Company and the rules of any relevant system and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.

Subject to the provisions of the Euroclear Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided that such suspension shall not be for more than 30 days in any year.

Any shares held by a US Person who: (i) acquired such shares in the Global Offering; (ii) acquired such shares from a US Person who acquired shares in the Global Offering; or (iii) is otherwise connected to a US Person who acquired shares in the Global Offering by an unbroken series of transactions that did not include a bona fide sale to a non-US Person meeting the requirements of Regulation S under the Securities Act may only be transferred after the Shareholder has notified the Company of its intention to transfer the shares and has obtained from the transferee a signed letter addressed to the Company, with copies to the Administrator and to the Registrar, containing the representations described in the section headed "Purchase and Transfer of Shares: US investors" on page 101. The Registrar will not register transfers unless such a letter is provided.

Any shares held by a US Person who: (i) acquired such shares in the Global Offering; (ii) acquired such shares from a US Person who acquired shares in the Global Offering; or (iii) is otherwise connected to a US Person who acquired shares in the Global Offering by an unbroken series of transactions that did not include a bona fide sale to a non-US Person meeting the requirements of Regulation S under the Securities Act must be held in certificated form and may not be transferred into the Euroclear System or any other paperless system without the prior approval of the Company. Such approval will only be granted if the transferor provides a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation that the transferee is not a US Person.

The Company will refuse to register any transfer of a share that would result in (i) it being required to register under the Investment Company Act (ii) require the Investment Manager to register under the US Commodity Exchange Act or (iii) otherwise violates the transfer restrictions set forth in this prospectus. Shares may not be transferred to or held by Benefit Plan Investors or other employee benefit plans subject to Similar Law, and the Company will refuse to register any transfer of a Share to a Benefit Plan Investor or other employee benefit plan subject to Similar Law.

The Directors may give notice in writing to the Shareholder of any Share which appears to have been acquired in violation of the transfer restrictions contained in this section requiring him within 21 days (or such extended time as in all the circumstances the Directors shall consider reasonable or such shorter time as the Directors may determine in the case of a transfer to, or holding of, a share by the Benefit Plan Investor or other employee benefit plan subject to Similar Law) to transfer (and/or procure the disposal of interests in) such share to another person so that the violation will be remedied. On and after the date of such notice, and until registration of a transfer of the share to which it relates, the share shall not confer any right to receive notice of or to attend or vote at general meetings of the Company and of any class of Shareholders and the rights to attend (whether in person or by proxy), to speak and to demand a vote on a poll which would have attached to the share had it not appeared to the Directors to have been acquired in violation of transfer restrictions shall vest in the chairman of any such meeting. The manner in which the chairman exercises or refrains from exercising any such rights shall be entirely at his discretion. The chairman of any such meeting as aforesaid shall be informed by the Directors of any share becoming or being deemed to have been acquired in violation of transfer restrictions.

If within 21 days after the giving of any notice pursuant to the paragraph above (or such extended time as in all the circumstances the Directors shall consider reasonable or such shorter time as the Directors may determine in the case of a transfer to, or holding of, a share by a Benefit Plan Investor or other employee benefit plan subject to Similar Law) such notice is not complied with to the satisfaction of the Directors, the Directors shall arrange for the Company to sell such share at the best price reasonably obtainable to any other person so that the violation of the transfer restrictions will be remedied. For this purpose the Directors may, in the case of a Share in certificated form, authorise in writing any officer or employee of the Company to execute on behalf of the Shareholder a transfer of the share to a purchaser and may issue a new certificate to the purchaser and, in the case of a share in uncertificated form, the Directors may rematerialise such share and take such other steps (including the giving of directions to or on behalf of the Shareholder who shall be bound by them) as they think fit to effect the transfer of the share to that person. The net proceeds of the sale of such share shall be received by the Company and such receipt shall be a good discharge of the obligation to pay the purchase money therefor. The net proceeds of the sale of such share shall be paid over by the Company to the former Shareholder (together with interest at such rate as the Directors consider appropriate) upon surrender by him or them of the certificate for the share.

Issues of shares

Under the Articles of Association, the Directors have powers to issue further shares on non-pre-emptive basis. The Directors will consider issuing further shares at not less than the then-prevailing estimated Net Asset Value per share.

The Investment Manager will seek to invest the proceeds of any further issues of shares, where possible and appropriate, in investments consistent with the Company's existing portfolio at the relevant date, so as to avoid dilution of existing Shareholders' exposure to the prevailing composition of the Company's portfolio. Whilst the Investment Manager will have regard to the Company's investment objective and investment policy in respect of the Company, there can be no assurance that further additions to existing holdings can be achieved.

Alteration of Capital and Purchase of Shares

The Company may by ordinary resolution: (i) consolidate all or any of its share capital into shares of larger amount than its existing shares; (ii) subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association of the Company; or (iii) cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its authorised share capital by the amount of shares so cancelled. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any authority and consent required by the Companies Laws.

Notices

Any notice to be given to or by any person pursuant to the Articles shall be in writing except that a notice calling a meeting of the Directors need not be in writing. A notice may be given by the Company to any member either personally or by sending it by post in a pre-paid envelope addressed to the member at his registered address. A notice sent by post shall, unless the contrary is shown, be deemed to have been received:

- (i) in the case of a notice sent to an address in the United Kingdom, Channel Islands or the Isle of Man, on the third day after the day of posting; and
- (ii) in the case of a notice sent elsewhere by airmail on the seventh day after posting,

excluding in each case any day which is a Sunday, Good Friday, Christmas Day, a bank holiday in Guernsey or a day appointed as a day of public thanksgiving or public mourning in Guernsey.

A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in respect of the share in the register of members to be kept pursuant to the Companies Laws.

A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

Notice for any general meeting shall be sent not less than ten days before the meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall be given to:

- (i) every Shareholder who has supplied to the Company a registered address for the giving of notices to him;
- (ii) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Shareholder where the Shareholder but for his death or bankruptcy would be entitled to receive notice of the meeting;
- (iii) the auditor (if any) for the time being of the Company; and
- (iv) each Director who is not a Shareholder.

No other person shall be entitled to receive notices of general meetings. The notice must specify the time and place of the general meeting and, in the case of any special business, the general nature of the business to be transacted. With the consent in writing of all the members, a meeting may be convened by a shorter notice or at no notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any member shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

Borrowing Powers

The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party provided always that the aggregate principal

amount of all borrowings (as defined in the Articles) by the Company shall not at the point of any borrowing exceed 100 per cent. of the Net Asset Value of the Company.

Material contracts

The following are all of the contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company since its incorporation and are, or may be, material or that contain any provision under which the Company has any obligation or entitlement which is or may be material to the Company as at the date of this prospectus:

The Placing Agreement, dated 18 October 2006, between the Company, the Investment Manager, the Placing Agents and the Directors whereby the Placing Agents have agreed, as agents for the Company, to use their reasonable endeavours to procure subscribers for Shares under the Global Offering at the Issue Price. The Placing Agents are not under an obligation to purchase Shares in the event that they are unable to procure subscribers for Shares. Under the terms of the Placing Agreement, the Investment Manager will pay all of the fees of the Placing Agents under the Placing Agreement, comprising a commission of 3.5 per cent. of the gross proceeds of the Global Offering. The commission will not be payable on any monies raised from shareholders in the Sark Fund that switch their shareholding from Sark Fund to the Company or any Shares subscribed for by the Investment Manager's wealth management branch, on behalf of and for the account of its clients. The Joint Global Coordinators will retain 1.5 per cent. of the 3.5 per cent. gross spread for their own account as a base fee for the structuring and managing of the Global Offering and the balance of 2 per cent. of the gross spread will be allocated as a distribution fee to the Joint Global Coordinators or any other Placing Agents that the Joint Global Coordinators may determine.

Under the Placing Agreement, the Company will grant BNP Paribas, on behalf of the Joint Global Coordinators, the Over-allotment Option under which it will agree to make available up to 15 per cent. of the aggregate number of Shares available in the Global Offering (before any exercise of the Over-allotment Option) for the purpose of meeting over-allotments in connection with the Global Offering. This option will be exercisable upon notice by the Joint Global Coordinators given not later than noon on the thirtieth day following the announcement of the results of the Global Offering. Save as required by law, the Joint Global Coordinators do not intend to disclose the extent of any over-allotment made and/or any stabilisation transactions.

Under the Placing Agreement, which is subject to certain customary conditions precedent and which may be terminated by the Placing Agents in certain customary circumstances prior to Admission, the Company, the Investment Manager and the Directors have given warranties and (in the case of the Company and the Investment Manager) indemnities to the Placing Agents concerning, *inter alia*, the accuracy of the information contained in this prospectus. The warranties and indemnities given by the Company and the Investment Manager are standard for an agreement of this nature and there is no cap on their liability. In addition, the Company and the Investment Manager have given indemnities to the Placing Agents. The warranties given by the Directors are subject to financial caps.

A Management Agreement dated 13 October 2006 between the Company and the Investment Manager whereby the Company appointed the Investment Manager as its investment manager, subject to the control of and review by the Directors, to manage the investments of the Company. The Management Agreement is terminable by either party giving to the other not less than twelve months' notice in writing, such notice not to expire before the third anniversary of Admission. The Company shall not serve notice to terminate the Management Agreement on notice unless this course of action has been unanimously agreed to by the Directors and confirmed by a special resolution of the Company in general meeting. In the event that the Management Agreement is terminated, the Company shall have the right to redeem its shares in the Sark Fund in accordance with the normal redemption provisions applicable to shareholders in the Sark Fund. In the event that the Management Agreement is terminated before the third anniversary of Admission other than, *inter alia*, as a result of the material breach or insolvency of the Investment Manager, the Company would, nonetheless, be obliged to pay the Investment Manager any management fee or performance fee that would otherwise be payable in respect of the period to the third anniversary of Admission. This has been agreed on the basis of the Investment Manager bearing the costs and expenses of establishing the Company. The Investment Manager will not be liable for any loss suffered by the Company in connection with the performance by the Investment Manager of its obligations under the Management Agreement in the absence of fraud, wilful default or negligence on the part of the Investment Manager.

The Company agrees to indemnify the Investment Manager against all liabilities incurred by it in the performance of its obligations and duties under the Management Agreement other than liabilities arising out of the fraud, wilful default, bad faith or negligence on the part of the Investment Manager in the performance of its obligations and duties. The Investment Manager may, with the consent of the Directors (which consent is given in respect of the use of Boussard & Gavaudan Gestion S.A.S. to perform services under the Management Agreement), delegate the provision of investment management and other services to a third party but will remain liable for the acts of any such third party and will be responsible for their remuneration. Under the Management Agreement, the Investment Manager is entitled to receive management fees and performance fees as explained in the section headed “Investment Manager” beginning on page 46.

The Administration Agreement dated 17 October 2006 between the Company and the Administrator pursuant to which the Company appoints the Administrator to act as administrator of the Company. The Administration Agreement may be terminated by either the Company or the Administrator giving to the other not less than 90 days’ written notice. The Administrator is entitled to a fee as set out in the section headed “Administration” beginning on page 46 and is entitled to appoint delegates at the Company’s expense.

General

The Global Offering of the Shares is being carried out on behalf of the Company by the Placing Agents.

The principal place of business and registered office of the Company is Trafalgar Court, Admiral Park, St Peter Port, Guernsey.

The Investment Manager is or may be a promoter of the Company. Save as disclosed in the section headed “Investment Manager” on page 73 of this prospectus no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company and none is intended to be paid, or given.

The costs and expenses of, and incidental to, the Global Offering will be borne by the Investment Manager. On the basis that 50,000,000 Shares are issued under the Global Offering (excluding Shares issued pursuant to the Over-allotment Option), the net proceeds will be approximately €500,000,000 and this amount will be applied as described in the section headed “Investment Policy”. The maximum number of Shares available under the Global Offering should not be taken as an indication of the number of Shares finally to be issued.

As the Shares have a €0.0001 par value, the Issue Price of €10 per Share consists of €9.9999 share premium.

The Company does not own any premises and does not lease any premises.

Third party sources

Where information contained in this prospectus has been sourced from third parties, the Company confirms that such information has been accurately reproduced and, as far as the Company is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Availability of prospectus

Copies of this prospectus can be obtained free of charge during normal business hours for the 12 months following the date of this prospectus from: the Company’s website (www.bgholdingltd.com), the Company’s registered office and the registered office of the Investment Manager.

Minimum allotment requirements

For the purposes of Section 29 of the Companies Laws, the minimum subscription upon which the Directors may proceed to allotment is two Shares.

INDEPENDENT AUDITOR

Ernst & Young LLP has been the only auditor of the Company since its incorporation. Ernst & Young Guernsey is part of the UK firm of Ernst & Young LLP, a limited liability partnership incorporated under English law and a member of Ernst & Young Global Limited, a UK limited liability company which acts as the central governance body of the Ernst & Young network of independent firms. Ernst & Young LLP is registered as an audit firm with the Institute of Chartered Accountants in England and Wales and has its registered office at 1 More London Place, London SE1 2AF. The annual report and accounts of the Company will be prepared in accordance with IFRS and The Companies (Guernsey) Law, 1994.

Ernst & Young LLP has given consent to the inclusion in this prospectus of references to its name in the form and context in which it has been included. Ernst & Young LLP has no material interest in the Company.

Ernst & Young, Cayman Islands, has been the only auditor of the Sark Fund, for statutory filings in the Cayman Islands, since its incorporation. Ernst & Young, Cayman Islands' address is Ernst & Young, Independent Auditors, 2nd Floor, Leeward Four, Regatta Office Park, West Bay Road, George Town, Cayman Islands, British West Indies.

Ernst & Young, Cayman Islands, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its auditor's reports under the section headed "Financial Information" beginning on page F-1 and the references to such reports and to its name in the form and context in which they appear. Ernst & Young, Cayman Islands, has authorised the contents of its reports and references to it for the purposes of the Prospectus Directive. Ernst & Young, Cayman Islands, is a member of Ernst & Young Global Limited. It has no material interest in the Sark Fund.

Ernst & Young Chartered Accountants, Dublin has been the only auditor of the Sark Master Fund since its incorporation. Ernst & Young, Dublin is a member of the Institute of Chartered Accountants in Ireland. Ernst & Young Dublin's address is Ernst & Young Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2 Ireland. In addition, Ernst & Young, Chartered Accountants is the auditor of the Sark Fund's non-statutory financial statements for the six months ended 30 June 2006.

Ernst & Young, Dublin has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its auditor's reports under the section headed "Financial Information" beginning on page F-1 and the references to such reports and to its name in the form and context in which they appear. Ernst & Young, Dublin has authorised the contents of its reports and references to it for the purposes of the Prospectus Directive. Ernst & Young, Dublin is a member of Ernst & Young Global Limited. It has no material interest in the Sark Master Fund.

The annual report and accounts of the Sark Fund and the Sark Master Fund are prepared in accordance with US GAAP.

The Sark Fund has entered into an engagement letter with Ernst & Young, Cayman Islands, the Sark Fund's statutory auditors, and Ernst & Young, Dublin (which will plan and execute the field work of the audit) containing provisions limiting the liability of Ernst & Young, Cayman Islands and Ernst & Young, Dublin (together "**Ernst & Young**") arising out of or in connection with the engagement of Ernst & Young. Such liability is limited, in any successive 12 month period commencing on the date of execution of the engagement letter, to US\$2.5 million. This limitation of liability will not apply to liability arising as a result of fraud on the part of Ernst & Young, but will apply in respect of liability arising as a result of breach of contract, breach of duty, fault or negligence and further in such circumstances such liability will be limited to the proportion of the loss or damage suffered by the Sark Fund which it is just and equitable to ascribe to Ernst & Young. The engagement letter also contains provisions indemnifying Ernst & Young in certain circumstances. An engagement letter in similar terms has been entered into between the Sark Master Fund and Ernst & Young, Dublin.

REGISTRAR

Carey Commercial Limited has been appointed as the Company's Registrar pursuant to a registrar's agreement (the "**Registrar's Agreement**"), pursuant to which the Registrar has agreed to act as registrar of the Company. The Company shall pay to the Registrar fees in respect of the performance by the Registrar of certain tasks specified in the Schedule to the Registrar's Agreement upon submission by the Registrar of invoices in respect of such additional fees at the end of each month. The Registrar shall be entitled to reimbursement by the Company of any other fees and expenses reasonably disbursed by it in connection with the performance of its services under the Registrar's Agreement. The Registrar's Agreement may be terminated by either party by service of 90 days' written notice served on the other party, although in certain circumstances the Registrar's Agreement may be terminated forthwith by notice in writing by either party to the other. The Registrar's Agreement contains an indemnity in favour of the Registrar against all claims brought by a third party against the Registrar in the course of carrying out its duties under the Registrar's Agreement except where such claims arise from the negligence, fraud or wilful default of the Registrar or the breach by it of the terms of the Registrar's Agreement in the performance or non-performance of its duties thereunder.

CUSTODIAN

BNP Paribas Jersey Branch has been appointed as the Company's Custodian pursuant to a custodian agreement, under which it is appointed to act as custodian of the Company's investments, cash and other assets and accepts responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian. The Custodian shall be entitled to receive a fee from the Company based on an agreed percentage per annum of the assets held by the Custodian. This percentage will be fixed by reference to the nature of the assets to be held in custody. The Custodian shall be entitled to receive reimbursement of reasonable out-of-pocket expenses on an ongoing basis. The Custody Agreement contains provisions under which the Company exempts the Custodian from liability in the absence of fraud, wilful default or negligence for losses of any kind arising out of or in connection with its performance of its duties under the agreement. Similarly, the Company has agreed to indemnify the Custodian in respect of losses it may suffer in connection with the performance of its duties under the agreement save to the extent that such losses are due to fraud, wilful default or negligence on the part of the Custodian. The Custody Agreement may be terminated on not less than 90 days' written notice by either party, provided that termination may be made immediately if either party has materially breached its terms. The agreement is governed by the laws of Jersey.

BNP Paribas Jersey Branch is the Jersey branch of BNP Paribas SA, which is registered in Paris under number 662 042 449 RCS Paris and whose registered office is at 16 boulevard des Italiens, 75009 Paris, France. The registered branch office of BNP Paribas Jersey Branch is at BNP House, Anley Street, St Helier, Jersey JE4 8RD (telephone: +44 1534 815 200). BNP Paribas SA operates under the French Monetary and Financial code and is governed by banking regulations by the provisions of the French Commercial Code applicable to trading and companies. BNP Paribas Jersey Branch is regulated by the Jersey Financial Services Commission for the conduct of investment business.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS during normal business hours on any weekday (Saturdays and Public Holidays excepted) until the date of Admission:

- (a) the Memorandum and Articles of Association of the Company, the Sark Fund and the Sark Master Fund; and
- (b) this prospectus, including the historical financial information contained herein.

In addition, copies of this prospectus are available free of charge from the Company's website (www.bgholdingltd.com), the registered office of the Company and the offices of the Investment Manager, 33 Bruton Street, London W1J 6HH.

ADVISERS

Investment Manager

Boussard & Gavaudan Asset Management, LP
33 Bruton Street
London W1J 6HH
(Telephone +44 207 514 0700)

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

BNP Paribas
16 boulevard des Italiens
75009 Paris

Lehman Brothers
25 Bank Street
London E14 5LE

Co-Manager

Kempen & Co N.V.
Beethovenstraat 300
1077 WZ Amsterdam
P.O. Box 75666
1070 AR Amsterdam
The Netherlands

Co-Manager

Bear, Stearns International Limited
One Canada Square
London E14 5AD

Legal Advisers to the Company (as to English and United States law)

Herbert Smith LLP
Exchange House, Primrose Street
London EC2A 2HS

Advocates to the Company (as to Guernsey law)

Carey Olsen, 7 New Street
St Peter Port
Guernsey GY1 4BZ

Legal Advisers to the Company (as to Netherlands law)

Stibbe N.V.
Strawinskylaan 2001
1077 ZZ Amsterdam
The Netherlands

Legal Advisers to Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners (as to English and United States law)

Cleary Gottlieb Steen & Hamilton LLP
City Place House
55 Basinghall Street
London EC2V 5EH

Registrar

Carey Commercial Limited
22 Smith Street
St Peter Port
Guernsey GY1 2JQ

Auditors

Ernst & Young LLP
14 New Street
St Peter Port
Guernsey GY1 4AF

Administrator

Close Fund Services Limited
Trafalgar Court
Admiral Park, St Peter Port
Guernsey GY1 2JA

Custodian

BNP Paribas Jersey Branch
PO Box 158, BNP House
Anley Street, St Helier
Jersey JE4 8RD

FURTHER INFORMATION ON THE SARK FUND AND THE SARK MASTER FUND

Related party transactions

As of 17 October 2006 neither the Sark Fund nor the Sark Master Fund had entered into any related party transaction since inception.

Corporate governance and audit and remuneration committees

Neither the Sark Fund nor the Sark Master Fund currently have audit or remuneration committees and neither the Sark Fund nor the Sark Master Fund are subject to a corporate governance regime in the Cayman Islands.

Major shareholders

In so far as is known to the Sark Fund and the Sark Master Fund, no person has an interest in their respective capital or voting rights which is notifiable under Cayman Islands law and no major shareholder has voting rights different to the other shareholders in the Sark Fund and the Sark Master Fund respectively. The three, five and ten largest investors in the Sark Fund account for 29 per cent., 38 per cent., and 55 per cent. of total assets under management respectively.

Administrator

The Sark Fund and the Sark Master Fund have each retained GlobeOp as their administrator.

GlobeOp is responsible for providing administration services to the Sark Fund and the Sark Master Fund, including the calculation of the net asset value and the net asset value per share of the Sark Fund and the Sark Master Fund, arranging for the payment of expenses, maintaining books and records, assisting the investment manager of the Sark Fund and the Sark Master Fund in communications with investors and the Irish Stock Exchange, preparing the accounts of the Sark Fund and the Sark Master Fund and serving as the agent of the Sark Fund for the issue and redemption of the Sark Fund's shares and acting as registrar of the Sark Fund and the Sark Master Fund. GlobeOp is also responsible for calculating the performance fee payable by the Sark Fund to its manager.

GlobeOp is responsible for monitoring the number of shareholders of the Sark Fund who certify that they are US Persons and the number of shares in the Sark Fund held by investors subject to ERISA, or other benefit plan investors, to ensure that shareholders' holdings do not exceed the number of shareholders and shares in the Sark Fund held as its directors may from time to time advise GlobeOp.

An affiliate of GlobeOp also provides certain administrative and support services to the investment manager of the Sark Fund and the Sark Master Fund and/or, if the investment manager so determines, to its affiliates, as and when agreed with the investment manager, in connection with the execution of the trading strategies of the Sark Master Fund, including, without limitation: (i) middle and back-office services relating to cash, security, listed derivatives and OTC derivatives operations, trade settlement management, cash/trade/position reconciliation, margin calculation and payments and tracking OTC derivatives instruments, managing payment settlements and the recording and verifying of corporate actions; and (ii) middle-office services such as implementation of the investment manager's end-of-day pricing and profit and loss calculation.

GlobeOp does not act as a guarantor of the Sark Fund's shares. Moreover, GlobeOp is not responsible for any of the trading or investment decisions of the Sark Fund or the Sark Master Fund, or the effect of such trading decisions on the performance of the Sark Fund or the Sark Master Fund.

The Sark Fund and the Sark Master Fund reserve the right to change the administration arrangements described above by agreement with GlobeOp and/or in their discretion to appoint an alternative administrator.

Net asset value

The net asset value of the Sark Fund, the net asset value per share of each class of the Sark Fund's shares, the net asset value of the Sark Master Fund and the net asset value of the ordinary shares of the Sark Master Fund will be determined as at the close of business on each Valuation Day or at such other times as the directors of the Sark Fund and the Sark Master Fund may determine. The net asset value of the Sark Fund and of the Sark Master Fund is equal to the value of their respective total assets less their liabilities.

In respect of each class of shares in the Sark Fund, a separate class account (a “**class account**”) has been established in the books of the Sark Fund. An amount equal to the proceeds of issue of each share will be credited to the relevant class account. Any increase or decrease in the net asset value of the assets of the Sark Fund (disregarding for these purposes any increase in the net asset value of the portfolio due to new subscriptions or decreases due to redemptions or any designated class adjustments (as defined below)) will be allocated to the relevant class accounts based on the previous relative net asset value of each such class account. There will then be allocated to each class account the “designated class adjustments” being those costs, prepaid expenses, losses, dividends, profits, gains and income which the directors of the Sark Fund determine relate to a single class. The net asset value of the ordinary shares in the Sark Master Fund will be calculated according to the same methodology.

Ordinary shares in the Sark Master Fund held by the Sark Fund will be valued at their net asset value determined by GlobeOp on the relevant Valuation Day. Assets of the Sark Master Fund will be valued in accordance with the following principles:

- (A) any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price on the relevant Valuation Day or, if no trades occurred on such day, at the closing bid price if held long by the Sark Master Fund and at the closing offer price if sold short by the Sark Master Fund, as at the relevant Valuation Day, and as adjusted in such manner as the directors, in their sole discretion, think fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply;
- (B) any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, will be valued at its fair value as determined by the directors having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation;
- (C) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price at the close of business on any market on which such investments are or can be dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the directors may determine at their discretion which markets shall prevail and provided also that the directors, at their absolute discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice;
- (D) investments, other than securities, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty;
- (E) deposits will be valued at their cost plus accrued interest;
- (F) any value (whether of an investment or cash) otherwise than in Euro or US Dollars will be converted into Euro or US Dollars at the rate (whether official or otherwise) which the directors in their absolute discretion deem applicable as at close of business on the relevant Valuation Day, having regard, among other things, to any premium or discount which they consider may be relevant and to costs of exchange.

The directors of the Sark Fund and the Sark Master Fund may, at their discretion, permit other methods of valuation to be used if they consider that such method of valuation better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice.

The directors of the Sark Fund and the Sark Master Fund have delegated to GlobeOp the determination of net asset value and the net asset value per share of each class. In determining any value, the directors of the Sark Fund and Sark Master Fund shall be entitled to rely on any valuations provided or attributed to any asset or liability by the investment manager of the Sark Fund and the Sark Master Fund.

The net asset value per share of each class on any Valuation Day will be calculated by dividing the net asset value of the relevant class account by the number of shares of the relevant class in issue as at the close of

business on that Valuation Day and rounding up or down to the nearest tenth of a €0.01 or US\$0.01 as appropriate.

Following calculation, the net asset value per share of the Euro shares and the US Dollar shares will be notified immediately by GlobeOp to the Irish Stock Exchange.

Temporary suspension of net asset value calculations of the Sark Fund's and the Sark Master Fund's shares

The directors of the Sark Fund and the Sark Master Fund may declare a temporary suspension of the determination on any Valuation Day of the net asset value (and hence the net asset value per share) during:

- (A) any period (other than ordinary holiday or customary weekend closings) when any market is closed which is the main market for a significant part of the Sark Fund's or the Sark Master Fund's investments, or when trading thereon is restricted or suspended;
- (B) any period when any emergency exists as a result of which disposal by the Sark Fund or the Sark Master Fund of investments which constitute a substantial portion of its assets is not practically feasible;
- (C) any period when for any reason the prices of a material portion of the investments of the Sark Fund or the Sark Master Fund cannot be reasonably, promptly or accurately ascertained;
- (D) any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, investments of the Sark Fund or the Sark Master Fund cannot, in the opinion of the directors, be carried out at normal rates of exchange;
- (E) any period when proceeds of the sale or redemption of the shares cannot be transmitted to or from the Sark Fund's account or when proceeds of the sale or redemption of ordinary shares in the Sark Master Fund cannot be transmitted to or from the Sark Master Fund's account; or
- (F) in the case of the Sark Fund, any period during which the issue or redemption of ordinary shares in the Sark Master Fund is temporarily suspended.

Notice of the suspension and its termination will be given to all persons who have applied for or requested redemption or exchange of Sark Fund shares and will be notified without delay to the Irish Stock Exchange. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

Fees and expenses

As the class of shares in the Sark Fund into which the Company will invest bears no fees, no management or performance fees shall be payable at the level of the Sark Fund by the Company.

Sark Master Fund

No management or performance fees are payable by the Sark Master Fund.

Administrator

GlobeOp receives from the Sark Master Fund a monthly administration fee, payable in advance, based on the net asset value of the Sark Master Fund as at the relevant Valuation Day of one twelfth of: (i) 0.05 per cent. on the first €200 million of such net asset value; (ii) 0.04 per cent. on the next €200 million of such net asset value; (iii) 0.03 per cent. on the next €200 million of such net asset value; and (iv) 0.02 per cent. on such net asset value greater than €600 million.

GlobeOp is also reimbursed by the Sark Master Fund for any reasonable out-of-pocket expenses necessarily incurred in the performance of its duties. No administration fees or expenses are payable by the Sark Fund.

GlobeOp's fees in respect of providing middle/back-office and risk reporting services to the investment manager of the Sark Fund and the Sark Master Fund are also paid by the Sark Master Fund.

In respect of middle/back-office services, an affiliate of GlobeOp receives from the Sark Master Fund a monthly fee, payable in advance, based on the net asset value of the Sark Master Fund as at the relevant

Valuation Day of one twelfth of: (i) 0.15 per cent. on the first €200 million of such net asset value; (ii) 0.12 per cent. on the next €200 million of such net asset value; (iii) 0.09 per cent. on the next €200 million of such net asset value; (iv) 0.08 per cent. on the next €200 million of such net asset value; and (v) 0.05 per cent. on such net asset value greater than €800 million, subject to a minimum monthly fee of €9,333.

Prime Brokers and Custodians

The prime brokers and custodians of the Sark Master Fund receive such fees as may be agreed with the Sark Master Fund from time to time. The prime brokers and custodians of the Sark Master Fund currently receive prime brokerage fees which are based upon a combination of transaction charges and interest costs. The prime brokers and custodians of the Sark Master Fund charge interest on debit balances at a rate agreed with the Sark Master Fund. The prime brokers and custodians of the Sark Master Fund do not currently receive a separate fee for their custodial services.

Other Fees and Expenses

The Sark Master Fund bears the operating and other expenses of the Sark Master Fund, the Sark Fund and any other feeder fund established to invest in the Sark Master Fund except for the foreign exchange fees incurred at Sark Fund level. These expenses include (but are not limited to) (a) investment expenses; (b) administrative expenses; (c) the charges and expenses of the legal advisers, accountants and independent auditors; (d) brokers' commissions, borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions; (e) all taxes and corporate fees payable to governments or agencies; (f) directors' fees (if any) and expenses; (g) interest on borrowings, including borrowings from the prime brokers and custodians of the Sark Master Fund; (h) communication expenses with respect to investor services and all expenses of meetings of the Sark Fund's shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents (excluding, for the avoidance of doubt, any distribution costs); (i) the cost of insurance (if any) for the benefit of directors of the Sark Fund and/or the Sark Master Fund; (j) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business; (k) the cost of maintaining the listing of the Sark Fund's shares on the Irish Stock Exchange and/or any other exchange; and (l) all other organisational and operating expenses.

The total costs and expenses of establishing the Sark Fund and the Sark Master Fund have been paid.

Reports and financial statements

The financial year of the Sark Fund and the Sark Master Fund ends on 31 December in each year.

Annual reports and audited financial statements for the Sark Fund and the Sark Master Fund in respect of each financial year prepared in accordance with US GAAP are sent to shareholders of the Sark Fund and to the Irish Stock Exchange at least 21 days before the annual general meeting (if any) and in any event within six months of the end of the Sark Fund's financial year, whichever is the earlier.

Half-yearly unaudited reports of the Sark Fund and the Sark Master Fund, incorporating unaudited accounts, are also sent to the Sark Fund's shareholders and to the Irish Stock Exchange within four months of the end of the period to which they relate.

Audited annual financial statements of the Sark Fund and the Sark Master Fund and half-yearly reports incorporating unaudited accounts are sent to each shareholder of the Sark Fund free of charge and are made available for inspection at the offices of GlobeOp and the registered office of the Sark Fund.

Conflicts of interest

The directors, manager, investment manager, investment adviser, the prime brokers and custodians of the Sark Fund and/or the Sark Master Fund, as the case may be, and GlobeOp may from time to time act as manager, investment manager, custodian, registrar, broker, administrator, investment adviser, distributor or dealer in relation to, or be otherwise involved in, other funds established by parties other than the Sark Fund and/or the Sark Master Fund, as the case may be, which have similar objectives to those of, or invest in similar securities to those held by, the Sark Fund and the Sark Master Fund. It is, therefore, possible that any of them or their respective partners, principals, shareholders, members, directors, officers, agents or employees may, in the course of business, have potential conflicts of interest with the Sark Fund and the Sark Master Fund. Each will, at all times, have regard in such event to its obligations to the Sark Fund

and/or the Sark Master Fund, as the case may be, and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Sark Fund or the Sark Master Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. The manager, the investment manager and the investment adviser of the Sark Fund and/or the Sark Master Fund, as the case may be, or any of their partners, principals, members, officers, agents or employees may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Sark Fund or the Sark Master Fund. Neither the manager, the investment manager and the investment adviser of the Sark Fund and/or the Sark Master Fund, as the case may be, nor any of their affiliates nor any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to the Sark Fund or the Sark Master Fund or to account to the Sark Fund or the Sark Master Fund in respect of (or share with the Sark Fund or the Sark Master Fund or inform the Sark Fund or the Sark Master Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Sark Fund or the Sark Master Fund and other clients.

Further information on the Sark Fund and the Sark Master Fund

The authorised share capital of the Sark Fund is €100,010 divided into 10 founder shares of a par value of €1 each, 10,000,000 Euro ordinary shares of a par value of €0.01 each and US\$100,000 divided into 10,000,000 US Dollar ordinary shares of a par value of US\$0.01 each. At 30 June 2006, there were 2,696,152.56 Euro shares and 6,371,455.48 US Dollar shares in issue. The authorised share capital of the Sark Fund has not been changed since incorporation.

The authorised share capital of the Sark Master Fund is €100,000 divided into 10,000,000 Euro ordinary shares of a par value of €0.01 each and US\$100,000 divided into 10,000,000 US Dollar ordinary shares of a par value of US\$0.01 each. At 30 June 2006, there were 2,434,355.61 Euro shares and 5,795,361.20 US Dollar shares in issue. The ordinary shares in the Sark Master Fund carry similar rights in relation to voting, dividends and upon a liquidation as Shares in the Sark Fund. The authorised share capital of the Sark Master Fund has not been changed since incorporation.

Share transactions for the period ended 30 June 2006 are as follows:

<u>Type of share</u>	<u>Balance at 1 January 2006</u>	<u>Subscriptions</u>	<u>Redemptions</u>	<u>Balance at 30 June 2006</u>
Sark Fund Euro shares	2,597,384.91	329,384.40	(230,616.75)	2,696,152.56
Sark Fund US Dollar shares	6,183,267.66	907,894.31	(719,706.49)	6,371,455.48
Sark Master Fund Euro shares	2,411,590.35	296,505.34	(273,740.08)	2,434,355.61
Sark Master Fund US Dollar shares	5,793,524.27	802,488.79	(800,651.86)	5,795,361.20

Summary of the Sark Fund's and Sark Master Fund's Memorandum and Articles of Association

The memorandum of association of each the Sark Fund and of the Sark Master Fund provides that the objects of the Sark Fund and of the Sark Master Fund include carrying on business as an investment company. The objects of the Sark Fund and of the Sark Master Fund are set out in full in Clause 3 of each of the Sark Fund's and Sark Master Fund's memoranda of association.

Rights of the founder shares in the Sark Fund

The founder shares carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the shares. Founder shares are not redeemable.

The holders of the founder shares have the exclusive right to vote (to the exclusion of the holders of other shares in the Sark Fund), and in such case are entitled to one vote per founder share, in respect of each of the following matters:

- (A) the appointment or removal of any manager or investment manager;
- (B) the appointment or removal of any director;
- (C) the winding up of the Sark Fund; and
- (D) any amendment to the Memorandum and Articles of Association of the Sark Fund affecting the foregoing matters.

In addition, the holders of the founder shares have the right (to the exclusion of the holders of other shares in the Sark Fund):

- (A) to create one or more additional classes of shares of such number, par value and denomination, whether by means of conversion or by way of cancellation of all or any of the authorised but unissued shares and the creation of fresh authorised shares, as the holders of the founder shares may determine;
- (B) to create one or more classes of management shares of such number, par value and denomination together with such rights (including without limitation as to the fees and charges to which the assets attributable thereto are subject) as the holders of the founder shares may determine for issuance to the investment manager of the Sark Fund or a partner or employee thereof or any person connected with any such person (as determined by the holders of the founder shares) or a company, partnership or other person or entity controlled by any of such persons (as determined by the holders of the founder shares);
- (C) to redesignate as management shares such shares registered from time to time in the names of persons to whom management shares may be issued as the holders of the founder shares determine (subject to the creation of such class of shares pursuant to paragraph (B) above) by way of the cancellation of the relevant shares and the issue of management shares or otherwise; and
- (D) to amend the Memorandum and Articles of Association of the Sark Fund to provide for the creation of one or more additional classes of shares or one or more classes of management shares pursuant to paragraphs (A) and/or (B) and all matters incidental thereto as the holders of the founder shares may determine, provided that no such amendments may adversely affect the rights attaching to the shares in issue on the date they are made.

Subject to the foregoing, the holders of founder shares are not entitled to any votes in respect of the founder shares held by them except during any period when there are no other shares in issue, in which event each holder of founder shares is entitled to one vote for each such founder share held by him. The founder shares are held by 1729 Management (Cayman) Limited, the manager of the Sark Fund. Emmanuel Boussard and Emmanuel Gavaudan are directors and shareholders of the manager.

Rights of the shares in the Sark Fund

Shares (other than founder shares) in the Sark Fund carry an equal right to such dividends and other distributions as the directors may declare. Except where voting rights attach exclusively to the founder shares, on a show of hands at a general meeting of the Sark Fund, every shareholder who is present in person or by proxy shall have one vote and on a poll every shareholder present in person or by proxy shall be entitled to one vote in respect of each share held by him. On a winding-up, the shares are entitled in priority to the founder shares, to the return of the capital paid up thereon and the surplus assets of the Sark Fund attributable to each class of shares will be distributed among the holders of the shares of that class according to the number of such shares held by each of them.

Changes in share capital

The Sark Fund may increase or reduce its authorised share capital, divide all or any of its share capital into shares of smaller amount or combine all or any of its share capital into shares of larger amount. For so long as the authorised share capital is divided into different classes of shares, the rights attached to any class may be varied by consent in writing of holders of not less than three quarters of the issued shares of that class or with the sanction of a special resolution (a three quarters majority of votes cast) passed at a general meeting of the holders of the shares of that class.

Transfer of shares

Subject to the restrictions set out in this section, under the section headed “Compulsory Redemptions” on page 70 and as otherwise described in the Sark Fund’s prospectus dated 11 October 2006 in relation to US investors, shares are transferable by written instrument of transfer signed by (or in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and containing the name and address of the transferor and the transferee. The instrument of transfer shall be in such form as the directors approve.

In the case of the death of any one of joint shareholders, the survivor(s) will be the only person or persons recognised by the Sark Fund as having any title to the interest of the deceased joint shareholder in the

shares registered in the names of such joint shareholders. Shareholders wishing to transfer shares must sign the transfer in the exact name or names in which the shares are registered, indicate any special capacity in which they are signing and supply all other required details. The completed form of transfer, duly stamped if applicable, together with such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, must be sent to the administrator. The transfer shall take effect upon the registration of the transferee in the register of shareholders. If the transferee is not already a shareholder, he will be required to complete an application form. No transfer may be made which would result in either the transferor or the transferee remaining or being registered (as the case may be) as the holder of shares valued at less than the minimum holding of €1,000,000 or such lesser amount as the directors of the Sark Fund may in any particular case determine provided such lesser amount is not less than €100,000 (the “**Minimum Holding**”) at the time of such intended transfer.

The directors may suspend the registration of transfers for not more than a total of 30 days in any year.

Where requested in writing by the transferor, transfers of shares in the Sark Fund made in connection with a transfer between accounts under the management of the same investor or where there is no change of beneficial owner will not be treated as if there was a redemption and a subscription of shares. As a consequence, the period of time giving rise to a redemption fee with respect to those shares will not relate to the acquisition of such shares but to the date of their issue.

Retirement of directors

There is no provision for the retirement of directors on their attaining a certain age and neither the articles of the Sark Fund nor those of the Sark Master Fund provide for retirement of Directors by rotation.

Meetings

The directors may convene meetings of the Sark Fund at such time and in such manner and place as the directors consider necessary or desirable, and they shall convene such a meeting upon the written request of shareholders holding 10 per cent or more of the issued shares. At least fourteen clear days’ notice specifying the place, day and time of the meeting and the general nature of the business to be transacted shall be given. No business shall be transacted at any meeting of shareholders unless a quorum is present. A quorum shall (if the Sark Fund has more than one shareholder) consist of at least two shareholders present in person or by proxy. If within 30 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the request of the shareholders, shall be dissolved; in any other case it shall stand adjourned to the same day the next week. If at such adjourned meeting a quorum of two shareholders present in person or by proxy is not present within thirty minutes from the time appointed for the meeting, the shareholders present shall be a quorum.

All shares in the Sark Fund carry voting rights as specified above. The votes of any joint shareholders must be unanimous if more than one wishes to vote. Otherwise, the vote of the person first named in the register of shareholders shall be accepted as the vote of the joint shareholders, to the exclusion of the votes of the other joint holders. Votes may be cast in person or by proxy.

Indemnity

The directors and other officers of the Sark Fund shall be entitled to be indemnified by the Sark Fund against all expenses (including legal fees), losses or liabilities which they sustain or incur in or about the execution of their duties, provided that such director or other officer acted honestly and in good faith with a view to the best interests of the Sark Fund and had no reasonable cause to believe that his conduct was unlawful. The determination of the directors in this respect is, in the absence of fraud, conclusive unless a question of law is involved.

The directors and other officers of the Sark Master Fund are entitled to be indemnified by the Sark Master Fund on the same basis against expenses, losses or liabilities sustained or incurred by them in or about the execution of their duties.

Winding up

The Sark Fund may voluntarily commence to wind up and dissolve by an ordinary resolution of the holders of founder shares.

Material contracts

Save as disclosed below, neither the Sark Fund nor the Sark Master Fund has entered into any material contract, not being a contract entered into in the ordinary course of business, since its incorporation nor has either the Sark Fund or the Sark Master Fund entered into any other contract, not being a contract entered into in the ordinary course of business, which contains any provision under which the Sark Fund or the Sark Master Fund has any obligation or entitlement which is material to the Sark Fund or the Sark Master Fund as at the date of this document:

A management agreement dated 11 February 2003, as amended by a supplemental management agreement dated 6 September 2006, between (1) the Sark Fund, (2) the Sark Master Fund and (3) 1729 Management (Cayman) Limited whereby the Sark Fund and the Sark Master Fund appointed 1729 Management (Cayman) Limited to act as manager of the Sark Fund and the Sark Master Fund. The management agreement contains provisions allowing the manager to manage the Sark Fund and the Sark Master Fund and to appoint the investment manager of the Sark Fund and the Sark Master Fund. The management agreement will continue in force until terminated by any party on 90 days' notice in writing to the other parties. Any party may terminate the management agreement on immediate written notice if any other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if another party is dissolved or otherwise enters into insolvency proceedings. 1729 Management (Cayman) Limited will not be liable for any loss suffered by of the Sark Fund or the Sark Master Fund in connection with the performance by the manager of its obligations under the management agreement in the absence of fraud, bad faith, wilful misfeasance, reckless disregard or negligence on the part of the manager in the performance or non-performance of its obligations and duties under the management agreement. The Sark Fund and the Sark Master Fund agree to indemnify 1729 Management (Cayman) Limited against all liabilities incurred by it in the performance of its obligations under the management agreement other than liabilities arising out of the fraud, bad faith, wilful default, reckless disregard or negligence of the manager in the performance or non-performance of its obligations and duties.

An investment management agreement dated 11 February 2003, as amended by a supplemental investment management agreement dated 6 September 2006, between (1) the Sark Fund, (2) the Sark Master Fund, (3) 1729 Management (Cayman) Limited and (4) Boussard & Gavaudan Asset Management LP whereby the manager of the Sark Fund and the Sark Master Fund appointed Boussard & Gavaudan Asset Management LP as the investment manager of the Sark Fund and the Sark Master Fund, subject to the control of and review by the directors, to manage the investments of the Sark Fund and the Sark Master Fund. The investment management agreement will continue in force until terminated by any party on 90 days' notice in writing to the other parties. It may be terminated forthwith by any party on immediate written notice if another party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if another party is dissolved or otherwise enters into insolvency proceedings. The investment manager will not be liable for any loss suffered by the Sark Fund or the Sark Master Fund in connection with the performance by the investment manager of its obligations under the investment management agreement in the absence of fraud, wilful default or negligence on the part of the investment manager. Each of the Sark Fund and the Sark Master Fund agrees to indemnify the investment manager against all liabilities incurred by it in the performance of its obligations and duties under the investment management agreement other than liabilities arising out of the fraud, wilful default or negligence on the part of the investment manager in the performance of its obligations and duties.

An investment advisory agreement dated 11 February 2003 between (1) the Sark Fund, (2) the Sark Master Fund, (3) Boussard & Gavaudan Asset Management LP and (4) Boussard & Gavaudan Gestion whereby the investment manager of the Sark Fund and the Sark Master Fund appointed Boussard & Gavaudan Gestion as the investment adviser of the Sark Fund and the Sark Master Fund to provide investment advisory services in relation to the investment of the assets and investments of the Sark Fund and the Sark Master Fund. The investment advisory agreement will continue in force until terminated by any party on 90 days' notice in writing to the other parties. It may be terminated forthwith by any party on immediate written notice if another party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if another party is dissolved or otherwise enters into insolvency proceedings. The investment manager may terminate the investment advisory agreement forthwith if the investment adviser ceases to be able to fulfil its obligations under the investment advisory agreement due to any change in the laws or regulations of France or the application thereof by any regulatory authority. The investment advisory agreement will terminate automatically upon

termination of the investment management agreement. The investment adviser will not be liable for any loss suffered by the Sark Fund, the Sark Master Fund or their investment manager in connection with the performance by the investment adviser of its obligations under the investment advisory agreement in the absence of fraud, bad faith, wilful misfeasance, reckless disregard or negligence on the part of the investment adviser. Each of the Sark Fund and the Sark Master Fund agrees to indemnify the investment adviser against all liabilities incurred by it in the performance of its obligations and duties under the investment advisory agreement other than liabilities arising out of the fraud, bad faith, wilful misfeasance, or negligence on the part of the investment adviser in the performance of its obligations.

A distribution agreement dated 11 February 2003, as amended, between (1) the Sark Fund and (2) 1729 Management (Cayman) Limited whereby the Sark Fund appointed 1729 Management (Cayman) Limited to solicit subscriptions for its shares with power to appoint sales agents. The distribution agreement contains provisions indemnifying and exempting the manager from liability not due to its own wilful default, bad faith or negligence. It may be terminated by 90 days' notice in writing given by the Sark Fund to the manager or vice versa, forthwith by either party on written notice if the other party commits any material breach of its obligations and duties and fails to remedy the breach within 30 days of receipt of notice requiring the same, and automatically if either party goes into liquidation or otherwise enters into insolvency proceedings.

A series of agreements (together the "**GSI Prime Broker Agreement**") dated 11 February 2003 between (1) the Sark Master Fund and (2) Goldman Sachs International relating to the provision of dealing, financing, clearing, settlement and foreign exchange facilities to the Sark Master Fund. Each of the agreements constituting the GSI Prime Broker Agreement may be terminated at any time by notice to take effect immediately or after a specified period and contains provisions limiting the parties' liability to the Sark Master Fund and under which the Sark Master Fund agrees to indemnify such parties. Goldman Sachs International is registered in England and Wales with company number 2263951, has its registered office at Peterborough Court, 133 Fleet Street, London EC4A 2BB (telephone +44 207 774 1000) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. It has financial resources in excess of US\$200 million and its ultimate parent, The Goldman Sachs Group, Inc., has a credit rating of at least "A" for long term debt from the credit agency of Moody's or Standard & Poor's and a minimum of "P-2" or "A-1", respectively for short term debt from those same agencies (a "**Specified Credit Rating**").

A prime brokerage agreement (the "**Deutsche Prime Broker Agreement**") dated 11 February 2003 between (1) the Sark Master Fund and (2) Deutsche Bank AG London ("**Deutsche Bank**") pursuant to which Deutsche Bank has agreed to provide prime brokerage and custodian services to the Sark Master Fund. The Deutsche Prime Brokerage Agreement may be terminated by either party on 30 business days' notice in writing. Deutsche Bank is registered in England and Wales with branch number BR000005 and has its registered branch office at Winchester House, 1 Great Winchester Street, London EC2N 2DB (telephone +44 207 545 8000). Deutsche Bank is a credit institution regulated principally in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht ("**BAFin**"). Deutsche Bank AG operates under the passporting provisions of the EU Second Banking Directive and additionally (in respect of activities not so passported) under authorisation from the Financial Services Authority of the United Kingdom. Deutsche Bank AG has financial resources in excess of US\$200 million and has a Specified Credit Rating.

An international prime brokerage agreement dated 6 November 2003 between (1) the Sark Master Fund and (2) Morgan Stanley & Co. International Limited ("**MSIL**") for itself and as agent for and on behalf of certain other companies in the Morgan Stanley Group of companies ("**Morgan Stanley Companies**" and together with MSIL, the "**Morgan Stanley Group**") pursuant to which MSIL has agreed to provide prime brokerage and custodian services to the Sark Master Fund. Transactions may be executed by any of the Morgan Stanley Group. The Morgan Stanley Group consists of a number of different companies often dealing in different investments or in different markets. MSIL may from time to time at its discretion add additional Morgan Stanley Companies through which to execute transactions as parties to the prime broker agreement by entering into a novation agreement and the Sark Master Fund has irrevocably authorised MSIL as its attorney to enter into such a novation agreement. The prime broker agreement may be terminated by the Sark Master Fund or MSIL at any time by giving notice in writing to take effect immediately or after a specified period. The prime broker agreement provides that in the absence of negligence, wilful default or fraud MSIL will not be liable for loss resulting from any act or omission in connection with the services provided under the prime broker agreement. The Sark Master Fund agrees to indemnify each Morgan Stanley Company against any loss suffered by, and any claims made against, the relevant Morgan Stanley Company arising out of the prime broker agreement, save where such loss or

claims results from the wilful default, fraud or negligence of the relevant Morgan Stanley Company. MSIL is registered in England and Wales with company number 2068222, has its registered office at 25 Cabot Square, Canary Wharf, London E14 4QA (telephone +44 207 425 8000) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. MSIL has financial resources in excess of US\$200 million (or its equivalent in another currency) and its ultimate parent company, Morgan Stanley, has a Specified Credit Rating.

An international prime brokerage agreement supplemented by standard terms and conditions of business (the “**MLI Prime Broker Agreement**”) dated 25 February 2005 between (1) the Sark Master Fund and (2) Merrill Lynch International (“**MLI**”) pursuant to which MLI has agreed to provide prime brokerage and custodian services to the Sark Master Fund. The MLI Prime Broker Agreement may be terminated either by MLI by giving 30 days’ prior notice in writing or by the Sark Master Fund by giving 5 days’ prior notice in writing. MLI is registered in England and Wales with company number 2312079, has its registered office at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ (telephone +44 207 628 1000) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. MLI is a wholly owned subsidiary of Merrill Lynch & Co., Inc. Merrill Lynch & Co., Inc. is a publicly traded holding company whose subsidiaries provide a wide range of investment banking, securities trading and brokerage services to both domestic and international clients. Merrill Lynch & Co., Inc has a rating of A+ and Aa3 from Standard and Poor’s and Moody’s, respectively, for long-term debt and A-1 and P-1 from Standard and Poor’s and Moody’s respectively, for short-term debt.

Prime brokerage terms dated 7 November 2005 (as supplemented by the prime broker and custodians standard terms and conditions of business, the “**CSFB Agreement**”) between (1) the Sark Master Fund and (2) Credit Suisse Securities (Europe) Limited (“**CSFB**”) pursuant to which CSFB has agreed to provide prime brokerage and custodian services to the Sark Master Fund. The CSFB Agreement may be terminated by either party at any time by written notice to take effect thirty business days from receipt of such notice. Under the CSFB Agreement the Sark Master Fund has agreed to indemnify CSFB and its affiliates for any loss, claim, damage or expense (including reasonable legal fees, accountants fees, fines and penalties) incurred or suffered by, or asserted, against CSFB or its affiliates arising out of any action or inaction by any executing broker or its agent or any third party with respect to the Sark Master Fund or any transaction under the CSFB Agreement, the proper performance by CSFB or its affiliates of services for the Sark Master Fund under the CSFB Agreement including the cost of settling transactions, any breach by the Sark Master Fund of any provision of the CSFB Agreement, any failure in whole or in part or delay in performing any duty or obligation under the CSFB Agreement, CSFB holding any cash or assets on behalf of the Master Fund, or any payment made or recovered in a currency other than that which it is required to be paid other than, in all cases, by reason of the breach of the CSFB Agreement by CSFB, negligence, fraud or wilful default of CSFB or its affiliates. CSFB is registered in England and Wales with company number 00891554, has its registered office at 1 Cabot Square, London E14 4QJ (telephone +44 020 7888 8888) and is regulated in the conduct of its investment business by the Financial Services Authority of the United Kingdom. CSFB has financial resources in excess of US\$200 million (or its equivalent in another currency) and, in each case, has a credit rating, as at the date of this prospectus, of at least “A” for long term debt from the credit agency of Moody’s or Standard & Poor’s and a minimum of “P-2” or “A-1”, respectively for short term debt from those same agencies.

An Administration Agreement dated 11 February 2003 between (1) the Sark Fund and (2) GlobeOp Financial Services LLC whereby GlobeOp was appointed to provide certain administration, accounting, registration, transfer agency and related services to the Sark Fund. The Administration Agreement will continue in force until terminated by the Sark Fund on 90 days’ notice in writing to GlobeOp or 180 days’ notice in writing by GlobeOp to the Sark Fund and may be terminated by the Sark Fund at any time in the event of a breach of the Agreement by GlobeOp and its failure to remedy such breach within 5 days of receipt of written notice requesting it to do so. The Administration Agreement provides that in the absence of fraud, wilful misconduct or gross negligence, GlobeOp will not be liable for any loss incurred by the Sark Fund and the Sark Fund agrees to indemnify GlobeOp or its agents against any loss suffered by GlobeOp or its agents save where such loss results from the fraud, wilful misconduct or gross negligence on the part of GlobeOp or its agents in which case GlobeOp agrees to indemnify the Sark Fund.

An Administration Agreement dated 11 February 2003 between (1) the Sark Master Fund and (2) GlobeOp whereby GlobeOp was appointed to provide certain administration, accounting, registration, transfer agency and related services to the Sark Master Fund. The Administration Agreement will continue in force until terminated by the Sark Master Fund on 90 days’ notice in writing to GlobeOp or 180 days’

notice in writing by GlobeOp to the Sark Master Fund and may be terminated by the Sark Master Fund at any time in the event of a breach of the Agreement by GlobeOp and its failure to remedy such breach within 5 days of receipt of written notice requesting it to do so. The Administration Agreement provides that in the absence of fraud, wilful misconduct or gross negligence, GlobeOp will not be liable for any loss incurred by the Sark Master Fund and the Sark Master Fund agrees to indemnify GlobeOp or its agents against any loss suffered by GlobeOp or its agents save where such loss results from the fraud, wilful misconduct or gross negligence on the part of GlobeOp or its agents in which case GlobeOp agrees to indemnify the Sark Master Fund.

A Control Agreement between the Sark Fund and the Sark Master Fund dated 11 February 2003 whereby the Sark Master Fund has undertaken to the Sark Fund to comply with certain requirements imposed by the Irish Stock Exchange listing rules. Accordingly, the Sark Master Fund has undertaken to the Sark Fund to conform with the following requirements:

- (A) that it is and will remain duly incorporated or otherwise validly established with limited liability according to the relevant laws of the Cayman Islands and that it will operate in conformity with its constitutive documents;
- (B) that its principal investment objective and approach will not materially change for a minimum period of three years from the date of admission of the Sark Fund's shares to the official list of the Irish Stock Exchange other than in exceptional circumstances and then only with the consent of a simple majority vote of the shareholders of the Sark Fund;
- (C) that it will demonstrate a spread of investment risk and, in particular, that the minimum investment restrictions of the Irish Stock Exchange listing rules, as applicable, will be adhered to for so long as the Sark Fund's shares remain admitted to the official list of the Irish Stock Exchange;
- (D) that it will be a passive investor;
- (E) that each of its directors will be free of conflicts between duties to it and duties owed by them to third parties and other interests, unless it can be demonstrated to the Irish Stock Exchange that suitable arrangements are in place to avoid detriment to its interests or its shareholders as a whole;
- (F) that its investment manager, and any other service provider to it, will be free of conflicts between duties to it and duties owed by them to third parties and other interests, unless it can be demonstrated that arrangements are in place to avoid detriment to its interests. In particular, the investment manager of the Sark Master Fund should be able to demonstrate arrangements for the allocation of investment opportunities between the Sark Master Fund, other clients and the investment manager's own account, and satisfy the Irish Stock Exchange that such allocations will be made in a manner which does not unfairly prejudice the interests of the Sark Master Fund or its shareholders as a whole;
- (G) that its investment manager may offer shareholders and other entities the opportunity of investing directly in the investments of the Sark Master Fund only where arrangements are in place to avoid any conflicts of interest arising from such investments and the investment manager is satisfied that any such offer does not unfairly prejudice the interests of the Sark Master Fund or its shareholders as a whole;
- (H) that any dividend payment by it may only be made out of its accumulated net income plus the net of accumulated realised and unrealised capital gains and accumulated realised and unrealised capital losses;
- (I) that its investment manager has adequate and appropriate expertise and experience in the management of investments;
- (J) that it has a custodian which is charged with responsibility for the safekeeping and custody of its assets and for compliance with the specific requirements of the Irish Stock Exchange listing rules, as applicable, and that such custodian is a separate legal entity to any investment manager and any investment adviser;
- (K) that there is a written legal agreement between it and its custodian outlining the responsibilities of the custodian with regard to its assets;
- (L) that the custodian appointed by it has suitable and relevant experience and expertise in the provision of custody services;

- (M) that where a sub-custodian or broker has custody of any of its assets and the custodian does not take full responsibility for the safekeeping of those assets, the requirements of the Irish Stock Exchange listing rules, as applicable, will be complied with;
- (N) that any custodian, sub-custodian, prime broker, broker or any other entity holding any of its assets will have no decision-making discretion relating to the investment of those assets;
- (O) that it has appointed an independent auditor to carry out the audit of its financial statements in accordance with US GAAP;
- (P) that its shares conform with the laws of the Cayman Islands, are duly authorised according to the requirements of its constitutive documents, have any necessary statutory or other consent or authorisation and are free of any third party rights/obligations binding upon them; and
- (Q) that where any investment restriction applicable under the Irish Stock Exchange listing rules, as applicable, is breached, its investment manager will ensure that immediate corrective action is taken, except where permitted otherwise under the listing rules.

Legal and arbitration proceedings

There have been no government, legal or arbitration proceedings (including any such proceedings which are pending or threatened and of which the Sark Fund or the Sark Master Fund is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Sark Fund's or the Sark Master Fund's financial position or profitability.

GLOSSARY OF SELECTED TERMS

The following explanations are not intended as technical definitions, but to assist investors in understanding certain terms used in this prospectus:

“Administrator”	Close Fund Services Limited
“Administration Agreement”	the administration agreement between the Company and the Administrator, a summary of which is set out in the paragraph headed “Material contracts” beginning on page 120 of this prospectus
“Admission”	admission to Eurolist by Euronext and/or admission to trading on Euronext Amsterdam, as the context may require, of the Shares becoming effective in accordance with applicable rules
“Articles of Association” or “Articles”	the articles of association of the Company
“Auditors”	Ernst & Young LLP, Guernsey office, in respect of the Company Ernst & Young, Cayman Islands, in respect of the Sark Fund Ernst & Young, Dublin, in respect of the Sark Master Fund
“Beta”	a measure of correlation between two statistical series. For indicative purposes, a Beta of 0.0 means that there is no correlation between two statistical series whilst a Beta of 1.0 means that two statistical series evolve identically
“Business Day”	a day on which Euronext Amsterdam and banks in Guernsey are normally open for business
“certificated” or “certificated form”	not in uncertificated form
“Companies Laws”	The Companies (Guernsey) Laws 1994 and 1996, as amended
“Company”	Boussard & Gavaudan Holding Limited
“crowdedness”	risk that a security or asset class in which many financial operators have invested in suffers an event that has a disproportionately large negative impact due to limited liquidity in the underlying security or asset class and to the financial operators’ reaction as they seek to exit the investment
“credit spreads”	the difference in yield between different fixed income securities due to different credit quality. It is often measured with respect to the yield on government fixed income securities, considered to have the highest available credit quality
“Custodian”	BNP Paribas Jersey Branch, or such other person or persons from time to time appointed by the Company
“Dealing Day”	the first calendar day of each month and/or such other day or days as the Directors may from time to time determine
“Directors” or “Board”	the directors of the Company
“equity at risk”	assets deployed as a proportion of a company’s total exposure to the market
“ERISA”	US Employee Retirement Income Security Act of 1974, as amended
“Euroclear”	Euroclear Nederland as operator of the Euroclear System or its successor

“Euroclear System”	the settlement system operated by Euroclear Nederland which is a reporting system
“Gamma trading”	an investment approach that seeks, through the trading of options and other derivative instruments, to take advantage of anticipated or unanticipated significant dislocations in financial markets, such as market crashes
“Global Offering”	the offer and placing of the Shares as described in this prospectus
“GlobeOp”	GlobeOp Financial Services LLC
“Greeks”	Collectively, refers to the financial measures delta, gamma, rho, theta, and vega, which are sensitivity measures of the investment portfolio
	Delta is the rate of change in the price of a derivative security relative to the price of the underlying asset
	Gamma is the rate of change in delta relative to the price of the underlying asset; i.e. the second derivative of the option price relative to the underlying asset price
	Theta is the rate of change in the price of a derivative security relative to time. Theta can also be referred to as the time decay on the value of an option
	Vega is the rate of change in the price of a derivative security relative to the volatility of the underlying asset
	Rho is the rate of change in the price of a derivative relative to the underlying asset’s risk-free interest rate
“Initial Gross Proceeds”	the aggregate value of the Shares issued under the Global Offering (taken at the Issue Price)
“Investment Manager”	Boussard & Gavaudan Asset Management, LP
“Irish Stock Exchange”	The Irish Stock Exchange Limited
“Issue Price”	€10 per share
“Lehman Brothers”	Lehman Brothers International (Europe)
“Management Agreement”	the management agreement between the Company and the Investment Manager, a summary of which is set out in the paragraph headed “Material contracts” beginning on page 120 of this prospectus
“mean-reverting tendencies”	tendencies for stochastic processes, such as the value of a financial variable over time, to remain near or tend to return over time to a long-run average value, called the mean
“NAV Calculation Date”	the last day of each calendar month or such other date as the Directors may, in their absolute discretion, determine
“Net Asset Value”	the value of the assets of the Company less its liabilities determined in accordance with the principles adopted by the Directors
“Net Asset Value per Share”	the Net Asset Value attributable to each Share, as provided and expressed in Euros
“non-linear arbitrage situations”	an arbitrage situation involving the value and/or the use of derivatives or other financial instruments with a non-linear pay-off
“non-linear pay-off”	the return from investing in certain financial instruments may not be a linear function of a certain underlying parameter. For example, the value of a derivative is generally not proportional to the value of the underlying security

“non-linear risk”	the risk from investing in certain financial instruments may not be a linear function of a certain underlying parameter. For example, the risk of a derivative may not be proportional to the risk of the underlying security
“Over-allotment Option”	the option to be granted in the Underwriting Agreement by the Company to BNP Paribas, on behalf of the Joint Global Coordinators, exercisable for a period of 30 days after the results of the Global Offering are announced, which will require the Company to make available, at the Offer Price, up to 15 per cent. of the aggregate number of Shares available in the Global Offering (before the exercise of the Over-allotment Option) solely for the purposes of meeting over-allocations in connection with the Global Offering
“Placing Agent(s)”	BNP Paribas and/or Lehman Brothers and/or Kempen & Co and/or Bear, Stearns International Limited, as the context may require
“Placing Agreement”	the conditional agreement between the Company, the Investment Manager and the Placing Agents, a summary of which is set out in the paragraph headed “Material contracts” beginning on page 120
“Recognised Exchange”	within the meaning of the law of the country concerned relating to exchanges in the European Union, the Organisation for Economic Co-operation and Development, Hong Kong, Singapore and South Africa, NASDAQ, NASDAQ Europe, the market in US government securities which is conducted by primary dealers which are regulated by the Federal Reserve Bank of New York, the market in transferable securities conducted by primary dealers and secondary dealers which are regulated by the US Securities and Exchange Commission and by the National Association of Securities Dealers and the over-the-counter market in Tokyo regulated by the Securities Dealers Association of Japan and any other regulated exchange or market agreed by the Irish Stock Exchange
“Registrar”	Carey Commercial Limited, or such other person or persons from time to time appointed by the Company
“risk bucket”	the Investment Manager identifies and monitors three types of risk: idiosyncratic risk, catastrophic risk, unmeasurable risk, as described on page 37 of this prospectus, each of which constitutes a “risk bucket”
“Risk Factors”	the risk factors pertaining to the Company set out on pages 11 to 28
“Sark Fund”	Sark Fund Limited
“Sark Master Fund”	Sark Master Fund Limited
“Sharpe Ratio”	The Sharpe Ratio is a single number which typically represents both the risk, and return inherent in a fund. Generally, high returns are generally associated with a high degree of volatility. The Sharpe Ratio is one measure of the trade off between risk and returns. At the same time, it also factors in the desire to generate returns, which are higher than risk-free returns

Mathematically, the Sharpe Ratio is the return generated over the risk-free rate, per unit of risk. Risk in this case is taken to be the fund’s standard deviation. A higher Sharpe Ratio is therefore better as it represents a higher return generated per unit of risk

However, it should be noted that the Sharpe Ratio is only meaningful as a comparative tool and may, at times, be misleading when, for example, a low standard deviation can unduly influence results

“Specified Credit Rating”	a minimum credit rating of ‘A’ for long-term debt from the credit agency of Moody’s or Standard & Poor’s and a minimum of ‘P-2’ or ‘A-1’, respectively for short term debt from those same agencies
“Shareholder”	a holder of Shares
“Shares”	shares in the Company denominated in Euros and of €0.0001 par value
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Dollar” or “US\$”	the lawful currency of the United States
“Valuation Day”	the calendar day, with prices determined as of the last Business Day, immediately preceding a Dealing Day and/or such other day or days as the Directors may from time to time determine
“volatility”	the standard deviation of the change in value of a financial instrument over a specific time horizon

FINANCIAL INFORMATION

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REPORT AND FINANCIAL STATEMENTS
Sark Fund Limited
Six month period ended June 30, 2006
With Report of Independent Auditors

Sark Fund Limited

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Financial Statements of Sark Master Fund Limited.



Report of Independent Auditors

To the Board of Directors and Shareholders of
Sark Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Fund Limited as of June 30, 2006, and the related statements of operations, changes in net assets and cash flows for the six month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Fund Limited at June 30, 2006, and the results of its operations, the changes in its net assets and its cash flows for the six month period then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young
Chartered Accountants

Dublin
Date: September 18, 2006

Sark Fund Limited
Statement of Assets and Liabilities
(Expressed in Euro)
June 30, 2006

Assets	€
Cash	285
Investment in Sark Master Fund Limited	1,001,730,816
Redemptions receivable from Sark Master Fund Limited	<u>11,994,385</u>
Total Assets	<u>1,013,725,486</u>
 Liabilities	
Interest payable	530
Redemptions payable	11,994,385
Performance fee payable	12,411,497
Equalization credit payable	<u>542,522</u>
Total liabilities	<u>24,948,934</u>
 Net Assets	 <u><u>988,776,552</u></u>
 Ordinary shares, €0.01 par value (10,000,000 shares authorized 2,696,152.56 shares issued and outstanding, net asset value €346,435,763)	 €128.49
 Ordinary shares, \$0.01 par value (10,000,000 shares authorized, 6,371,455.48 shares issued and outstanding, net asset value \$821,039,997, Euro equivalent of €642,340,789)	 \$128.86

See accompanying notes and financial statements of Sark Master Fund Limited

3

Sark Fund Limited
Statement of Operations
(Expressed in Euro)
For the six months ended June 30, 2006

Realized and unrealized gain/(loss) from securities, derivatives transactions and foreign exchange allocated from Sark Master Fund Limited	€
Net realized gain from securities, derivatives transactions and foreign exchange	449,722,487
Net change in unrealized depreciation on investments in securities, derivative transactions and foreign exchange	(435,644,369)
Net gain from securities, derivatives transactions and foreign exchange	<u>14,078,118</u>
Net investment income/(expense) allocated from Sark Master Fund Limited	
Interest income	47,675,636
Dividends (net of withholding tax of €283,554)	14,244,485
Expenses	<u>(55,511,698)</u>
Net investment income from Sark Master Fund Limited	<u>6,408,423</u>
Company Income	
Interest income	<u>30,662</u>
Company expenses	
Management fee	(7,507,134)
Performance fees	(12,909,289)
Interest expense	<u>(1,482)</u>
Total expenses	<u>(20,417,905)</u>
Net investment loss	<u>(13,978,820)</u>
Net increase in net assets resulting from operations	<u><u>99,298</u></u>

See accompanying notes and financial statements of Sark Master Fund Limited

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Sark Fund Limited
Statement of Changes in Net Assets
(Expressed in Euro)
For the six months ended June 30, 2006

Operations	€
Net realized gain from securities, derivatives transactions and foreign exchange	449,722,487
Net unrealized depreciation on investments in securities, derivative transactions and foreign exchange	(435,644,369)
Net investment loss	(13,978,820)
Net increase in net assets resulting from operations	<u>99,298</u>
 Capital share transactions:	
Capital subscriptions – Euro class	41,419,215
Capital subscriptions – USD class	93,595,821
Capital redemptions – Euro class	(29,114,490)
Capital redemptions – USD class	(72,749,647)
Equalization credit payable	(674,777)
Net increase in net assets resulting from capital share transactions	<u>32,476,122</u>
 Net change in net assets	 32,575,420
Net assets at the beginning of the period	<u>956,201,132</u>
Net assets at the end of the period	<u><u>988,776,552</u></u>

Sark Fund Limited
Statement of Cash Flows
(Expressed in Euro)
For the six months ended June 30, 2006

Cash flows from operating activities	€
Net increase in net assets resulting from operations	99,298
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities	
Increase in Investment in Sark Master Fund Limited	(24,117,084)
Increase in redemptions receivable from Sark Master Fund Limited	(8,996,557)
Decrease in Interest payable	(2,034)
Decrease in Performance fee payable	(4,543,160)
Decrease in Management fee payable	(1,212,839)
Net cash used in operating activities	<u>(38,772,376)</u>
Cash flows from financing activities	
Proceeds from issuance of shares	135,015,036
Payments for redemption of shares	(92,867,579)
Equalization	<u>(3,377,004)</u>
Net cash provided by financing activities	<u>38,770,453</u>
Net change in cash and cash equivalents	(1,923)
Cash and cash equivalents at the beginning of the period	<u>2,208</u>
Cash and cash equivalents at the end of the period	<u><u>285</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the period for interest	<u><u>3,516</u></u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited
Notes to Financial Statements
June 30, 2006

1. Organization

Sark Fund Limited (the “Company”) was incorporated with limited liability in the Cayman Islands on January 14, 2003, as an exempted Company under the provisions of the Companies Law of the Cayman Islands. The Company is registered as a regulated mutual fund with the Cayman Islands Monetary Authority under section 4(3) of the Mutual Funds Law of the Cayman Islands. The shares of the Company have been listed on the Irish Stock Exchange. The Company invests substantially all of its assets and makes all of its investments through Sark Master Fund Limited (the “Master Fund”). The Master Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss.

Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Company by 1729 Management (Cayman) Limited (the “Manager”). The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund. Certain partners of the Investment Manager are also directors and shareholders of the Company. The Directors of the Company are also directors of the Master Fund. GlobeOp Financial Services LLC (the “Administrator”) serves as the administrator for the Company. The Administrator provides facilities for the principal operation and general business of the Company. Administration fees charged by the Administrator are borne by the Master Fund.

2. Significant Accounting Policies

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are stated in Euro.

The Company’s investment in the Master Fund is valued at fair value, which is the Company’s proportionate interest in the net assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company’s statement of operations includes its pro-rata share of each type of income and expense and realized and unrealized gains and losses of the Master Fund’s statement of operations. Attached are the audited financial statements of the Master Fund, which are an integral part of these financial statements. As of June 30, 2006, the Company has a 100% ownership interest in the Master Fund.

The Company treats all highly liquid financial instruments that mature within three months as cash equivalents. At June 30, 2006, primarily all cash and cash equivalents were held by one financial institution.

The fair value of the Company’s assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, “Disclosures about Fair Value of Financial Instruments,” approximates the carrying amounts presented in the statement of assets and liabilities.

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited
Notes to Financial Statements
June 30, 2006

2. Significant Accounting Policies (continued)

In December 2003, the Financial Accounting Standards Board (“FASB”) issued interpretation No. 46, “*Consolidation of Variable Interest Entities*” (“FIN 46”), which provides new criteria for determining whether consolidation accounting is required. The application of FIN 46 has been deferred for non-registered investment companies pending the release of an FASB Scope of Investment Companies project (“Scope project”). The Scope project is designed to determine which entities will qualify as investment companies, and therefore present their investees at fair value. Those entities so qualifying will not need to determine whether their investees should be consolidated pursuant to the provision of FIN 46 or other accounting standards. FIN 46 would have no impact on the Company’s net assets or net increase in net assets resulting from operations.

The Master Fund qualifies for the deferral from applying the provisions of FIN 46 and therefore carries its investees at fair value. The Company also so qualifies and therefore may present the financial position and results of operations of the Master Fund by attaching the financial statements of the Master Fund.

The Company is not subject to income taxes in the Cayman Islands. The only taxes payable by the Company on its income are withholding taxes applicable to certain income. As a result no tax liability or expense has been recorded in the financial statements.

FAS 150-3

The Company changed its method of recognizing redemptions in 2005 in conjunction with its adoption of FASB statement No. 150. Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, as affected by FASB Staff Position No. FAS 150-3. Redemptions, whether expressed as dollars/Euro or shares, are recognized as liabilities, net of performance fee, when each of the dollar/euro and share amounts requested in the redemption notice become fixed which generally occurs on the last day of the fiscal period. As a result, redemptions paid after the end of the period, but based upon period-end net asset values, are reflected as redemptions payable at June 30, 2006. Redemption notices received for which the dollar/euro and share amounts are not fixed remain in capital until the net asset value used to determine the redemption and share amounts are determined. Accordingly, the Statement of Changes in Net Assets shows redemptions of €101,864,137. Of these amounts €11,994,385 relate to redemptions due to be paid on July 1, 2006 which under the terms of FAS 150 are mandatory redeemable financial instruments and consequently a liability of the Company and not part of equity. More information on post balance sheet events is given in note 7.

3. Management Fee and Performance Fee

The manager receives a management fee at an annual rate of 1.50% of the net asset value attributable to the ordinary shares, calculated monthly and payable in arrears. The management fee totaled €7,507,134 for the six months ended June 30, 2006, of which €NIL was payable at June 30, 2006.

The Manager will also be entitled to receive a Performance Fee from the Company calculated on a Share-by-Share basis in respect of each period of twelve months ending on December 31 in each year (a “Calculation Period”). For each Calculation Period, the Performance Fee in respect of each share will be equal to 20 percent of the appreciation in the Net Asset Value per share of that class during the Calculation Period above the Base Net Asset Value per Share of that class. The Base Net Asset Value

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited
Notes to Financial Statements
June 30, 2006

3. Management Fee and Performance Fee (continued)

per Share is the greater of the Net Asset Value per Share of the relevant class at the time of issue of that share and the highest Net Asset Value per Share of the relevant class achieved as at the end of any previous Calculation Period (if any) during which the Share was in issue. The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee. The Manager earned a performance fee of €12,909,289 for the six months ended June 30, 2006 of which €12,411,497 was payable at June 30, 2006.

4. Share Capital

The Company has an authorized share capital of €100,010 divided into 10 Founder Shares (“Founder Shares”) of €1.00 par value each, €100,000 divided into 10,000,000 ordinary shares of €0.01 par value each (the “Euro shares”) and US\$100,000 divided into 10,000,000 ordinary shares of US\$0.01 par value each (the “US Dollar shares”) (collectively the “Shares”). The issued and outstanding Shares at June 30, 2006 were 2,696,152.56 Euro Shares and 6,371,455.48 US Dollar shares.

The Founder Shares carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the Shares. Founder Shares are not redeemable.

The holders of the Founder Shares have the exclusive right to vote (to the exclusion of the holders of the Shares), and in such case are entitled to one vote per share, in respect of each of the following matters: the appointment or removal of any manager or investment manager; the appointment or removal of any director; the winding up of the Company and amendments to the Memorandum and Articles of Association of the Company. The Founder Shares are held by the Manager.

Shares carry an equal right to such dividends and other distributions as the Directors may declare. Except where voting rights attach exclusively to the Founder Shares, on a show of hands at a general meeting of the Company, every shareholder who is present in person or by proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall be entitled to one vote in respect of each Share held by him. On a winding-up, the Shares are entitled in priority to the Founder Shares, to the return of the capital paid up thereon and to the surplus assets of the Company.

If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Peak Net Asset Value per Share (the highest net asset value per share at which a performance fee previously crystallised), the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at Net Asset Value such number of the investor’s Shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 20 percent of any such appreciation (a “Performance Fee Redemption”).

The aggregate Net Asset Value of the Shares so redeemed (less the aggregate par value which will be retained by the Company) will be paid to the Manager as a Performance Fee. Performance Fee Redemptions are employed to ensure that the Company maintains a uniform Net Asset Value per Share.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited
Notes to Financial Statements
June 30, 2006

4. Share Capital (continued)

As regards the investor's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Peak Net Asset Value per share will be charged a Performance Fee in the normal manner described above.

If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share, the investor will be required to pay an amount in excess of the then current Net Asset Value per share equal to 20 percent of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Peak Net Asset Value per Share (an "Equalization Credit"). At the date of subscription the Equalization Credit will equal the Performance Fee per Share accrued with respect to the other Shares in the Company (the "Maximum Equalization Credit"). The Equalization Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders and serves as a credit against Performance Fees that might otherwise be payable by the Company but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalization Credit ensures that all holders of Shares have the same amount of capital at risk per Share.

The additional amount invested as the Equalization Credit will be at risk in the Company and will therefore appreciate or depreciate based on the performance of the Company subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalization Credit. In the event of a decline at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalization Credit will also be reduced by an amount equal to 20 percent of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share will result in the recapture of any reduction in the Equalization Credit but only to the extent of the previously reduced Equalization Credit up to the Maximum Equalization Credit.

At the end of each Calculation Period, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the prior Peak Net Asset Value per Share, that portion of the Equalization Credit equal to 20 percent of the excess, multiplied by the number of Shares subscribed for by the Shareholder, will be applied to subscribe for additional Shares for the Shareholder. Additional Shares will continue to be so subscribed for on July 1, 2006 until the Equalization Credit, as it may have appreciated or depreciated in the Company after the original subscription for Shares was made, has been fully applied. As of June 30, 2006, the Equalization Credit payable was \$542,522.

If the Shareholder redeems his Shares before the Equalization Credit has been fully applied, the Shareholder will receive additional redemption proceeds equal to the Equalization Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares being redeemed and the denominator of which is the number of Shares held by the Shareholder immediately prior to the redemption.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited
Notes to Financial Statements
June 30, 2006

4. Share Capital (continued)

Share transactions for the period ended June 30, 2006 and net asset value per share are as follows:

	Balance at January 1, 2006	Subscriptions	Redemptions	Balance at June 30, 2006	Net Asset Value per Share
Euro Shares	2,597,384.91	329,384.40	230,616.75	2,696,152.56	€128.49
US Dollar Shares	6,183,267.66	907,894.31	719,706.49	6,371,455.48	\$128.86

5. Non-Executive Directors

Emmanuel Gavaudan, Françoise Henry, Pierre-Louis Lions and Angelos Metaxa served as non-executive directors of the Company for the period ended June 30, 2006. These same individuals also acted as directors for the Master Fund. The directors did not receive any fees or remuneration for their services.

As of June 30, 2006, there were no services agreements between the Company and any of its directors.

6. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the six month period ended June 30, 2006:

	Euro shares	US Dollar shares
Per share operating performance		
Net asset value, beginning of the period	€122.58	\$121.79
Income/(loss) from investment operations:		
Net realized and unrealized gain on investments	7.52	9.00
Net investment loss	(1.61)	(1.93)
Net increase in net assets resulting from operations	5.91	7.07
Net asset value, end of period	€128.49	\$128.86
	Euro shares	US Dollar shares
Returns		
Total return prior to performance fee	6.02 %	7.25 %
Performance fee	(1.20) %	(1.45) %
Total return after performance fee	4.82 %	5.80 %

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited
Notes to Financial Statements
June 30, 2006

6. Financial Highlights (continued)

Total return is calculated for the participating class taken as a whole. An individual shareholder's return and per share operating performance may vary from this return and per share operating performance based on the timing of capital transactions. Total return has not been annualized.

	Euro shares	US Dollar shares
Ratios to average net assets		
Net investment loss	(1.36)%	(1.66)%
Total expenses prior to performance fee	(11.50)%	(11.97)%
Performance fee	(1.19)%	(1.40)%
Total expenses after performance fee	(12.69)%	(13.37)%

The expenses and net investment loss ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment loss assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions. The expenses and net investment loss ratios (other than in relation to performance fees) have been annualized.

7. Subsequent Events

As noted in the accounting policies in note 2, the Company has adopted FAS 150. Accordingly, redemptions due to be paid on July 1, 2006 have been shown as a liability as at June 30, 2006. From July 1, 2006 and through to September 1, 2006, the Company had shareholder subscription of €26,820,000 for Euro shares and US\$19,590,000 for US\$ shares and redemptions of €16,504,622 for Euro Shares and US\$ 11,421,729 for US\$ shares.

8. Financial Guarantees Under FASB Interpretation No. 45

In the ordinary course of business, the Company may enter into contracts that contain a variety of indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

See accompanying financial statements of Sark Master Fund Limited

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REPORT AND FINANCIAL STATEMENTS
Sark Master Fund Limited

Six month period ended June 30, 2006
with Report of Independent Auditors

Sark Master Fund Limited

Report and
Financial Statements

For the six month period ended June 30, 2006

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Sark Master Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Master Fund Limited (the "Fund"), including the condensed schedule of investments, as of June 30, 2006, and the related statements of operations, changes in net assets and cash flows for the six month period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Master Fund Limited at June 30, 2006, and the results of its operations, the changes in its net assets and its cash flows for the six month period then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young
Chartered Accountants

Dublin
Date: September 18, 2006

Sark Master Fund Limited
Statement of Assets and Liabilities
(Expressed in Euro)
June 30, 2006

Assets

Securities owned, at fair value (cost €1,803,461,246)	€2,079,732,526
Unrealized gains on derivative contracts, at fair value	45,700,702
Due from brokers	167,748,499
Interest and dividends receivable	20,910,260
Other assets	227,264
Total assets	2,314,319,251

Liabilities

Securities sold, not yet purchased, at fair value (proceeds €964,490,876)	1,047,819,825
Unrealized losses on derivative contracts, at fair value	23,674,346
Due to brokers	224,165,604
Redemption payable	11,994,385
Interest and dividends payable	4,524,894
Other Liabilities	409,382
Total liabilities	1,312,588,436

Net assets	€1,001,730,815
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Net asset value per share

Class A shares, €0.01 par value (10,000,000 shares authorized, 2,434,355.61 shares outstanding, net asset value of €347,097,783)	<u>\$142.58</u>
Class B shares, \$0.01 par value (10,000,000 shares authorized 5,795,361.20 shares outstanding, net asset value of \$836,751,942, Euro equivalent €654,633,033)	<u>\$144.38</u>

See notes to financial statements.

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Securities owned, at fair value			
Equities			
Austria			
Communications		12,958,315	1.29%
Financial		18,912,208	1.89%
Industrial		7,641,755	0.76%
		<hr/>	
Austria Total (Cost Euro 36,408,599)		39,512,278	3.94%
		<hr/>	
Belgium			
Communications		31,160,363	3.11%
Financial		527,800	0.05%
		<hr/>	
Belgium Total (Cost Euro 33,087,694)		31,688,163	3.16%
		<hr/>	
France			
Communications		32,192,483	3.21%
Consumer, Cyclical			
Camaieu	515,107	77,781,157	7.76%
Others		24,129,790	2.41%
Total Consumer Cyclical		101,910,947	10.17%
Consumer, Non-cyclical		37,209,136	3.71%
Diversified		7,557,434	0.75%
Financial		31,904,086	3.18%
Industrial		61,996,217	6.19%
Technology		24,533,031	2.45%
Utilities		17,682,495	1.77%
Others		1,636,800	0.16%
		<hr/>	
France Total (Cost Euro 246,027,702)		316,622,629	31.61%
		<hr/>	
Germany			
Basic Materials		14,695,214	1.47%
Communications		29,550,418	2.95%
Consumer, Cyclical		33,929,481	3.39%
Consumer, Non-cyclical		790,518	0.08%
Financial		42,519,847	4.24%
Industrial		10,023,426	1.00%
		<hr/>	
Germany Total (Cost Euro 113,122,791)		131,508,904	13.13%
		<hr/>	

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities owned, at fair value			
Equities (Continued)	Quantity	Fair Value	% of NAV
Italy			
Communications			
Seat Pagine Gialle Spa	159,427,205	58,031,503	5.79%
Consumer, Cyclical		25,472,702	2.54%
Diversified		26,783,081	2.67%
Financial		76,601,397	7.65%
Italy Total (Cost Euro 172,830,640)		186,888,683	18.66%
Luxembourg			
Basic Materials		13,585,600	1.36%
Communications		8,828,534	0.88%
Luxembourg Total (Cost Euro 20,434,865)		22,414,134	2.24%
Netherlands			
Basic Materials		9,527,797	0.95%
Consumer, Cyclical		2,340,132	0.23%
Consumer, Non-cyclical		8,906,015	0.89%
Financial		32,951,691	3.29%
Netherlands Total (Cost Euro 52,430,997)		53,725,635	5.36%
Norway			
Energy		11,809,731	1.18%
Norway Total (Cost Euro 11,108,473)		11,809,731	1.18%
Portugal			
Communications		39,846,116	3.98%
Consumer, Cyclical		4,513,381	0.45%
Industrial		3,030,668	0.30%
Portugal Total (Cost Euro 48,500,893)		47,390,165	4.73%
Russia			
Utilities		4,107,650	0.41%
Russia Total (Cost Euro 3,512,762)		4,107,650	0.41%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities owned, at fair value			
Equities (Continued)	Quantity	Fair Value	% of NAV
Spain			
Communications		8,404,183	0.84%
Consumer, Cyclical		12,672,312	1.27%
Consumer, Non-cyclical		13,804,050	1.38%
Energy		26,258,656	2.62%
Financial		30,030,718	3.00%
Industrial		12,137,659	1.21%
Utilities		30,677,713	3.06%
Spain Total (Cost Euro 132,369,726)		133,985,291	13.38%
Switzerland			
Financial		11,245,755	1.12%
Switzerland Total (Cost Euro 10,989,483)		11,245,755	1.12%
United States			
Consumer, Non-cyclical		3,247,492	0.32%
Financial		8,104,285	0.81%
Technology		45	0.00%
United States Total (Cost Euro 12,357,174)		11,351,822	1.13%
Total Equities (Cost Euro 893,181,799)		1,002,250,840	100.05%
Corporate Bonds			
Belgium			
Communications		12,930,841	1.29%
Belgium Total (Cost Euro 9,340,179)		12,930,841	1.29%
Britain			
Communications		6,187,680	0.62%
Britain Total (Cost Euro 4,868,500)		6,187,680	0.62%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities owned, at fair value			
Corporate Bonds (Continued)	Quantity	Fair Value	% of NAV
Denmark			
Financial		9,764,766	0.97%
Denmark Total (Cost Euro 10,027,500)		9,764,766	0.97%
France			
Basic Materials		10,397,082	1.04%
Communications		58,607,983	5.85%
Consumer, Cyclical		17,370,416	1.73%
Industrial		23,254,318	2.32%
Technology		70,342,405	7.02%
France Total (Cost Euro 144,562,029)		179,972,204	17.97%
Germany			
Communications		10,485,740	1.05%
Financial			
Swiss RE Germany Holding AG 6.125% 23 JUL 2007- RUKN	70,000,000	69,510,000	6.94%
Others		21,064,413	2.10%
Total Financial		90,574,413	9.04%
Germany Total (Cost Euro 53,250,506)		101,060,153	10.09%
Guernsey			
Industrial			
ABB International Finance Ltd 3.5% 10 SEP 2010 - ABBN	57,000,000	63,057,796	6.29%
Guernsey Total (Cost Euro 5,8875,653)		63,057,796	6.29%
Ireland			
Consumer, Non-cyclical		7,480,657	0.75%
Financial		13,919,844	1.39%
Ireland Total (Cost Euro 20,403,929)		21,400,501	2.14%
Japan			
Technology		3,741,800	0.37%
Japan Total (Cost Euro 4,054,075)		3,741,800	0.37%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities owned, at fair value			
Corporate Bonds (Continued)	Quantity	Fair Value	% of NAV
Jersey			
Financial		5,640,407	0.56%
Jersey Total (Cost Euro 5,749,959)		5,640,407	0.56%
Luxembourg			
Basic Materials		19,552,575	1.95%
Communications			
Tiscali Finance SA 4.25% 26 SEP 2006	51,400,000	50,836,680	5.07%
Consumer, Non-cyclical		6,997,785	0.70%
Financial		73,943,847	7.38%
Luxembourg Total (Cost Euro 98,418,543)		151,330,887	15.11%
Netherlands			
Basic Materials			
Bayer Capital Corp BV 6.625% 01 JUN 2009	130,000,000	142,088,804	14.18%
Communications		4,920,759	0.49%
Consumer, Cyclical		13,141,565	1.31%
Consumer, Non-cyclical		18,954,565	1.89%
Energy		10,316,169	1.03%
Financial		77,335,275	7.72%
Netherlands Total (Cost Euro 258,231,030)		266,757,137	26.63%
Spain			
Financial		6,843,221	0.68%
Spain Total (Cost Euro 6,881,250)		6,843,221	0.68%
Switzerland			
Financial			
Swiss Reinsurance 6% 15 DEC 2008 RUKN	256,000,000	150,412,431	15.02%
Switzerland Total (Cost Euro 166,459,493)		150,412,431	15.02%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities owned, at fair value	Quantity	Fair Value	% of NAV
Corporate Bonds (Continued)			
United States			
Communications		31,363,770	3.13%
Consumer, Non-cyclical		8,184,591	0.82%
United States Total (Cost Euro 10,687,674)		<u>39,548,361</u>	<u>3.95%</u>
Total Corporate Bonds (cost Euro 851,810,320)		<u>1,018,648,185</u>	<u>101.69%</u>
Loan Participation Interests			
Germany			
Bank Loans		28,096,233	2.80%
Germany Total (Cost Euro 27,982,500)		<u>28,096,233</u>	<u>2.80%</u>
United Kingdom			
Bank Loans		20,355,400	2.03%
United Kingdom Total (Cost Euro 20,214,385)		<u>20,355,400</u>	<u>2.03%</u>
United States			
Bank Loans		10,381,868	1.04%
United States Total (Cost Euro 10,272,245)		<u>10,381,868</u>	<u>1.04%</u>
Total Loan Participation Interests (cost Euro 58,469,130)		<u>58,833,501</u>	<u>5.87%</u>
Total Securities owned, at fair value (Cost Euro1,803,461,246)		<u>2,079,732,526</u>	<u>207.61%</u>

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Securities sold, but not yet purchased			
Equities			
Austria			
Financial		8,767,859	0.88%
		<hr/>	
Austria Total (Proceeds Euro 8,534,280)		8,767,859	0.88%
		<hr/>	
Belgium			
Communications		12,135,058	1.21%
		<hr/>	
Belgium Total (Proceeds Euro 6,951,132)		12,135,058	1.21%
		<hr/>	
Britain			
Communications		3,672,435	0.37%
		<hr/>	
Britain Total (Proceeds Euro 3,879,299)		3,672,435	0.37%
		<hr/>	
Canada			
Basic Materials		1,307,501	0.13%
		<hr/>	
Canada Total (Proceeds Euro 1,327,618)		1,307,501	0.13%
		<hr/>	
Denmark			
Financial		5,921,104	0.59%
		<hr/>	
Denmark Total (Proceeds Euro 5,977,439)		5,921,104	0.59%
		<hr/>	
Egypt			
Communications		1,037,396	0.10%
		<hr/>	
Egypt Total (Proceeds Euro 1,193,373)		1,037,396	0.10%
		<hr/>	
Finland			
Communications		2,553,600	0.25%
Energy		5,187,159	0.52%
		<hr/>	
Finland Total (Proceeds Euro 7,580,082)		7,740,759	0.77%
		<hr/>	

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities sold, but not yet purchased			
Equities (Continued)	Quantity	Fair Value	% of NAV
France			
Communications		61,688,605	6.16%
Consumer, Cyclical		5,839,792	0.58%
Consumer, Non-cyclical		1,237,680	0.12%
Energy		5,219,500	0.52%
Financial		15,729,832	1.57%
Industrial		16,774,722	1.67%
Technology		42,711,329	4.26%
Utilities		5,770,785	0.58%
France Total (Proceeds Euro 137,612,709)		154,972,245	15.47%
Germany			
Basic Materials			
Bayer Ag	2,845,067	102,393,961	10.22%
Others		9,179,086	0.92%
Total Basic Materials		111,573,047	11.14%
Consumer, Cyclical		39,085,649	3.90%
Consumer, Non-cyclical		1,551,200	0.15%
Financial		38,151,037	3.81%
Industrial		12,183,944	1.22%
Utilities		3,883,795	0.39%
Germany Total (Proceeds Euro 188,590,641)		206,428,672	20.61%
Italy			
Communications		9,619,768	0.96%
Consumer, Cyclical		22,998,551	2.30%
Energy		5,343,681	0.53%
Financial		37,278,136	3.72%
Utilities		3,687,327	0.37%
Italy Total (Proceeds Euro 78,687,597)		78,927,463	7.88%
Japan			
Technology		1,047,232	0.10%
Japan Total (Proceeds Euro 1,246,533)		1,047,232	0.10%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities sold, but not yet purchased Equities (Continued)	Quantity	Fair Value	% of NAV
Luxembourg			
Basic Materials		1,542,374	0.15%
Luxembourg Total (Proceeds Euro 1,349,251)		1,542,374	0.15%
Mexico			
Industrial		2,513,731	0.25%
Mexico Total (Proceeds Euro 2,824,643)		2,513,731	0.25%
Netherlands			
Basic Materials		2,882,924	0.29%
Communications		1,406,400	0.14%
Consumer, Cyclical		10,233,620	1.02%
Consumer, Non-cyclical		5,524,930	0.55%
Energy		8,096,172	0.81%
Financial		4,444,941	0.44%
Netherlands Total (Proceeds Euro 33,269,791)		32,588,987	3.25%
Norway			
Energy		4,674,237	0.47%
Norway Total (Proceeds Euro 4,982,001)		4,674,237	0.47%
Russia			
Basic Materials		3,864,802	0.39%
Russia Total (Proceeds Euro 4,057,820)		3,864,802	0.39%
Spain			
Communications		13,574,304	1.36%
Financial		10,015,196	1.00%
Industrial		8,194,148	0.82%
Utilities		8,163,270	0.81%
Spain Total (Proceeds Euro 39,724,105)		39,946,918	3.99%
Sweden			
Communications		2,294,456	0.23%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Securities sold, but not yet purchased	Quantity	Fair Value	% of NAV
Equities (Continued)			
Consumer, Non-cyclical		2,102,725	0.21%
Financial		5,318,081	0.53%
Sweden Total (Proceeds Euro 9,915,066)		9,715,262	0.97%
Switzerland			
Consumer, Non-cyclical		14,169,701	1.41%
Financial			
Swiss Re-Reg	2,469,798	134,707,105	13.45%
Industrial			
ABB Ltd.	5,241,337	53,193,211	5.31%
Others		13,810,598	1.38%
Total Industrial		67,003,809	6.69%
Switzerland Total (Proceeds Euro 167,938,244)		215,880,615	21.55%
United States			
Basic Materials		4,369,945	0.44%
Consumer, Cyclical		11,283,523	1.13%
Consumer, Non-cyclical		1,314,420	0.13%
United States Total (Proceeds Euro 16,599,250)		16,967,888	1.69%
Total Equities (Proceeds Euro 722,240,874)		809,652,538	80.83%
BONDS - SOVEREIGN			
France			
Government			
French Treasury Note BTAN 3.5% 12 JAN 2008	85,000,000	84,977,019	8.48%
French Treasury Note BTAN 3.75% 12 JAN 2007	133,000,000	133,319,168	13.31%
Others		19,871,100	1.98%
France Total (Proceeds Euro 242,250,000)		238,167,287	23.78%
Bonds - Sovereign Total (Proceeds Euro 242,250,000)		238,167,287	23.78%
Total Securities sold, but not yet purchased (Proceeds Euro 964,490,876)		1,047,819,825	104.60%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Derivative Contracts – held long			
Forward buy Contracts			
Various currencies sold against Euro 111,000,000 with expiration date of June 30, 2006 to August 9, 2006		290,870	0.03%
Total Forwards Buy Contracts		290,870	0.03%
Swaps			
Bermuda			
Credit Default Swaps		80,263	0.01%
Total Bermuda		80,263	0.01%
European Union			
Interest Rate Swaps		557,790	0.06%
Total European Union		557,790	0.06%
France			
Credit Default Swaps		2,080,368	0.21%
Equity Swaps		1,582,367	0.16%
Total France		3,662,735	0.37%
Germany			
Credit Default Swaps		139,483	0.01%
Equity Swaps		1,952,830	0.19%
Total Germany		2,092,313	0.21%
Netherlands			
Credit Default Swaps		350,031	0.03%
Total Netherlands		350,031	0.03%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Derivative Contracts – held long	Quantity	Fair Value	% of NAV
Swaps (Continued)			
Switzerland			
Interest Rate Swaps		117,526	0.01%
Total Switzerland		<u>117,526</u>	<u>0.01%</u>
United States			
Credit Default Swaps		11,153	0.00%
Total United States		<u>11,153</u>	<u>0.00%</u>
Total Swaps		<u>6,871,811</u>	<u>0.69%</u>
Contract for Differences			
United Kingdom			
Basic Materials		715,705	0.07%
Communications		(840,705)	(0.08)%
Consumer, Cyclical		(3,164,956)	(0.32)%
Industrial		(1,902,301)	(0.19)%
Technology		(98)	0.00%
Utilities		8,116	0.00%
United Kingdom Total		<u>(5,184,239)</u>	<u>(0.52)%</u>
Total Contract for Differences		<u>(5,184,239)</u>	<u>(0.52)%</u>
Futures			
Germany			
Government		(67,915)	(0.01)%
Interest Rate		(227,813)	(0.02)%
Germany Total		<u>(295,728)</u>	<u>(0.03)%</u>
United States of America			
Index		2,464	0.00%
United States of America Total		<u>2,464</u>	<u>0.00%</u>
Total Futures		<u>(293,264)</u>	<u>(0.03)%</u>

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Derivative Contracts – held long			
Over The Counter options			
Britain			
Basic Materials		2,079,849	0.21%
Communications		359,235	0.04%
Consumer, Cyclical		1,215,403	0.12%
Consumer, Non-Cyclical		565,193	0.06%
Britain Total		<u>4,219,680</u>	<u>0.42%</u>
Finland			
Communications		1,282,247	0.13%
Finland Total		<u>1,282,247</u>	<u>0.13%</u>
France			
Communications		1,089,260	0.11%
Consumer, Cyclical		171,216	0.02%
Financial		977,397	0.10%
Industrial		3,831,860	0.38%
Technology		8,190,354	0.82%
France Total		<u>14,260,087</u>	<u>1.42%</u>
Germany			
Basic Materials		4,593,424	0.46%
Communications		908,391	0.09%
Consumer, Cyclical		3,387,585	0.34%
Financial		1,463,947	0.15%
Industrial		1,923,789	0.19%
Utilities		755,962	0.08%
Germany Total		<u>13,033,098</u>	<u>1.30%</u>
Italy			
Financial		1,653,235	0.17%
Italy Total		<u>1,653,235</u>	<u>0.17%</u>

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Derivative Contracts – held long			
Over The Counter options (continued)	Quantity	Fair Value	% of NAV
Japan			
Technology		279,526	0.03%
Japan Total		<u>279,526</u>	<u>0.03%</u>
Netherlands			
Communications		311,453	0.03%
Consumer, Non-Cyclical		1,521,217	0.15%
Financial		5,373,993	0.54%
Netherlands Total		<u>7,206,663</u>	<u>0.72%</u>
Russia			
Utilities		636,534	0.06%
Russia Total		<u>636,534</u>	<u>0.06%</u>
Switzerland			
Consumer, Non-Cyclical		370,456	0.04%
Financial		3,929,986	0.39%
Industrial		1,870,822	0.19%
Switzerland Total		<u>6,171,264</u>	<u>0.62%</u>
United States			
Funds		876,600	0.09%
United States Total		<u>876,600</u>	<u>0.09%</u>
Total Over The Counter Options		<u>49,618,934</u>	<u>4.95%</u>
Warrants			
France			
Technology		489,113	0.05%
France Total		<u>489,113</u>	<u>0.05%</u>
Total Warrants		<u>489,113</u>	<u>0.05%</u>

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Derivative Contracts – held short			
Forward Sell Contracts			
Various currencies bought against Euro 658,568,829 with expiration dates of June 30, 2006 to July 10, 2006			
		953,839	0.10%
Total Forwards Sell Contracts		953,839	0.10%
Swaps			
Bermuda			
Credit Default Swaps		(17,226)	0.00%
Total Bermuda		(17,226)	0.00%
Britain			
Credit Default Swaps		(165,700)	(0.02)%
Total Britain		(165,700)	(0.02)%
Denmark			
Credit Default Swaps		(67,781)	(0.01)%
Total Denmark		(67,781)	(0.01)%
France			
Credit Default Swaps		(1,889,114)	(0.19)%
Total France		(1,889,114)	(0.19)%
Germany			
Credit Default Swaps		(868,634)	(0.09)%
Total Germany		(868,634)	(0.09)%
Netherlands			
Credit Default Swaps		(104,885)	(0.01)%
Equity Swaps		(1,981,195)	(0.20)%
Total Netherlands		(2,086,080)	(0.21)%

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

Derivative Contracts – held short

Swaps (continued)	Quantity	Fair Value	% of NAV
Spain			
Credit Default Swaps		(48,415)	0.00%
Total Spain		<u>(48,415)</u>	<u>0.00%</u>
United States			
Credit Default Swaps		(582,111)	(0.06)%
Total United States		<u>(582,111)</u>	<u>(0.06)%</u>
Total Swaps		<u>(5,725,061)</u>	<u>(0.57)%</u>
Contract for Differences			
European Union			
Industrial		562,513	0.06%
Total European Union		<u>562,513</u>	<u>0.06%</u>
United Kingdom			
Communications		(624,039)	(0.06)%
Consumer, Cyclical		900,820	0.09%
Consumer, Non-cyclical		430,298	0.04%
Energy		13,481	0.00%
Financial		40,773	0.00%
Industrial		(230,893)	(0.02)%
Technology		(24,821)	0.00%
Total United Kingdom		<u>505,619</u>	<u>0.05%</u>
United States of America			
Financial		(49,970)	0.00%
Total United States of America		<u>(49,970)</u>	<u>0.00%</u>
Total Contract for Differences		<u>1,018,162</u>	<u>0.10%</u>

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Derivative Contracts – held short			
Futures			
France			
Index		(1,669,545)	(0.17)%
Total France		<u>(1,669,545)</u>	<u>(0.17)%</u>
Germany			
Government		32,200	0.00%
Index		(13,430,533)	(1.34)%
Interest Rate		12,000	0.00%
Total Germany		<u>(13,386,333)</u>	<u>(1.34)%</u>
Italy			
Index		(1,229,070)	(0.12)%
Total Italy		<u>(1,229,070)</u>	<u>(0.12)%</u>
Japan			
Government		(6,022)	0.00%
Total Japan		<u>(6,022)</u>	<u>0.00%</u>
United Kingdom			
Index		(756,029)	(0.08)%
Total United Kingdom		<u>(756,029)</u>	<u>(0.08)%</u>
United States of America			
Government		273,640	0.03%
Index		(108,152)	(0.01)%
Total United States of America		<u>165,488</u>	<u>0.02%</u>
Total Futures		<u>(16,881,511)</u>	<u>(1.69)%</u>

Sark Master Fund Limited
Condensed Schedule of Investments
(Expressed in Euro)
June 30, 2006

	Quantity	Fair Value	% of NAV
Derivative Contracts – held short			
Over The Counter options			
Finland			
Communications		1,327,940	0.13%
Finland Total		<u>1,327,940</u>	<u>0.13%</u>
France			
Communications		618,006	0.06%
Consumer, Cyclical		175,777	0.02%
Consumer, Non-Cyclical		283,696	0.03%
Industrial		1,396,000	0.14%
France Total		<u>2,473,479</u>	<u>0.25%</u>
Germany			
Communications		1,411,931	0.14%
Consumer, Cyclical		1,310,371	0.13%
Germany Total		<u>2,722,302</u>	<u>0.27%</u>
Switzerland			
Consumer, Non-Cyclical		413,709	0.04%
Financial		2,194,868	0.22%
Switzerland Total		<u>2,608,577</u>	<u>0.26%</u>
Total Over The Counter Options		<u>9,132,298</u>	<u>0.91%</u>

Sark Master Fund Limited
Statement of Operations
(Expressed in Euro)
For the six month period ended June 30, 2006

Gain/(loss) from securities, derivatives transactions and foreign exchange	€
Net realized gain from securities, derivative transactions and foreign exchange	449,722,487
Net change in unrealized depreciation on investment in securities, derivative transactions and foreign exchange	<u>(435,644,369)</u>
Net gain from securities, derivatives transactions and foreign exchange	<u>14,078,118</u>
 Investment income	
Interest	47,675,636
Dividends (net of withholding tax of €283,554)	<u>14,244,485</u>
Total investment income	<u>61,920,121</u>
 Expenses	
Interest	20,622,266
Dividends	32,068,545
Stock borrow fees	2,045,842
Administration fees	657,739
Professional fees	48,905
Other	<u>68,401</u>
Total expenses	<u>55,511,698</u>
 Net investment income	<u>6,408,423</u>
 Net increase in net assets resulting from operations	<u><u>20,486,541</u></u>

See notes to financial statements.

Sark Master Fund Limited
Statement Of Changes In Net Asset
(Expressed in Euro)
For the six month period ended June 30, 2006

Increase/(decrease) in net assets resulting from operations	€
Net realized gain from securities, derivative transactions and foreign exchange	449,722,487
Net change in unrealized depreciation on investment in securities, derivative transactions and foreign exchange	(435,644,369)
Net investment income	6,408,423
Net increase in net assets resulting from operations	<u>20,486,541</u>
Increase in net assets resulting from capital transactions	
Shareholder subscriptions	
Class A Ordinary Shares subscription (296,505.34 ordinary shares issued)	40,732,196
Class B Ordinary Shares subscription (802,488.79 ordinary shares issued); subscriptions of US \$110,583,360	91,038,092
Shareholder redemptions	
Class A Ordinary Shares redemption (273,740.08 ordinary shares redeemed)	(37,786,215)
Class B Ordinary Shares redemption (800,651.86 ordinary shares redeemed); redemption of US \$111,273,606	(90,353,530)
Net increase in net assets resulting from capital transactions	<u>3,630,543</u>
Net increase in net assets	24,117,084
Net assets at beginning of year	977,613,732
Net assets at end of year	<u><u>1,001,730,816</u></u>

See notes to financial statements.

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Sark Master Fund Limited
Statement Of Cash Flow
(Expressed in Euro)
For the six month period ended June 30, 2006

Cash flows from operating activities	€
Net change in net assets resulting from operations	20,486,541
Adjustments to reconcile net change in net assets resulting from operations to net cash used in operating activities:	
Net realized loss from securities transactions	(446,680,062)
Net change in unrealized appreciation from securities transactions	396,008,187
Payments to purchase securities	(6,696,999,113)
Payments to cover securities sold short	(3,977,897,572)
Payments from sale of securities	6,079,655,026
Payments from securities sold short	4,500,549,695
Unrealized gains on derivative contracts	4,360,688
Due from brokers	(117,665,140)
Interest and dividends receivable	7,859,617
Other Assets	(227,265)
Unrealized losses on derivative contracts	(44,757,726)
Redemption Payable	(2,997,828)
Due to brokers	199,259,502
Interest and dividends payable	(7,497,024)
Accounts payable and accrued expenses	158,353
Net cash used in operating activities	<u>(86,384,121)</u>
 Cash flows from financing activities	
Shareholders subscriptions	131,770,288
Shareholders redemptions	<u>(116,145,361)</u>
Net cash provided by financing activities	<u>15,624,927</u>
 Cash, beginning of period	70,759,194
Net change in cash	<u>(70,759,194)</u>
Cash, end of period	<u><u>(0)</u></u>
 Supplemental disclosure of cash flow information	
Cash paid during the period for interest	<u>27,683,636</u>

See notes to financial statements.

Sark Master Fund Limited

Notes to Financial Statements

(Expressed in Euro)

June 30, 2006

1. Organization

Sark Master Fund (the “Fund”) was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law. The Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Fund. The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also had delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund.

The Fund is a “master” fund in a “master-feeder” fund structure whereby its current shareholder, Sark Fund Limited (the “Feeder Fund”), invests all, or substantially all, of its assets (to the extent not retained in cash) in the ordinary shares of the Fund. A second “feeder fund”, constituted as a Delaware limited partnership, has been established to invest its assets in the ordinary shares of the Fund. 1729 Management (Cayman) Limited serves as manager to the Fund.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in Euro. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Transactions in securities are recorded on a trade-date basis. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date. All discounts/premiums on debt securities are accreted/amortized for financial reporting purposes.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Basis of Accounting (continued)

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" approximates the carrying amounts presented in the statement of financial condition.

Assets and liabilities denominated in foreign currencies are translated into Euro at the closing rates of exchange at June 30, 2006. Transactions during the period are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in net realized gains on securities, derivative transactions and foreign exchange and net change in unrealized loss on securities, derivative transactions and foreign exchange.

The industry classifications included in the condensed schedule of investments represents the Investment Manager's belief as to the most meaningful presentation of the classification of the principal business of each of the Fund's investments.

Securities

Securities owned and securities sold, not yet purchased which are listed or quoted on any securities exchange or similar electronic system and regularly trade thereon will be valued at their last traded price. If no trades occurred on such day, securities will be valued at the closing bid price if held long and at the closing ask price if held short. Where prices are available on one or more exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply.

Any security for which no prices as described above are available, will be valued at its fair value as determined by the directors. The fair value will be determined having regard to the security's cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such activity in issue, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivatives

The Fund also enters into derivative contract transactions such as futures agreements, swap agreements, credit default swaps, contracts for differences and OTC options. Derivative contracts, which are dealt in or traded through a clearing house or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. The directors may determine at their discretion which markets shall prevail and provided also that the directors or their appointed designee, at their absolute discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice.

Derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty. The directors or their appointed designee may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice. The resulting unrealized gains and losses are reflected in the statement of operations.

Derivative contracts have been recorded pursuant to the Financial Accounting Standards Board's SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". Derivatives include futures, options, forward currency and swaps, and are recorded at market or fair value. Typically, derivative contracts serve as components of the Fund's investment strategies and are utilized primarily to structure and hedge investments to meet economically the investment objectives of the Fund.

Consolidation

In January 2004, the Financial Accounting Standards Board ("FASB") issued interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"), which provides new criteria for determining whether consolidation accounting is required. The application of FIN 46 has been deferred for non-registered investment companies pending the release of an FASB Scope of Investment Companies project ("Scope project"). The Scope project is designed to determine which entities will qualify as investment companies, and therefore present their investees at fair values.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Consolidation (continued)

Those entities so qualifying will not need to determine whether their investees should be consolidated pursuant to the provisions of FIN 46 or other accounting standards.

The Fund qualifies for the deferral from applying the provisions of FIN 46 and therefore carries its investees at fair value. The Feeder Fund also so qualifies and therefore may present the financial position and results of operations of the Fund by attaching the financial statements of the Fund.

Income Taxes

The Fund is not subject to income taxes in the jurisdiction in which it operates. The only taxes payable by the Fund on its income are withholding taxes applicable to certain income. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

FAS 150-3

The Fund changed its method of recognizing redemptions in 2005 in conjunction with its adoption of FASB statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, as effected by FASB Staff Position No. FAS 150-3. Redemptions, whether expressed as USD/Euro or shares, are recognized as liabilities, net of performance fee, when each of the USD/Euro and share amounts requested in the redemption notice become fixed which generally occurs on the last day of the fiscal period. As a result, redemptions paid after the end of the period, but based upon period-end net asset values, are reflected as redemptions payable at June 30 2005. Redemption notices received for which the USD/Euro and share amounts are not fixed remain in capital until the net asset value used to determine the redemption and share amounts are determined. Accordingly, the Statement of Assets and Liabilities and the Statement of Changes in Net Assets show redemptions of €128,139,745. Of these amounts €11,994,385 relate to redemptions due to be paid on July 1, 2006, which under the terms of FAS 150 are mandatorily redeemable financial instruments and consequently a liability of the Company and not part of equity. More information on post balance sheet events is given in note 11.

Sark Master Fund Limited

Notes to Financial Statements (continued)

3. Due from and Due to Brokers

Due from and due to brokers primarily consists of cash and cash collateral with the Fund's clearing brokers and various counterparties and the amounts receivable or payable for securities transactions that have not settled at June 30, 2006.

The cash at brokers that relates to securities sold, not yet purchased is restricted until the securities are purchased. Securities sold, not yet purchased are collateralized by certain of the Fund's securities owned. Margin debt balances are collateralized by the Fund's securities and cash held at the broker.

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of its business, the Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk. These financial instruments include foreign currency forwards, futures agreements, swap agreements, contracts for differences, written options and securities sold short. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specific future dates.

Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the market values of the securities underlying the financial instruments or the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

The contract amounts of the swaps and forward and futures contracts do not represent the Fund's risk of loss due to counterparty nonperformance. The Fund's exposure to credit risk associated with counterparty nonperformance for these contracts is limited to the unrealized gains in such contracts which are recognized in the statement of assets and liabilities.

Securities sold, not yet purchased represent obligations of the Fund to deliver the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

Written options entered into by the Fund represent obligations of the Fund to buy or sell the underlying asset at a specified value, at a specific point in time based upon the agreed or contracted quantity.

Sark Master Fund Limited

Notes to Financial Statements (continued)

4. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

The ultimate gain or loss depends upon the prices at which the underlying securities are bought or sold to settle the Fund's obligation.

The Fund's principal trading activities are primarily with brokers and other financial institutions located in North America and Europe. All securities transactions of the fund are cleared by major securities firms pursuant to customer agreements. At June 30, 2006, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers are positions with and amounts due to or from these brokers. The Fund had substantially all its individual counterparty concentrations with these brokers and their affiliates.

5. Derivative Contracts

The Fund, in connection with its proprietary trading activities, enters into transactions in a variety of derivative financial instruments. As of June 30, 2006, the fair value of these derivative contracts is included in the statement of assets and liabilities in derivative contracts, at fair value. These derivative contracts are valued at mark to market or fair value with the resulting gains and losses reflected in the statement of operations (as described in Note 2). For over the counter ("OTC") contracts, the fund enters into master netting agreements with its counterparties, therefore, assets represent the Fund's unrealized gains less unrealized losses for OTC contracts in which the Fund has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts. The derivative contracts that the fund holds or issues are foreign currency forwards, futures agreements, swap agreements, credit default swaps, contracts for differences, and OTC options.

Credit risk arises from the potential inability of counterparties to perform their obligations under the terms of a contract. The Fund's exposure to credit risk associated with counterparty nonperformance is generally limited to the fair value of OTC contracts reported as assets. Exchange traded derivatives generally do not give rise to significant counterparty exposure because of the margin requirements of the individual exchanges. All of the Company's counterparties are with major multi-national broker-dealers. At June 30, 2006, the Fund's exposure to credit risk was €12,397,566. The Directors believe that the ultimate settlement of the transactions outstanding at June 30, 2006 will not have a material effect on the Fund's financial condition.

Sark Master Fund Limited

Notes to Financial Statements (continued)

6. Share Capital

The authorized share capital of the Fund is €100,000 divided into 10,000,000 ordinary shares, par value €0.01 each (“Class A Shares” or “Euro Shares”) and \$100,000 divided into 10,000,000 ordinary shares of a par value of \$0.01 each (“Class B Shares” or “USD Shares”). At June 30, 2006, there were 2,434,355.61 Class A Shares issued and outstanding and 5,795,361.20 Class B Shares issued and outstanding. As of June 30, 2006, all of the issued and outstanding share capital of the Fund was owned by the Feeder Fund.

Share transactions for the year ended June 30, 2006 were as follows:

	Shares Outstanding at beginning of period	Shares Issued	Shares Redeemed	Shares Outstanding at NAV per end of period	NAV per share
Class A Shares	2,411,590.35	296,505.34	(273,740.08)	2,434,355.61	€142.58
Class B Shares	5,793,524.27	802,488.79	(800,651.86)	5,795,361.20	\$144.38

7. Related Party Disclosures

The management and performance fees earned by the Manager are charged to and paid by the Feeder Fund only.

8. Administration and Custodian Fees

GlobeOp Financial Services LLC (the “Administrator”) is responsible for providing administration services to the Fund. The administrator will receive from the Fund a monthly administration fee of one-twelfth of the following percentages of the net asset value of the Fund (before deduction for accrued performance fees): 0.05% on the first US\$250 million, 0.04% on the next US\$250 million, 0.03% on the next US\$250 million and 0.02% on such net asset value greater than US\$750 million. In addition, an affiliate of the Administrator receives from the Fund a monthly fee in respect of providing middle / back office and risk reporting services. Fees to be paid in this regard will be one-twelfth of 0.20% on the first US\$250 million of such net asset value, one-twelfth of 0.14% on the next US\$250 million, one-twelfth of 0.10% on the next US\$250 million, one-twelfth of 0.08% on the next US\$250 million and one-twelfth of 0.05% on such net asset value greater than US\$1 billion, subject to a minimum monthly fee of US\$11,667. The administration fee totaled €657,739 for the period ended June 30, 2006, of which €NIL was payable at June 30, 2006.

Sark Master Fund Limited

Notes to Financial Statements (continued)

8. Administration and Custodian Fees (continued)

Goldman Sachs International, Deutsche Bank AG London, Morgan Stanley & Co International Limited, Merrill Lynch and CSFB have been appointed as the Fund's prime brokers and custodians. The prime brokers and custodians receive prime brokerage fees, which are based upon a combination of transaction charges and interest costs. The prime brokers and custodians charge interest on debit balances at a rate agreed with the Fund. No fees are paid to Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited for acting as custodian.

9. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the six month period ended June 30, 2006:

Per share operating performance	Euro Shares	USD Shares
Net asset value, beginning of the period	€133.39	\$133.68
Income from investment operations:		
Net realized & unrealized gain on investments	8.29	9.87
Net investment income	0.90	0.84
Net gain	9.19	10.70
Net asset value, end of the period	€142.58	\$144.38
 Total return	 6.89%	 8.01%

Total return is calculated for the participating class taken as a whole. An individual shareholder's return may vary from these returns based on the timing of capital transactions. The calculation of total return has not been annualized.

Ratios to average net assets	Euro Shares	USD Shares
Net investment income	1.22%	1.12%
Total expenses	(10.13)%	(10.44)%

Sark Master Fund Limited

Notes to Financial Statements (continued)

9. Financial Highlights (continued)

The expenses and net investment income ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment income assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions. The expenses and net investment loss ratios (other than in relation to performance fees) have been annualized.

10. Non-Executive Directors

Emmanuel Gavaudan, François Henry, Pierre-Louis Lions, Angelos Metaxa served as non executive directors for the six month period ended June 30, 2006. Each of the directors is entitled to a fee of in aggregate from the Fund and the Feeder Fund. Directors' fees totaled €63,250 for the six month period ended June 30, 2006.

As of June 30, 2006, there were no service agreements between the Fund and any of the directors.

Emmanuel Gavaudan and Angelos Metaxa are Directors of the Manager of the Fund. Emmanuel Gavaudan is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the prospectus of the Fund.

Emmanuel Gavaudan is also a shareholder of the Feeder Fund and holds 30,000 Euro shares and 10,000 USD shares in the Feeder Fund and held beneficial interests of 2,199 Euro shares in the Feeder Fund as at 30 June 2006.

11. Subsequent Events

As noted in the accounting policies in note 2, the Fund has adopted FAS 150. Accordingly, redemptions due to be paid on July 1, 2006 have been shown as liability as at June 30, 2006. From July 1, 2006 and through to September 1, 2006, the Company had shareholder subscription of €26,820,000 for Euro shares and US\$19,590,000 for US\$ shares and redemptions of €16,504,622 for Euro Shares and US\$11,421,729 for US\$ shares.

Sark Master Fund Limited

Notes to Financial Statements (continued)

12. Financial Guarantees Under FASB Interpretation No. 45

In the ordinary course of business, the Fund may enter into contracts that contain a variety of indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Fund. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

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REPORT AND FINANCIAL STATEMENTS
Sark Fund Limited

For the year ended December 31, 2005
with Report of Independent Auditors

Sark Fund Limited
Report and
Financial Statements
For the year ended December 31, 2005

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Financial Statements of Sark Master Fund Limited

Report of the Board of Directors

To the Shareholders of SARK FUND Limited

The Directors present their report and audited financial statements for the Sark Fund Limited (“the Fund”) for the year ended December 31, 2005.

Activity and Review of the development of the Business

The Fund’s operations commenced on March 3, 2003. The Fund is acting as a feeder fund for the Sark Master Fund Limited. Consequently all its assets are invested into the Sark Master Fund Limited the activity of which is divided into Gamma trading, Capital Structure Arbitrage and Special Situations, Convertible bonds and warrant arbitrage.

The funds invested in the Sark Master Fund Limited grew constantly to reach €977,613,732 at year end.

Please see page 2-4 of the Investment Manager’s report for further details

Results

The Directors of the Fund are satisfied that the results of the activity are in line with the strategies deployed. Thus, the Net Asset Value of the Euro shares reached € 122.58 and the Net Asset Value of the US Dollar shares reached \$121.79 at December 31, 2005, and the operations generated a net increase in net assets of € 140,459,652. The statement of operations for the year ended December 31, 2005 and the statement of assets and liabilities at that date are set out in pages 7 and 6, respectively.

During the year, the Management fees and Performance fees payable to the Investment Manager of the Fund totaled €12,558,542 and €18,601,106 respectively of which € 1,212,838 and € 16,954,657 remain payable at December 31, 2005.

Dividends

No dividend was paid or proposed during the period.

Directors and Directors’ interests

All Directors including Emanuel GAVAUDAN, François HENRY, Pierre-Louis LIONS, and Angelos METAXA act in a non executive capacity. All Directors are independent except for Emmanuel GAVAUDAN and Angelos METAXA who are Directors of the Manager of the Fund.

Emanuel GAVAUDAN is additionally a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the Prospectus of the Fund. Emanuel GAVAUDAN also held 30,000 Euro shares and 10,000 USD shares in the Fund and held beneficial interests of 2,199 Euro shares .in the Fund as at 31 December 2005.

INVESTMENT MANAGER'S REPORT

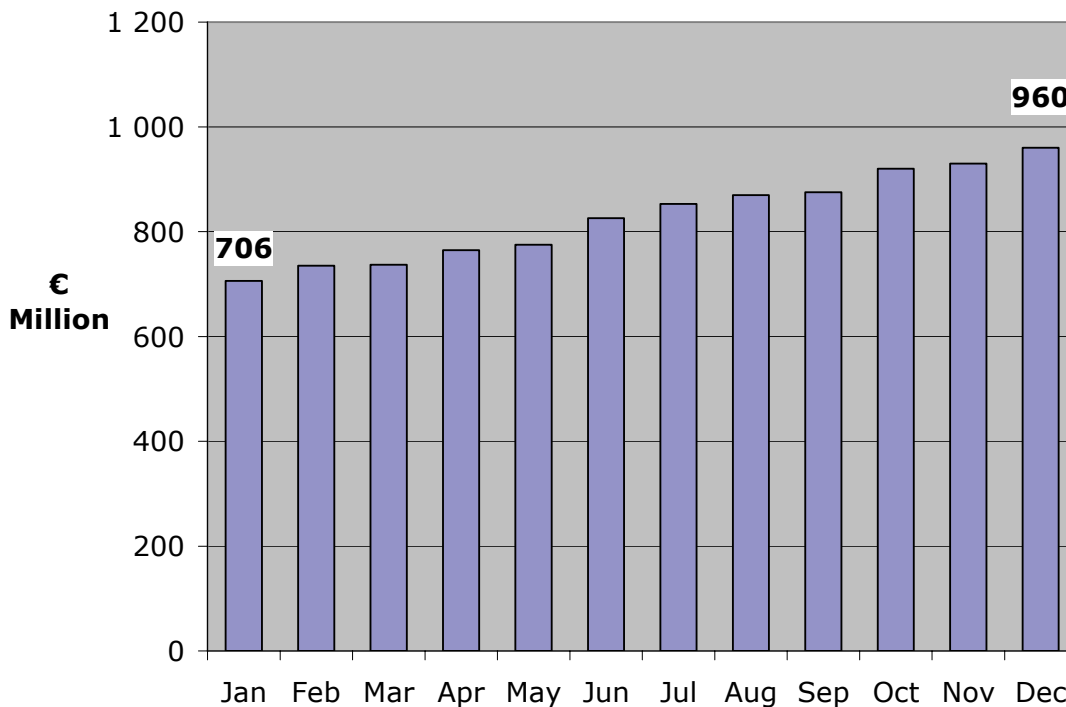
1 - Highlights

The Sark Fund started its operations on March 3, 2003.

For the year 2005, subscriptions amounted to EUR 278 million (393 million in 2004), redemptions to EUR 171 million (61 million in 2004).

As of December 31, 2005, Assets under Management were EUR 960 million (720 million at 31 December 2004).

Sark Fund Limited - 2005 Assets under Management



From January to December 31, 2005, the Euro and USD shares were up 8.70% and 9.45% respectively (net of fees).

2 - Review of the development of the business

The Net Assets as at December 31, 2005 stood at € 956,201,132 (€ 714,959,611 at December 31, 2004). The NAV per Class Euro shares stood at € 122.5778 (€ 112.7687 at December 31, 2004) and the NAV per Class USD shares stood at \$ 121.7922 at December 31, 2005, (\$ 111.2750 at

December 31, 2004), an improvement of 8.70% and 9.45% respectively since December 31, 2004.

It should be noted that at 31 December 2005 approximately 67% of the Net Assets relate to the USD Class shares. The related subscriptions are hedged back into USD so that those investors into the Sark Fund which is a Euro based investment vehicle are not exposed to the Euro/USD exchange risk.

However, as the financial statements are established in Euros an exchange difference appears in the accounts. Therefore the Fund's accounts are fluctuating according to the variations of the USD to the Euro.

3 - Results for the period and state of affairs at 31 December 2005

The monthly performance of the Fund is as follows.

Sark Fund Performance		
	EUR Class	USD Class
Month	MTD	MTD
January 2005	+1.70%	+1.66%
February 2005	+1.06%	+1.08%
March 2005	+1.09%	+1.09%
April 2005	-0.69%	-0.64%
May 2005	+0.27%	+0.31%
June 2005	+1.27%	+1.30%
July 2005	+1.16%	+1.22%
August 2005	+0.50%	+0.62%
September 2005	+1.00%	+1.06%
October 2005	-0.44%	-0.32%
November 2005	+0.71%	+0.81%
December 2005	+0.77%	+0.89%

The performance of the Fund at December 31 2005 was 8.70% for the Euro Class shares and 9.45 % for the USD Class shares (2.81 % and 2.08 % respectively at December 31 2004).

In January the performance mainly came from our Capital Structure Arbitrage strategy while credit was tightening and from our Special Situations strategy thanks to our positions on small and mid caps largely outperforming the equities indices. Convertible Bonds and Mandatories Arbitrage, as well as Gamma trading brought a positive performance as well.

In February, again the Capital Structure Arbitrage strategy brought in most of the fund's performance despite the difficult Credit environment with a significant tightening of the spreads. Convertible Bonds Arbitrage and mandatories contributed respectively positively and negatively.

March was a very good month for our Special Situations strategy. Although the fund's overall performance was positive, it did suffer from the negative contribution of Capital Structure Arbitrage. Our Mandatories strategy was a negative contributor again while Convertible Bonds Arbitrage and Gamma were marginally positive.

The fund reported a negative performance in April as both Special Situations and Capital Structure Arbitrage were hit and the other strategies' positive performance was minimal. The losses on these two strategies were however limited.

In May, the performance was back to positive with Special Situations recovering the April losses. Our Capital Structure Arbitrage strategy resisted the crisis hitting the Credit market. The month was difficult for our Convertible Bonds arbitrage strategy as implied volatility dropped and credit was highly volatile.

All our strategies contributed positively in June with again Special Situations and Capital Structure Arbitrage being the main contributors.

In July the fund's performance was positive as we benefit from a slight increase of implied volatility which created favorable conditions for Convertible Bonds arbitrage. The rest of the fund's strategies were also positive.

August was a quiet month but yet another positive one.

Our convertible bonds strategy brought in positive performance thanks to a rise in implied volatility in September. Our special situations strategy also contributed positively as M&A activity was quite intense.

In October the performance was slightly negative as our Special Situations strategy suffered from our exposure to the European telecom sector. The other strategies were positive but not enough to balance out the Special Situations negative performance.

November saw a positive performance as there were good opportunities in the high yield market. Our Special Situations strategy continued to suffer on the telecom sector but was overall a positive contributor to the performance.

In December all the strategies contributed positively to the performance. Equities and Special Situations arbitrage were the main contributor although this was minimized by a European telecom sector still being adverse.

Report of Independent Auditors

To the Board of Directors
Sark Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Fund Limited as of December 31, 2005, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Fund Limited at December 31, 2005, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



May 29, 2006

Sark Fund Limited

Statement of Assets and Liabilities (Expressed in Euros)

December 31, 2005

Assets	€
Cash and cash Equivalents	2,208
Investment in Sark Master Fund Limited	977,613,732
Redemptions receivable from Sark Master Fund Limited	2,997,828
Total Assets	<u>980,613,768</u>
Liabilities	
Interest payable	2,564
Redemptions payable	2,997,828
Performance fee payable	16,954,657
Equalization credit payable	3,244,749
Management fee payable	1,212,838
Total liabilities	<u>24,412,636</u>
Net Assets	<u><u>956,201,132</u></u>
Ordinary shares, € 0.01 par value (10,000,000 shares authorized, 2,597,384.91 shares issued and outstanding, net asset value € 318,381,717)	€122.58
Ordinary shares, \$ 0.01 par value (10,000,000 shares authorized, 6,183,267.66 shares issued and outstanding, net asset value of \$ 753,073,383, Euro equivalent of € 637,819,415)	\$121.79

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Operations (Expressed in Euros)

For the year ended December 31, 2005

Realized and unrealized gain / (loss) from securities, derivatives transactions and foreign exchange allocated from Sark Master Fund Limited	€
Net realized loss from securities, derivative transactions and foreign exchange	(350,153,571)
Net change in unrealized appreciation on investments in securities, derivative transactions and foreign exchange	491,221,011
Net gain from securities, derivatives transactions and foreign exchange	141,067,440
 Net investment income / (expense) allocated from Sark Master Fund Limited	
Interest income	83,233,516
Dividend income (net of withholding tax of €120,692)	14,736,798
Other Income	3,611
Expenses	(67,423,460)
Net investment income from Sark Master Fund Limited	30,550,465
 Company Income	
Interest income	3,409
 Company expenses	
Management fee	(12,558,542)
Performance fees	(18,601,106)
Interest expense	(2,014)
Total expenses	(31,161,662)
 Net investment loss	 (607,788)
 Net increase in net assets resulting from operations	 140,459,652

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Changes in Net Assets (Expressed in Euros)

For the year ended December 31, 2005

Operations	€
Net realized loss from securities, derivative transactions and foreign exchange	(350,153,571)
Net unrealized appreciation from securities, derivative transactions and foreign exchange	491,221,011
Net investment loss	(607,788)
Net increase in net assets resulting from operations	<u>140,459,652</u>
Capital share transactions	
Capital subscriptions-Euro class	84,584,516
Capital subscriptions-USD class	193,219,101
Capital redemption -Euro class	(65,591,244)
Capital redemption -USD class	(108,185,755)
Equalization credit payable	(3,244,749)
Net increase in net assets resulting from capital share transactions	<u>100,781,869</u>
Net change in net assets	241,241,521
Net assets at beginning of year	<u>714,959,611</u>
Net assets at end of year	<u><u>956,201,132</u></u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Cash Flows (Expressed in Euros)

For the year ended December 31, 2005

Cash flows from operating activities	€
Net increase in net assets resulting from operations	140,459,652
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Increase in investment in Sark Master Fund Limited	(257,634,064)
Increase in redemptions receivable from Sark Master Fund Limited	(2,997,828)
Decrease in Interest payable	(6,770)
Increase in performance fees payable	14,027,916
Increase in management fees payable	<u>312,758</u>
Net cash used in operating activities	(105,838,336)
 Cash flows from financing activities	
Proceeds from issuance of shares	277,803,617
Payments for redemption of shares	(170,779,171)
Equalization (debit)/credit – net	<u>(1,191,568)</u>
Net cash provided by financing activities	<u>105,832,878</u>
 Net change in cash and cash equivalents	(5,458)
Cash and cash equivalents at beginning of year	<u>7,666</u>
Cash and cash equivalents at end of year	<u><u>2,208</u></u>
 Supplemental disclosure of cash flow information	
Cash paid during the period for interest	<u><u>8,784</u></u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements

December 31, 2005

1. Organization

Sark Fund Limited (the “Company”) was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Company is registered as a regulated mutual fund with the Cayman Islands Monetary Authority under section 4(3) of the Mutual Funds Law of the Cayman Islands. The shares of the Company have been listed on the Irish Stock Exchange. The Company invests substantially all of its assets and makes all of its investments through Sark Master Fund Limited (the “Master Fund”). The Master Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss.

Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Company by 1729 Management (Cayman) Limited (the “Manager”). The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the Investment Manager in relation to its management of the investments of the company. The Investment Advisor has also delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund. Certain partners of the Investment Manager are also directors and shareholders of the Company. The Directors of the Company are also directors of the Master Fund. GlobeOp Financial Services LLC (the “Administrator”) serves as the administrator for the Company. The Administrator provides facilities for the principal operation and general business of the Company. Administration fees charged by the Administrator are borne by the Master Fund.

2. Significant Accounting Policies

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are stated in Euros.

The Company’s investment in the Master Fund is valued at fair value, which is the Company’s proportionate interest in the net assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company’s statement of operations includes its pro-rata share of each type of income and expense and realized and unrealized gains and losses of the Master Fund’s statement of operations. Attached are the audited financial statements of the Master Fund, which are an integral part of these financial statements. As of December 31, 2005, the Company has 100.00% ownership interest in the Master Fund.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

The Company treats all highly-liquid financial instruments that mature within three months as cash equivalents. At December 31, 2005, primarily all cash and cash equivalents were held by one financial institution.

The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," approximates the carrying amounts presented in the statement of assets and liabilities.

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In December 2003, the Financial Accounting Standards Board ("FASB") issued interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"), which provides new criteria for determining whether consolidation accounting is required. The application of FIN 46 has been deferred for non-registered investment companies pending the release of an FASB Scope of Investment Companies project ("Scope project"). The Scope project is designed to determine which entities will qualify as investment companies, and therefore present their investees at fair value. Those entities so qualifying will not need to determine whether their investees should be consolidated pursuant to the provisions of FIN 46 or other accounting standards. FIN 46 would have no impact on the Company's net assets or net increase in net assets resulting from operations.

The Master Fund qualifies for the deferral from applying the provisions of FIN 46 and therefore carries its investees at fair value. The Company also so qualifies and therefore may present the financial position and results of operations of the Master Fund by attaching the financial statements of the Master Fund.

The Company is not subject to income taxes in the Cayman Islands or the United States of America. The only taxes payable by the Company on its income are withholding taxes applicable to certain income. As a result no tax liability or expense has been recorded in the financial statements.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

FAS 150-3

The Company changed its method of recognizing redemptions in 2005 in conjunction with its adoption of FASB statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, as effected by FASB Staff Position No. FAS 150-3. Redemptions, whether expressed as dollars/euros or shares, are recognized as liabilities, net of performance fee, when each of the dollar/euro and share amounts requested in the redemption notice become fixed which generally occurs on the last day of the fiscal period. As a result, redemptions paid after the end of the year, but based upon year-end net asset values, are reflected as redemptions payable at December 31 2005. Redemption notices received for which the dollar/euro and share amounts are not fixed remain in capital until the net asset value used to determine the redemption and share amounts are determined. Accordingly, the Statement of Assets and Liabilities and the Statement of Changes in Net Assets show redemptions of €173,805,206. Of these amounts €3,026,036 relate to redemptions due to be paid on 1 January 2006 which under the terms of FAS 150 are mandatorily redeemable financial instruments and consequently a liability of the Company and not part of equity. More information on post balance sheet events is given in note 7.

3. Management Fee and Performance Fee

The Manager receives a management fee at an annual rate of 1.50% of the net asset value attributable to the ordinary shares, calculated monthly and payable in arrears. The management fee totalled € 12,558,542 for the year ended December 31, 2005, of which € 1,212,838 was payable at December 31, 2005.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

3. Management Fee and Performance Fee (continued)

The Manager will also be entitled to receive a Performance Fee from the Company calculated on a Share-by-Share basis in respect of each year of twelve months ending on December 31 in each year (a "Calculation Year"). The first Calculation Year was the year commencing on the Business Day immediately following the closing of the Initial Offer Year and ending on December 31, 2005. For each Calculation Year, the Performance Fee in respect of each share will be equal to 20% percent of the appreciation in the Net Asset Value per share of that class during the Calculation Year above the Base Net Asset Value per Share of that class. The Base Net Asset Value per Share is the greater of the Net Asset Value per Share of the relevant class at the time of issue of that share and the highest Net Asset Value per Share of the relevant class achieved as at the end of any previous Calculation Year (if any) during which the Share was in issue. The Performance Fee in respect of each Calculation Year will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee. The Manager earned a performance fee of € 18,601,106 for year ended December 31, 2005, of which € 16,954,657 was payable at December 31, 2005.

4. Share Capital

The Company has authorized share capital of € 100,010 divided into 10 Founder shares ("Founder Shares") of €1.00 par value each, €100,000 divided into 10,000,000 ordinary shares of €0.01 par value each (the "Euro shares") and US\$ 100,000 divided into 10,000,000 ordinary shares of US\$0.01 par value each (the "US Dollar shares") (collectively the "Shares"). The issued and outstanding Shares at year end were 2,597,384.91 Euro shares and 6,183,267.66 US Dollar shares.

The Founder Shares carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the Shares. Founder Shares are not redeemable.

The holders of the Founder Shares have the exclusive right to vote (to the exclusion of the holders of the Shares), and in such case are entitled to one vote per share, in respect of each of the following matters: the appointment or removal of any manager or investment manager; the appointment or removal of any director; the winding up of the Company and amendments to the Memorandum and Articles of Association of the Company. The Founder Shares are held by the Manager.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

Shares carry an equal right to such dividends and other distributions as the Directors may declare. Except where voting rights attach exclusively to the Founder Shares, on a show of hands at a general meeting of the Company, every Shareholder who is present in person or by proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall be entitled to one vote in respect of each Share held by him. On a winding-up, the Shares are entitled in priority to the Founder Shares, to the return of the capital paid up thereon and to the surplus assets of the Company.

If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Peak Net Asset Value per Share, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Calculation Year by redeeming at Net Asset Value such number of the investor's Shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 20% percent of any such appreciation (a "Performance Fee Redemption"). The aggregate Net Asset Value of the Shares so redeemed (less the aggregate par value which will be retained by the Company) will be paid to the Manager as a Performance Fee.

Performance Fee Redemptions are employed to ensure that the Company maintains a uniform Net Asset Value per Share. As regards the investor's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Peak Net Asset Value per Share will be charged a Performance Fee in the normal manner described above.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share, the investor will be required to pay an amount in excess of the then current Net Asset Value per Share equal to 20% percent of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Peak Net Asset Value per Share (an "Equalization Credit"). At the date of subscription the Equalization Credit will equal the Performance Fee per Share accrued with respect to the other Shares in the Company (the "Maximum Equalization Credit"). The Equalization Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders and serves as a credit against Performance Fees that might otherwise be payable by the Company but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalization Credit ensures that all holders of Shares have the same amount of capital at risk per Share.

The additional amount invested as the Equalization Credit will be at risk in the Company and will therefore appreciate or depreciate based on the performance of the Company subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalization Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalization Credit will also be reduced by an amount equal to 20% percent of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share will result in the recapture of any reduction in the Equalization Credit but only to the extent of the previously reduced Equalization Credit up to the Maximum Equalization Credit.

At the end of each Calculation Year, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the prior Peak Net Asset Value per Share, that portion of the Equalization Credit equal to 20% percent of the excess, multiplied by the number of Shares subscribed for by the Shareholder, will be applied to subscribe for additional Shares for the Shareholder. Additional Shares will continue to be so subscribed for on January 1, 2005 until the Equalization Credit, as it may have appreciated or depreciated in the Company after the original subscription for Shares was made, has been fully applied. As of December 31, 2005, the Equalization Credit payable was € 3,244,749.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

If the Shareholder redeems his Shares before the Equalization Credit has been fully applied, the Shareholder will receive additional redemption proceeds equal to the Equalization Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares being redeemed and the denominator of which is the number of Shares held by the Shareholder immediately prior to the redemption.

Share transactions for the year ended December 31, 2005 net asset value per share are as follows:

	Balance at January 1, 2005	Subscriptions	Redemptions	Balance at December 31, 2005	Net Asset Value per Share
Euro shares	2,427,133.75	719,397.74	(549,146.58)	2,597,384.91	€122.58
US Dollar shares	5,392,606.21	1,998,885.07	(1,208,223.62)	6,183,267.66	\$121.79

5. Non-Executive Directors

Emmanuel Gavaudan, Françoise Henry, Pierre-Louis Lions and Angelos Metaxa served as non-executive directors of the Company for the year ended December 31, 2005. These same individuals also acted as directors for the Master Fund. The directors did not receive any fees or remuneration for their services.

As of December 31, 2005, there were no service agreements between the Company and any of the directors.

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

6. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the year ended to December 31, 2005:

	Euro shares	US Dollar shares
Per share operating performance		
Net asset value, beginning of the year	€ 112.77	\$ 111.28
Income / (loss) from investment operations:		
Net realized and unrealized gain on investments	9.76	10.74
Net investment income/(loss)	0.05	(0.23)
Net increase in net assets resulting from operations	9.81	10.51
Net asset value, end of year	€ 122.58	\$ 121.79

	Euro shares	US Dollar shares
Returns		
Total return prior to performance fee	10.93 %	11.52 %
Performance fee	(2.23) %	(2.07)%
Total return after performance fee	8.70 %	9.45 %

Total return is calculated for the participating class taken as a whole. An individual shareholder's return and per share operating performance may vary from this return and per share operating performance based on the timing of capital transactions.

	Euro shares	US Dollar shares
Ratios to average net assets		
Net investment income/(loss)	0.04%	(0.19)%
Total expenses prior to performance fee	(10.03)%	(9.56)%
Performance fee	(2.05)%	(2.26)%
Total expenses after performance fee	(12.08)%	(11.82)%

See accompanying financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements (continued)

6. Financial Highlights (continued)

The expenses and net investment loss ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment loss assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

7. Subsequent Events

As noted in the accounting policies in note 2, the Company has adopted FAS 150. Accordingly, redemptions due to be paid on 1 January 2006 have been shown as a liability as at 31 December 2005. From January 1, 2006 and through to date of audit report, the Company had shareholder subscriptions of €39,870,000 for Euro shares and US\$65,767,000 for US\$ shares and redemptions of €24,474,247 for Euro shares and US\$50,277,047 for US\$ shares.

8. Financial Guarantees Under FASB Interpretation No. 45

In the ordinary course of business, the Company may enter into contracts that contain a variety of indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

See accompanying financial statements of Sark Master Fund Limited

REPORT AND FINANCIAL STATEMENTS
Sark Master Fund Limited

Year ended December 31, 2005
with Report of Independent Auditors

Sark Master Fund Limited

Report and
Financial Statements

For the year ended December 31, 2005

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Sark Master Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Master Fund Limited (the "Fund"), including the condensed schedule of investments, as of December 31, 2005, and the related statements of operations, changes in net assets and cash flows for the year ended December 31, 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Master Fund Limited at December 31, 2005, and the results of its operations, the changes in its net assets and its cash flows for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ernst & Young" in a cursive script.

Ernst & Young
Chartered Accountants

Dublin

29 May 2006

Sark Master Fund Limited

Statement of Assets and Liabilities (Expressed in Euros)

December 31, 2005

Assets	€
Cash & cash equivalents	70,759,194
Securities owned, at fair value (cost € 1,042,542,865)	2,675,919,082
Unrealized gains on derivative contracts	12,172,621
Due from brokers	50,083,359
Interest and dividends receivable	28,769,877
Total assets	<u>2,837,704,133</u>
Liabilities	
Securities sold, not yet purchased, at fair value (proceeds € 798,959,641)	1,795,515,487
Unrealized losses on derivative contracts	24,398,036
Due to brokers	24,906,102
Redemptions payable	2,997,828
Interest and dividends payable	12,021,918
Accounts payable and accrued expenses	251,030
Total liabilities	<u>1,860,090,401</u>
Net assets	<u>977,613,732</u>
Net asset value per share	
Ordinary shares, €0.01 par value (10,000,000 shares authorized, 2,411,590.35 shares outstanding, net asset value of € 321,686,256)	<u>€133.39</u>
Ordinary shares, \$0.01 par value (10,000,000 shares authorized, 5,793,524.27 shares outstanding, net asset value of \$ 774,478,324)	<u>\$133.68</u>

See notes to financial statements.

Sark Master Fund Limited

Condensed Schedule of Investments
(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Securities owned at fair value			
Equity			
Austria			
Financial		4,494,600	0.46%
		<hr/>	
Austria Total (cost Euro 4,410,000)		4,494,600	0.46%
		<hr/>	
Belgium			
Communications		12,622,285	1.29%
Consumer, Non-cyclical		3,340,264	0.34%
Financial		5,078,745	0.52%
		<hr/>	
Belgium Total (cost Euro15,030,034)		21,041,294	2.15%
		<hr/>	
Denmark			
Communications		17,688,885	1.81%
		<hr/>	
Denmark Total (cost Euro 16,267,680)		17,688,885	1.81%
		<hr/>	
France			
Communications			
France Telecom S.A.	2,998,331	62,934,968	6.44%
Others		36,464,771	3.73%
Total Communication		<hr/>	
		99,399,739	10.17%
Consumer, Cyclical		81,809,528	8.37%
Consumer, Non-cyclical			
Groupe Danone [Par]	544,400	48,043,300	4.91%
Others		52,049,248	5.32%
Total Consumer Non-cyclical		<hr/>	
		100,092,548	10.23%
Diversified		2,914,909	0.30%
Financial		133,096	0.01%
Industrial		31,732,164	3.25%
Technology		21,263,077	2.17%
Utilities		531,915	0.05%
		<hr/>	
France Total (cost Euro 157,668,338)		337,876,976	34.55%
		<hr/>	

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Germany			
Communications			
Deutsche Telekom Ag-Reg	905,007	12,742,499	1.30%
Others		23,583,800	2.41%
		<u>36,326,299</u>	3.71%
Consumer, Cyclical		48,818,485	4.99%
Financial		43,971,150	4.50%
Industrial		12,331,134	1.26%
Utilities		1,263,659	0.13%
Germany Total (cost Euro 71,314,528)		<u>142,710,727</u>	14.59%
Italy			
Communications		15,745,829	1.61%
Consumer, Cyclical		1,041,543	0.11%
Diversified		10,989,825	1.12%
Financial		30,203,798	3.09%
Industrial		4,036,145	0.41%
Italy Total (cost Euro 36,950,793)		<u>62,017,140</u>	6.34%
Luxembourg			
Basic Materials		22,844,614	2.34%
Technology		55,250	0.01%
Luxembourg Total (cost Euro 4,287,765)		<u>22,899,864</u>	2.35%
Netherlands			
Communications		16,466,159	1.68%
Consumer, Cyclical		400,088	0.04%
Consumer, Non-cyclical		2,595,477	0.27%
Financial		41,012,249	4.20%
Others		61,878	0.01%
Netherlands Total (ost Euro 35,446,121)		<u>60,535,851</u>	6.20%

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Spain			
Communications		2,098,077	0.21%
Consumer, Cyclical		4,606,264	0.47%
Consumer, Non-cyclical		14,685,634	1.50%
Energy		13,571,342	1.39%
Financial		947,750	0.10%
Utilities		19,143,236	1.96%
Spain Total (cost Euro 39,084,263)		<u>55,052,303</u>	<u>5.63%</u>
Sweden			
Financial		52,258	0.01%
Sweden Total (cost Euro 49,747)		<u>52,258</u>	<u>0.01%</u>
Switzerland			
Consumer, Non-cyclical		379,828	0.04%
Financial			
Swiss Re-Reg	8,807	544,644	0.06%
Others		2,025,674	0.21%
Total Financial		<u>2,570,318</u>	<u>0.27%</u>
Industrial		5,079,862	0.52%
Technology			
Stmicroelectronics Nv [Par]	32,200	488,474	0.05%
Switzerland Total (cost Euro 3,489,108)		<u>8,518,482</u>	<u>0.88%</u>
United States of America			
Consumer, Non-cyclical		4,648,434	0.48%
Others		1,737,421	0.18%
United States of America Total (cost Euro 4,277,677)		<u>6,385,855</u>	<u>0.66%</u>
Total Equities (Cost Euro 388,276,056)		<u>739,274,235</u>	<u>75.63%</u>
Corporate Bonds			
Belgium			
Communications		12,720,996	1.30%
Belgium Total (cost Euro 9,332,372)		<u>12,720,996</u>	<u>1.30%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
France			
Basic Materials		3,265,360	0.33%
Communications			
Frtel 1.6% 01 Jan 2009	2,581,000	68,414,619	7.00%
Others		22,182,851	2.27%
Total Communication		90,597,470	9.27%
Consumer, Cyclical			
Accor 1.75% 01 Jan 2008	4,709,250	218,288,336	22.33%
Vlof 2.375% 01 Jan 2011 Fr	1,747,424	81,448,132	8.33%
Total Consumer Cyclical		299,736,468	30.66%
Diversified		1,728,565	0.18%
Financial		1,745,781	0.18%
Industrial		15,219,225	1.56%
Technology		56,013,283	5.73%
France Total (cost Euro 57,046,197)		468,306,152	47.91%
Germany			
Bank Loans		9,684,977	0.99%
Communications		8,929,111	0.91%
Financial		9,407,099	0.96%
Germany Total (cost Euro 17,539,100)		28,021,187	2.86%
Guernsey			
Financial		6,500,513	0.66%
Guernsey Total (cost Euro 5,081,463)		6,500,513	0.66%
Ireland			
Consumer, Non-cyclical		4,050,790	0.41%
Ireland Total (cost Euro 3,632,630)		4,050,790	0.41%
Italy			
Technology			
Finmecc 0.375 08 Aug 2010	284,350,000	266,472,793	27.26%
Italy Total (cost Euro 48,855,905)		266,472,793	27.26%

Sark Master Fund Limited

Condensed Schedule of Investments
(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Japan			
Technology		338,839	0.03%
Japan Total (cost Euro 333,370)		<u>338,839</u>	<u>0.03%</u>
Luxembourg			
Basic Materials		9,095,366	0.93%
Communications			
Tisfin 4.25% 26 Sep 2006	49,400,000	48,906,000	5.00%
Others		<u>10,908,533</u>	<u>1.12%</u>
Total Communication		59,814,533	6.12%
Consumer, Non-cyclical		7,603,346	0.78%
Industrial		25,284,708	2.59%
Luxembourg Total (cost Euro 28,943,166)		<u>101,797,953</u>	<u>10.42%</u>
Netherlands			
Communications			
DT 6.5% 01 JUN 2006	560,000,000	585,067,118	59.85%
Consumer, Cyclical		26,962,557	2.76%
Industrial		13,031,500	1.33%
Technology		<u>19,144,476</u>	<u>1.96%</u>
Netherlands Total (cost Euro 85,941,347)		<u>644,205,651</u>	<u>65.90%</u>
Portugal			
Industrial		1,997,200	0.20%
Portugal Total (cost Euro 2,000,000)		<u>1,997,200</u>	<u>0.20%</u>
Switzerland			
Communications			
Schrei 6.125% 23 Jul 2007-Rukn	81,000,000	88,348,502	9.04%
Financial			
Schrei 6% 15 Dec 2008 Rukn	300,000,000	193,463,633	19.79%
Industrial		<u>2,184,053</u>	<u>0.22%</u>
Switzerland Total (cost Euro 274,491,392)		<u>283,996,188</u>	<u>29.05%</u>

Sark Master Fund Limited

Condensed Schedule of Investments
(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
United Kingdom			
Bank Loans		9,342,768	0.96%
Communications		3,671,350	0.38%
Consumer, Cyclical		10,091,182	1.03%
Others		20,321,858	2.08%
United Kingdom Total (cost Euro 41,581,475)		<u>43,427,158</u>	<u>4.45%</u>
United States of America			
Bank Loans		5,121,090	0.52%
Communications		31,799,568	3.25%
United States of America Total (cost Euro 35,998,825)		<u>36,920,658</u>	<u>3.77%</u>
Total Corporate Bonds (Cost Euro 620,519,989)		<u>1,898,756,078</u>	<u>194.22%</u>
Total Investments in Securities (Cost Euro 1,008,796,045)		<u>2,638,030,313</u>	<u>269.85%</u>
Derivative Contracts – Long positions			
Over the Counter Options			
Belgium			
Financial		3,806	0.00%
Belgium Total (cost Euro 1,011,500)		<u>3,806</u>	<u>0.00%</u>
Finland			
Communications		1,261,582	0.13%
Finland Total (cost Euro 885,000)		<u>1,261,582</u>	<u>0.13%</u>
France			
Communications		1,063,859	0.11%
Consumer, Cyclical		2,862,012	0.29%
Consumer, Non-cyclical		2,881,744	0.29%
Industrial		2,867,506	0.29%
Technology		4,519,611	0.46%
France Total (cost Euro 10,521,750)		<u>14,194,732</u>	<u>1.44%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Germany			
Communications		14,222	0.00%
Consumer, Cyclical		5,938,132	0.61%
Germany Total (cost Euro 7,639,500)		<u>5,952,354</u>	<u>0.61%</u>
Italy			
Consumer, Cyclical		292,813	0.03%
Financial		1,691,835	0.17%
Italy Total (cost Euro 1,301,500)		<u>1,984,648</u>	<u>0.20%</u>
Japan			
Technology		495,733	0.05%
Japan Total (cost Euro 0)		<u>495,733</u>	<u>0.05%</u>
Netherlands			
Consumer, Non-cyclical		176,845	0.02%
Financial		8,904,590	0.91%
Industrial		70,781	0.01%
Netherlands Total (cost Euro 4,518,500)		<u>9,152,216</u>	<u>0.94%</u>
Spain			
Financial		378,163	0.04%
Spain Total (cost Euro 581,000)		<u>378,163</u>	<u>0.04%</u>
Switzerland			
Consumer, Non-cyclical		406,924	0.04%
Financial		306,240	0.03%
Industrial		284,471	0.03%
Switzerland Total (cost Euro 3,323,790)		<u>997,635</u>	<u>0.10%</u>
European Union			
Index		3,015,202	0.31%
European Union Total (cost Euro 3,796,800)		<u>3,015,202</u>	<u>0.31%</u>
Total Over the counter options (Cost Euro 33,579,340)		<u>37,436,071</u>	<u>3.82%</u>

Sark Master Fund Limited

Condensed Schedule of Investments
(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Listed Call Warrants			
France			
Consumer, Cyclical		44,087	0.00%
Technology		408,611	0.04%
France Total (Cost Euro 167,479)		<u>452,698</u>	<u>0.04%</u>
Total Listed Call Warrants (Cost Euro 167,479)		<u>452,698</u>	<u>0.04%</u>
Forward buy Contracts			
Various currencies sold against €117,614,393 with expiration date of January 13, 2006		919,328	0.09%
Total Forward Buy Contracts		<u>919,328</u>	<u>0.09%</u>
Swaps			
European Union			
Credit Default Swaps		2,588,871	0.26%
Equity Swaps		4,208,017	0.43%
Interest Rate Swaps		856,383	0.09%
Total European Union		<u>7,653,271</u>	<u>0.78%</u>
Switzerland			
Credit Default Swaps		134,497	0.01%
Total Switzerland		<u>134,497</u>	<u>0.01%</u>
Total Swaps		<u>7,787,768</u>	<u>0.79%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Contract for Differences			
European Union			
Communications		(1,347,263)	-0.14%
Financial		(74,000)	-0.01%
Industrial		2,875	0.00%
European Union Total		<u>(1,418,388)</u>	<u>-0.15%</u>
United Kingdom			
Basic Materials		138,592	0.01%
Communications		4,659,891	0.48%
Consumer, Cyclical		3,080,996	0.31%
Consumer, Non-cyclical		3,354,717	0.34%
Financial		158,145	0.02%
Index Fund		687,555	0.07%
Industrial		248,473	0.03%
United Kingdom Total		<u>12,328,369</u>	<u>1.26%</u>
Total Contract for Differences		<u>10,909,981</u>	<u>1.11%</u>
Future			
France			
Index		(11,250)	0.00%
France Total		<u>(11,250)</u>	<u>0.00%</u>
Germany			
Financial		(179,188)	-0.02%
Government		(191,310)	-0.02%
Index		212,108	0.02%
Germany Total		<u>(158,390)</u>	<u>-0.02%</u>
United Kingdom			
Index		10,657	0.00%
United Kingdom Total		<u>10,657</u>	<u>0.00%</u>
Total Futures		<u>(158,983)</u>	<u>-0.02%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Securities sold, but not yet purchased			
Equity			
Belgium			
Consumer, Non-cyclical		654,693	0.07%
Financial		5,078,745	0.52%
Belgium Total (proceeds Euro 4,077,410)		<u>5,733,438</u>	<u>0.59%</u>
France			
Communications			
France Telecom SA	10,000	209,900	0.02%
Others		42,506,822	4.35%
		<u>42,716,722</u>	<u>4.37%</u>
Consumer, Cyclical		36,865,120	3.77%
Consumer, Non-cyclical		13,604,868	1.39%
Diversified		1,514,884	0.15%
Financial		7,307,572	0.75%
Industrial		23,222,572	2.38%
Technology		36,995,611	3.78%
Utilities		153,495	0.02%
France Total (proceeds Euro 90,599,085)		<u>162,380,844</u>	<u>16.61%</u>
Germany			
Communications			
Deutsche Telekom Ag-Reg	11,746,294	165,387,820	16.92%
Total Communication		<u>165,387,820</u>	<u>16.92%</u>
Consumer, Cyclical		11,276,564	1.15%
Consumer, Non-cyclical		1,020,000	0.10%
Financial		30,224,995	3.09%
Industrial		5,539,126	0.57%
Technology		5,330,716	0.55%
Utilities		1,263,659	0.13%
Germany Total (proceeds Euro 96,803,779)		<u>220,042,880</u>	<u>22.51%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Italy			
Communications		2,647,632	0.27%
Consumer, Cyclical		1,361,600	0.14%
Financial		40,577,782	4.15%
Industrial		550,334	0.06%
Italy Total (proceeds Euro 25,872,376)		<u>45,137,348</u>	<u>4.62%</u>
Japan			
Technology		834,025	0.09%
Japan Total (proceeds Euro 911,557)		<u>834,025</u>	<u>0.09%</u>
Luxembourg			
Basic Materials		18,043,921	1.85%
Luxembourg Total (proceeds Euro)		<u>18,043,921</u>	<u>1.85%</u>
Netherlands			
Communications		6,188,222	0.63%
Consumer, Cyclical		6,619,597	0.68%
Consumer, Non-cyclical		4,385,498	0.45%
Financial		23,494,410	2.40%
Industrial		923,409	0.09%
Others		61,878	0.01%
Netherlands Total (proceeds Euro 30,340,957)		<u>41,673,014</u>	<u>4.26%</u>
Spain			
Communications		10,168	0.00%
Financial		8,444,600	0.86%
Utilities		18,785,341	1.92%
Spain Total (proceeds Euro 10,890,546)		<u>27,240,109</u>	<u>2.78%</u>
Sweden			
Consumer, Non-cyclical		1,589,160	0.16%
Financial		50,745	0.01%
Sweden Total (proceeds Euro 1,581,950)		<u>1,639,905</u>	<u>0.17%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Switzerland			
Consumer, Non-cyclical		1,778,362	0.18%
Financial			
Swiss Re-Reg	3,145,769	194,541,255	19.90%
Others		2,015,724	0.21%
		196,556,979	20.11%
Industrial		4,595,401	0.47%
Technology			
Stmicroelectronics Nv [Par]	471,581	7,153,884	0.73%
		210,084,626	21.49%
Switzerland Total (proceeds Euro 185,578,480)			
United Kingdom			
Communications		3,109,231	0.32%
		3,109,231	0.32%
United Kingdom Total (proceeds Euro 1,952,057)			
United States of America			
Consumer, Cyclical		6,287,907	0.64%
Technology		400,930	0.04%
United States of America Total (proceeds Euro 5,879,739)		6,688,837	0.68%
		742,608,178	75.97%
Total Equities (Proceeds Euro 453,773,535)			
Corporate Bonds			
France			
Communications			
Frtel 1.6% 01 Jan 2009	2,581,000	68,414,619	7.00%
Others		6,653,916	0.68%
Total Communication		75,068,535	7.68%
Consumer, Cyclical			
Accor 1.75% 01 Jan 2008	4,709,250	218,288,336	22.33%
Vlof 2.375% 01 Jan 2011 Fr	1,747,424	81,448,132	8.33%
Total Consumer Cyclical		299,736,468	30.66%
Diversified		1,728,565	0.18%
Financial		1,745,781	0.18%

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Industrial		15,219,225	1.56%
Sovereign			
Btns 3.5% 12 Jan 2008	185,000,000.00	187,231,054	19.15%
Btns 3.75% 12 Jan 2007	133,000,000.00	134,392,432	13.75%
Others		20,357,061	2.08%
Total Sovereign		341,980,547	34.98%
Technology		6,052,582	0.62%
France Total (proceeds Euro 137,179,566)		741,531,703	75.86%
Guernsey			
Financial		6,500,513	0.66%
Guernsey Total (Proceeds Euro 5,162,741)		6,500,513	0.66%
Italy			
Technology			
Finmecc 0.375 08 Aug 2010	248,031,000	232,437,184	23.78%
Italy Total (proceeds Euro 97,805,702)		232,437,184	23.78%
Luxembourg			
Basic Materials		18,237,616	1.87%
Consumer, Non-cyclical		661,467	0.07%
Luxembourg Total (proceeds Euro 14,447,473)		18,899,083	1.94%
Netherlands			
Consumer, Cyclical		5,323,535	0.54%
Netherlands Total (proceeds Euro 4,453,750)		5,323,535	0.54%
Portugal			
Industrial		1,997,200	0.20%
Portugal Total (proceeds Euro 1,999,800)		1,997,200	0.20%

Sark Master Fund Limited

Condensed Schedule of Investments
(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Switzerland			
Industrial		2,184,053	0.22%
Switzerland Total (proceeds Euro 2,128,444)		<u>2,184,053</u>	<u>0.22%</u>
Total Corporate Bonds (Proceeds Euro 258,014,739)		<u>1,008,873,271</u>	<u>103.20%</u>
Total Securities sold, but not yet purchased (Proceeds Euro 711,807,951)		<u>1,751,481,449</u>	<u>179.17%</u>
 Derivative Contracts – Short positions			
Over the Counter Options			
Belgium			
Financial		1,740	0.00%
Belgium Total (proceeds Euro 399,000)		<u>1,740</u>	<u>0.00%</u>
Finland			
Communications		1,267,559	0.13%
Finland Total (proceeds Euro 955,000)		<u>1,267,559</u>	<u>0.13%</u>
France			
Communications		1,008,250	0.10%
Consumer, Cyclical		2,170,396	0.22%
Consumer, Non-cyclical		3,180,568	0.33%
Industrial		<u>171,346</u>	<u>0.02%</u>
France Total (proceeds Euro 6,773,750)		<u>6,530,560</u>	<u>0.67%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Germany			
Communications		19,115,482	1.96%
Consumer, Cyclical		7,680,751	0.79%
Financial		1,189,448	0.12%
Germany Total (proceeds Euro 72,061,250)		<u>27,985,681</u>	<u>2.87%</u>
Italy			
Consumer, Cyclical		270,000	0.03%
Italy Total (proceeds Euro 310,000)		<u>270,000</u>	<u>0.03%</u>
Netherlands			
Communications		186,833	0.02%
Financial		4,190,600	0.43%
Netherlands Total (proceeds Euro 1,525,000)		<u>4,377,433</u>	<u>0.45%</u>
Switzerland			
Consumer, Non-cyclical		657,681	0.07%
Switzerland Total (proceeds Euro 711,249)		<u>657,681</u>	<u>0.07%</u>
United States Of America			
Financial		2,943,383	0.30%
United States Of America Total (proceeds Euro 4,436,117)		<u>2,943,383</u>	<u>0.30%</u>
Total Over the counter options (Proceeds Euro 87,171,366)		<u>44,034,037</u>	<u>4.52%</u>

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Forward Sell Contracts			
Various currencies bought against €645,076,231 with expiration dates of January 9, 2006 to January 31, 2006		3,929,723	0.40%
Total Forward Sell Contracts		3,929,723	0.40%
Swaps			
Britain			
Credit Default Swaps		166,176	0.02%
Total Britain		166,176	0.02%
European Union			
Credit Default Swaps		1,035,043	0.11%
Equity Swaps		2,786,395	0.29%
Interest Rate Swaps		6,202,476	0.63%
Total European Union		10,023,914	1.03%
France			
Credit Default Swaps		1,846,792	0.19%
Total France		1,846,792	0.19%
Luxembourg			
Credit Default Swaps		400,100	0.04%
Total Luxembourg		400,100	0.04%

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Netherlands			
Credit Default Swaps		458,347	0.05%
Total Netherlands		<u>458,347</u>	<u>0.05%</u>
Switzerland			
Interest Rate Swaps		48,562	0.00%
Total Switzerland		<u>48,562</u>	<u>0.00%</u>
United States			
Credit Default Swaps		530,732	0.05%
Total United States		<u>530,732</u>	<u>0.05%</u>
Total Swaps		<u>13,474,623</u>	<u>1.38%</u>
Contract for Differences			
European Union			
Communications		(189,786)	-0.02%
Industrial		74,000	0.01%
Financial		1,116,523	0.11%
European Union Total		<u>1,000,737</u>	<u>0.10%</u>
United Kingdom			
Communications		3,347,505	0.34%
Consumer, Cyclical		2,273,567	0.23%
Consumer, Non-cyclical		4,345,068	0.44%
Financial		296,413	0.03%
Index Fund		326,025	0.03%
United Kingdom Total		<u>10,588,578</u>	<u>1.07%</u>
Total Contract for Differences		<u>11,589,315</u>	<u>1.17%</u>

Sark Master Fund Limited

Condensed Schedule of Investments
(Expressed in Euros)

December 31, 2005

	Quantity	Fair Value	% of NAV
Future			
France			
Index		62,835	0.01%
Germany			
Financial		(574,413)	-0.06%
Government		(8,150)	-0.00%
Index		2,762,290	0.28%
Germany Total		<u>2,179,727</u>	<u>0.22%</u>
United Kingdom			
Index		188,562	0.02%
United States of America			
Government		272,911	0.03%
Index		(14,187)	-0.00%
		<u>258,724</u>	<u>0.03%</u>
Total Futures		<u>2,689,848</u>	<u>0.28%</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Operations (Expressed in Euros)

For the year ended December 31, 2005

	€
Gain / (loss) from securities and derivatives transactions	
Net realized loss from securities and derivative transactions	(350,153,571)
Net change in unrealized appreciation on investments in securities and derivatives	491,221,011
Net gain from securities and derivatives transactions	<u>141,067,440</u>
Investment income	
Interest	83,233,516
Dividends (net of withholding tax of €120,692)	14,736,798
Other income	3,611
Total investment income	<u>97,973,925</u>
Expenses	
Interest	(31,503,096)
Dividends	(29,347,279)
Stock borrowing fees	(5,132,597)
Administration fees	(1,239,369)
Professional fees	(95,748)
Other expenses	(105,371)
Total expenses	<u>(67,423,460)</u>
Net investment income	<u>30,550,465</u>
Net increase in net assets resulting from operations	<u>171,617,905</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Changes in Net Assets
(Expressed in Euros)

For the year ended December 31, 2005

	€
Increase (decrease) in net assets resulting from operations	
Net realized loss from securities and derivatives transactions	(350,153,571)
Net change in unrealized appreciation on investments and derivatives transactions	491,221,011
Net investment income	30,550,465
Net increase in net assets resulting from operations	<u>171,617,905</u>
Increase in net assets resulting from capital transactions	
Shareholder subscriptions (2,029,099 ordinary shares issued)	224,010,613
Shareholder redemptions (1,238,298 ordinary shares redeemed)	<u>(137,994,454)</u>
Net increase in net assets resulting from capital transactions	86,016,159
Net increase in net assets	257,634,064
Net assets at beginning of year	719,979,668
Net assets at end of year	<u><u>977,613,732</u></u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Cash Flows

(Expressed in Euros)

For the year ended December 31, 2005

Cash flows from operating activities	€
Net increase in net assets resulting from operations	171,617,905
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net realized loss from securities transactions	335,081,780
Net change in unrealized appreciation from securities transactions	(437,297,586)
Payments for purchase of securities	(6,065,202,956)
Payments for covered securities sold short but not yet purchased	(2,915,750,367)
Proceeds from sale of securities	4,870,410,825
Proceeds from securities sold short but not yet purchased	4,024,723,205
Unrealized gains on derivative contracts	(8,516,570)
Due from brokers	5,507,904
Interest and dividends receivable	(1,144,370)
Unrealized losses on derivative contracts	3,245,540
Due to brokers	(72,795,328)
Interest and dividends payable	3,519,824
Accounts payable and accrued expenses	(186,055)
Net cash used in operating activities	<u>(86,786,249)</u>
 Cash flows from financing activities	
Shareholders subscriptions	224,010,613
Shareholders redemptions	(134,996,626)
Net cash provided by financing activities	<u>89,013,987</u>
 Cash and cash equivalents at beginning of year	68,531,456
Net change in cash and cash equivalents	2,227,738
Cash and cash equivalents at end of year	<u><u>70,759,194</u></u>
 Supplemental disclosure of cash flow information	
Cash paid during the year for interest	27,894,497

See notes to financial statements.

Sark Master Fund Limited

Notes to Financial Statements

(Expressed in Euros)

December 31, 2005

1. Organization

Sark Master Fund (the “Fund”) was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law. The Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Fund. The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also had delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund.

The Fund is a “master” fund in a “master-feeder” fund structure whereby its current shareholder, Sark Fund Limited (the “Feeder Fund”), invests all, or substantially all, of its assets (to the extent not retained in cash) in the ordinary shares of the Fund. A second “feeder fund”, constituted as a Delaware limited partnership (“the partnership”), has been established to invest its assets in the ordinary shares of the Fund. As at December 31, 2005, no capital has been received by the partnership, and the partnership has not made an investment into the Fund. 1729 Management (Cayman) Limited serves as manager to the Fund.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in Euros. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Transactions in securities are recorded on a trade-date basis. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date. All discounts/premiums on debt securities are accreted/amortized for financial reporting purposes.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Basis of Accounting (continued)

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" approximates the carrying amounts presented in the statement of financial condition.

Assets and liabilities denominated in foreign currencies are translated into Euros at the closing rates of exchange at December 31, 2005. Transactions during the year are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in net realized gains on securities and derivative transactions and net change in unrealized loss on securities and derivative transactions.

The industry classifications included in the condensed schedule of investments represents the Investment Manager's belief as to the most meaningful presentation of the classification of the principle business of each of the Fund's investments.

Securities

Securities owned and securities sold, not yet purchased which are listed or quoted on any securities exchange or similar electronic system and regularly trade thereon will be valued at their last traded price. If no trades occurred on such day, securities will be valued at the closing bid price if held long and at the closing ask price if held short, and as adjusted in such manner as the directors' in their sole discretion, think fit, having regard to the size of the holding. Where prices are available on one or more exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply.

Any security for which no prices as described above are available, will be valued at its fair value as determined by the directors. The fair value will be determined having regard to the security's cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such activity in issue, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivatives

The Fund also enters into derivative contract transactions such as futures agreements, forward currency contracts, swap agreements, credit default swaps, contracts for differences and OTC options. Derivative contracts, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. The directors may determine at their discretion which markets shall prevail and provided also that the directors or their appointed designee, at their absolute discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice.

Derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty. The directors or their appointed designee may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice. The resulting unrealized gains and losses are reflected in the statement of operations.

Derivative contracts have been recorded pursuant to the Financial Accounting Standards Board's SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity." Derivatives include futures, options, forward currency contracts, contracts for differences and swaps, and are recorded at market or fair value. Typically, derivative contracts serve as components of the Fund's investment strategies and are utilized primarily to structure and hedge investments to meet economically the investment objectives of the Fund.

Consolidation

In January 2004, the Financial Accounting Standards Board ("FASB") issued interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"), which provides new criteria for determining whether consolidation accounting is required. The application of FIN 46 has been deferred for non-registered investment companies pending the release of an FASB Scope of Investment Companies project ("Scope project"). The Scope project is designed to determine which entities will qualify as investment companies, and therefore present their investees at fair value.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Consolidation (continued)

Those entities so qualifying will not need to determine whether their investees should be consolidated pursuant to the provisions of FIN 46 or other accounting standards.

The Master Fund qualifies for the deferral from applying the provisions of FIN 46 and therefore carries its investees at fair value. The Feeder Fund also so qualifies and therefore may present the financial position and results of operations of the Fund by attaching the financial statements of the Fund.

Income Taxes

The Fund is not subject to income taxes in the jurisdiction in which it operates. The only taxes payable by the Fund on its income are withholding taxes applicable to certain income. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

FAS 150-3

The Fund changed its method of recognizing redemptions in 2005 in conjunction with its adoption of FASB statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, as effected by FASB Staff Position No. FAS 150-3. Redemptions, whether expressed as dollars/euros or shares, are recognized as liabilities, net of performance fee, when each of the dollar/euro and share amounts requested in the redemption notice become fixed which generally occurs on the last day of the fiscal period. As a result, redemptions paid after the end of the year, but based upon year-end net asset values, are reflected as redemptions payable at December 31 2005. Redemption notices received for which the dollar/euro and share amounts are not fixed remain in capital until the net asset value used to determine the redemption and share amounts are determined. Accordingly, the Statement of Assets and Liabilities and the Statement of Changes in Net Assets show redemptions of €137,994,454. Of these amounts €2,997,828 relate to redemptions due to be paid on 1 January 2006 which under the terms of FAS 150 are mandatorily redeemable financial instruments and consequently a liability of the Fund and not part of equity. More information on post balance sheet events is given in note 11

Sark Master Fund Limited

Notes to Financial Statements (continued)

3. Due from and Due to Brokers

Due from and due to brokers primarily consists of cash and cash collateral with the Fund's clearing brokers and various counterparties and the amounts receivable or payable for securities transactions that have not settled at December 31, 2005.

The cash at brokers that relates to securities sold, not yet purchased is restricted until the securities are purchased. Securities sold, not yet purchased are collateralized by certain of the Fund's securities owned. Margin debt balances are collateralized by the Fund's securities and cash held at the broker.

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of its business, the Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk. These financial instruments include foreign currency forwards, futures agreements, swap agreements, contracts for differences, written options and securities sold short. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specific future dates.

Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the market values of the securities underlying the financial instruments or the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of financial condition.

The contract amounts of the contracts for differences, swaps, forward currency contracts and futures contracts do not represent the Fund's risk of loss due to counterparty nonperformance. The Fund's exposure to credit risk associated with counterparty nonperformance for these contracts is limited to the unrealized gains in such contracts which are recognized in the statement of assets and liabilities.

Securities sold, not yet purchased represent obligations of the Fund to deliver the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

Sark Master Fund Limited

Notes to Financial Statements (continued)

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk (continued)

Written options entered into by the Fund represent obligations of the Fund to buy or sell the underlying asset at a specified value, at a specific point in time based upon the agreed or contracted quantity. The ultimate gain or loss depends upon the prices at which the underlying securities are bought or sold to settle the Fund's obligation.

The Fund's principal trading activities are primarily with brokers and other financial institutions located in North America and Europe. All securities transactions of the fund are cleared by major securities firms pursuant to customer agreements. At December 31, 2005, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers are positions with and amounts due to or from these brokers. The Fund had substantially all its individual counterparty concentrations with these brokers and their affiliates.

5. Derivative Contracts

The Fund, in connection with its proprietary trading activities, enters into transactions in a variety of derivative financial instruments. As of December 31, 2005, the fair value of these derivative contracts are included in the statement of assets and liabilities as unrealized gains or losses on derivative contracts. These derivative contracts are valued at mark to market or fair value with the resulting gains and losses reflected in the statement of operations (as described in Note 2). For over the counter ("OTC") contracts, the fund enters into master netting agreements with its counterparties, therefore, assets represent the Fund's unrealized gains less unrealized losses for OTC contracts in which the Fund has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts. The derivative contracts that the fund holds or issues are foreign currency forward contracts, futures agreements, swap agreements, credit default swaps, contracts for differences and OTC options.

Sark Master Fund Limited

Notes to Financial Statements (continued)

5. Derivative Contracts (continued)

Credit risk arises from the potential inability of counterparties to perform their obligations under the terms of a contract. The Fund's exposure to credit risk associated with counterparty nonperformance is generally limited to the fair value of OTC contracts reported as assets. Exchange traded derivatives generally do not give rise to significant counterparty exposure because of the margin requirements of the individual exchanges. All of the Company's counterparties are with major multi-national broker-dealers. At December 31, 2005, the Fund's exposure to credit risk was € 4,230,602,345. The Directors believe that the ultimate settlement of the transactions outstanding at December 31, 2005 will not have a material effect on the Fund's financial condition.

6. Share Capital

The authorized share capital of the Fund is €100,000 divided into 10,000,000 ordinary shares, par value €0.01 each ("Class A Shares" or "Euro Shares") and \$100,000 divided into 10,000,000 ordinary shares of a par value of \$0.01 each ("Class B Shares" or "USD Shares"). At December 31, 2005, there were 2,411,590.35 Class A Shares issued and outstanding and 5,793,524.27 Class B Shares issued and outstanding. As of December 31, 2005, all of the issued and outstanding share capital of the Fund was owned by the Feeder Fund.

Share transactions for the year ended December 31, 2005 were as follows:

Class	Shares Outstanding at beginning of year	Shares Issued	Shares Redeemed	Shares Outstanding at end of year
Class A Shares	2,378,456.12	669,367.45	(636,233.22)	2,411,590.35
Class B Shares	5,058,539.80	1,359,732.01	(624,747.54)	5,793,524.27

7. Related Party Disclosures

The management and performance fees earned by the Manager are charged to and paid by the Feeder Fund only.

Sark Master Fund Limited

Notes to Financial Statements (continued)

8. Administration and Custodian Fees

GlobeOp Financial Services LLC (the “Administrator”) is responsible for providing administration services to the Fund. The Administrator will receive from the Fund a monthly administration fee of one-twelfth of the following percentages of the net asset value of the Fund (before deduction for accrued performance fees): 0.05% on the first US\$250 million, 0.04% on the next US\$250 million, 0.03% on the next US\$250 million and 0.02% on such net asset value greater than US\$750 million. In addition, an affiliate of the Administrator receives from the Fund a monthly fee in respect of providing middle / back-office and risk reporting services. Fees to be paid in this regard will be one-twelfth of 0.20% on the first US\$250 million of such net asset value, 0.14% on the next US\$250 million, 0.10% on the next US\$250 million, 0.08% on the next US\$250 million and 0.05% on such net asset value greater than US\$1 billion, subject to a minimum monthly fee of US\$11,667. The administration fee totaled € 1,239,369 for the year ended to December 31, 2005, of which € 106,428 was payable at December 31, 2005.

Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited have been appointed as the Fund’s prime brokers and custodians. The prime brokers and custodians receive prime brokerage fees which are based upon a combination of transaction charges and interest costs. The prime brokers and custodians charge interest on debit balances at a rate agreed with the Fund. No fees are paid to Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited for acting as custodian.

Sark Master Fund Limited

Notes to Financial Statements (continued)

9. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the year ended December 31, 2005:

	Euro Shares	USD Shares
Per share operating performance		
Net asset value, beginning of the year	€ 118.61	\$ 117.71
Income from investment operations:		
Net realized & unrealized gain on investments	10.28	11.48
Net investment income	4.50	4.49
Net gain	14.78	15.97
Net asset value, end of year	€ 133.39	\$ 133.68
 Total return	 12.46 %	 13.56 %

Total return is calculated for the participating class taken as a whole. An individual shareholder's return may vary from these returns based on the timing of capital transactions. The calculation of total return has not been annualized.

	Euro Shares	USD Shares
Ratio to average net assets		
Net investment income	3.55%	3.54%
 Total expenses	 (8.37)%	 (7.94)%

The expenses and net investment income ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment income assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

Sark Master Fund Limited

Notes to Financial Statements (continued)

10. Non-Executive Directors

Emmanuel Gavaudan, François Henry, Pierre-Louis Lions and Angelos Metaxa served as non executive directors for the year ended December 31, 2005. Each of the directors is entitled to a fee of in aggregate from the Fund and the Feeder Fund. Directors' fees totaled €102,600 for the year December 31, 2005.

As of December 31, 2005, there were no service agreements between the Fund and any of the directors.

Emmanuel Gavaudan and Angelos Metaxa are Directors of the Manager of the Fund. Emmanuel Gavaudan is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the prospectus of the Fund.

Emmanuel Gavaudan is also a shareholder of the Feeder Fund and holds 30,000 Euro shares and 10,000 USD shares in the Feeder Fund and held beneficial interests of 2,199 Euro shares in the Feeder Fund as at 31 December 2005.

11. Subsequent Events

As noted in the accounting policies in note 2, the Fund has adopted FAS 150. Accordingly, redemptions due to be paid on 1 January 2006 have been shown as a liability as at 31 December 2005. From January 1, 2006 and through to date of audit report, the Fund had shareholder subscriptions of €39,870,000 for Euro shares and US\$53,772,140 for US\$ shares and redemptions of €27,859,617 for Euro shares and US\$46,998,173 for US\$ shares.

12. Financial Guarantees Under FASB Interpretation No. 45

In the ordinary course of business, the Fund may enter into contracts that contain a variety of indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Fund. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

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REPORT AND FINANCIAL STATEMENTS

Sark Fund Limited

For the year ended December 31, 2004
with Report of Independent Auditors

This report is submitted pursuant to an exemption claimed under the Commodity Futures Trading Commission pursuant to Section 4.7 of the Regulations.

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best Knowledge and belief of the undersigned, the information contained in the audited financial statements of Sark Fund Limited as of December 31, 2004 and for year then ended, is accurate and complete.



Partner, Boussard & Gavaudan Asset Management L.P, Investment Manager
And Commodity Pool Operator, Sark Fund Limited.

Date:

10/05/05

Sark Fund Limited

**Report and
Financial Statements**

For the year ended
to December 31, 2004

Contents

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Affirmation of the Commodity Pool Operator

Financial Statements of Sark Master Fund Limited

Report of the Board of Directors

To the Shareholders of

SARK FUND Limited

The Directors present their report and accounts for the Sark Fund Limited ("the Fund") for the year ended 31 December 2004.

Activity

The activity of the Fund commenced on 3 March 2003.

The Fund is acting as a feeder fund for the SARK MASTER FUND LIMITED. Consequently all its assets are invested into the Sark Master Fund Limited the activity of which is divided into Gamma trading, Capital Structure Arbitrage and Special Situations, Convertible bonds and warrant arbitrage.

The funds invested in the Sark Master Fund Limited grew constantly to reach €719,979,668 at year end.

Results

The Directors of the Fund are satisfied that the results of the activity are in line with the strategies deployed. Thus, the Net Asset Value of the Euro shares reached € 112.77 and the Net Asset Value of the US Dollar shares reached \$ 111.28 at 31 December 2004, even though the operations generated a net decrease in net assets of € 28,361,467.

During the year, the Management fees and Performance fees payable to the Investment Manager of the Fund totaled respectively € 3,134,302 and € 10,035,151.

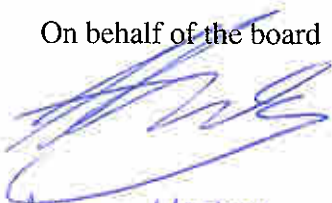
Directors

All Directors including Emanuel GAVAUDAN, François HENRY, Pierre-Louis LIONS, and Angelos METAXA, act in a non executive capacity.

Emmanuel GAVAUDAN and Angelos METAXA are Directors of the Manager of the Fund.

Emmanuel GAVAUDAN is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the Prospectus of the Fund. Emmanuel GAVAUDAN is also a shareholder of the Fund.

On behalf of the board


ANGELOS METAXA
MAY 10, 2005

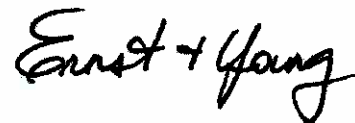
Report of Independent Auditors

The Board of Directors and Shareholders of
Sark Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Fund Limited, as of December 31, 2004, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Fund Limited at December 31, 2004, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



May 10, 2005

Sark Fund Limited

Statement of Assets and Liabilities

(Expressed in Euros)

December 31, 2004

Assets

Cash and cash equivalents	€ 7,666
Investment in Sark Master Fund Limited, at fair value	719,979,668
Total assets	719,987,334

Liabilities

Interest payable	9,334
Performance fee payable	2,926,741
Equalization credit payable	1,191,568
Management fee payable	900,080
Total liabilities	5,027,723

Net assets	€ 714,959,611
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Ordinary shares, €0.01 par value (10,000,000 shares authorized, 2,427,133.75 shares issued and outstanding, net asset value €273,704,770)	€ 112.77
Ordinary shares, \$0.01 par value (10,000,000 shares authorized, 5,392,606.21 shares issued and outstanding, net asset value €441,254,841, US\$ equivalent of \$600,062,457)	\$ 111.28

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Operations
(Expressed in Euros)

For the year ended December 31, 2004

Realized and unrealized gain (loss) from securities and derivatives transactions allocated from Sark Master Fund Limited

Net realized loss from securities and derivatives transactions	€ (223,403,831)
Net change in unrealized gain on securities and derivatives	179,368,045
Net loss from securities and derivatives transactions	<u>(44,035,786)</u>

Net investment income allocated from Sark Master Fund Limited

Interest income	57,687,911
Dividend income (net of withholding tax of € 289,361)	7,494,054
Total expenses	<u>(36,338,533)</u>
Net investment income from Sark Master Fund Limited	<u>28,843,432</u>

Company income

Interest income	5,788
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Company expense

Interest expense	5,448
Performance fee	3,134,302
Management fee	10,035,151
Total expenses	<u>13,174,901</u>

Net investment income	<u>15,674,319</u>
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Net decrease in net assets resulting from operations	<u>€ (28,361,467)</u>
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See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Changes in Net Assets (Expressed in Euros)

For the year ended December 31, 2004

Operations

Net realized loss from securities and derivatives transactions	€ (223,403,831)
Net change in unrealized gain on securities and derivatives	179,368,045
Net investment income	15,674,319
Net decrease in net assets resulting from operations	<u>(28,361,467)</u>

Capital share transactions

Capital subscriptions – Euro Class	140,513,663
Capital subscriptions – USD Class	259,623,315
Capital redemptions – Euro Class	(37,872,497)
Capital redemptions – USD Class	<u>(35,386,681)</u>
Net increase in net assets resulting from capital share transactions	<u>326,877,800</u>
Net change in net assets	298,516,333
Net assets at beginning of year	<u>416,443,278</u>
Net assets at end of year	<u>€ 714,959,611</u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Cash Flows (Expressed in Euros)

For the year ended December 31, 2004

Cash flows from operating activities	
Net decrease in net assets resulting from operations	€ (28,361,467)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Increase in investment in Sark Master Fund Limited	(294,148,958)
Increase in interest payable	4,008
Decrease in performance fee payable	(2,759,578)
Increase in management fees payable	352,875
Net cash used in operating activities	<u>(324,913,120)</u>
Cash flows from financing activities	
Proceeds from issuance of shares	400,136,978
Payments for redemption of shares	(73,259,178)
Change in equalization credit payable	(1,959,850)
Net cash provided by financing activities	<u>324,917,950</u>
Net change in cash and cash equivalents	4,830
Cash and cash equivalents at beginning of year	2,836
Cash and cash equivalents at end of year	<u>€ 7,666</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u>€ 1,440</u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements

December 31, 2004

1. Organization

Sark Fund Limited (the "Company") was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Company is registered as a regulated mutual fund with the Cayman Islands Monetary Authority under section 4(3) of the Mutual Funds Law of the Cayman Islands. The shares of the Company have been listed on the Irish Stock Exchange. The Company invests substantially all of its assets and makes all of its investments through Sark Master Fund Limited (the "Master Fund"). The Master Fund's objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss.

Boussard & Gavaudan Asset Management, LP (the "Investment Manager") has been appointed investment manager to the Company by 1729 Management (Cayman) Limited (the "Manager"). The Investment Manager has appointed Boussard & Gavaudan Gestion (the "Investment Advisor") as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Company. The Investment Advisor has also had delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund. Certain partners of the Investment Manager are also directors and shareholders of the Company. The Directors of the Company are also directors of the Master Fund. GlobeOp Financial Services LLC (the "Administrator") serves as the administrator for the Company. The Administrator provides facilities for the principal operation and general business of the Company. Administration fees charged by the Administrator are borne by the Master Fund.

Sark Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are stated in Euros.

The Company's investment in the Master Fund is valued at fair value, which is the Company's proportionate interest in the net assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company's statement of operations includes its pro-rata share of each type of income and expense of the Master Fund's statement of operations. Attached are the audited financial statements of the Master Fund, which are an integral part of these financial statements. As of December 31, 2004, the Company has 100.00% ownership interest in the Master Fund.

The Company treats all highly-liquid financial instruments that mature within three months as cash equivalents. At December 31, 2004, primarily all cash and cash equivalents were held by one financial institution.

The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," approximates the carrying amounts presented in the statement of assets and liabilities.

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company is not subject to income taxes in the Cayman Islands or the United States of America. The only taxes payable by the Company on its income are withholding taxes applicable to certain income. As a result no tax liability or expense has been recorded in the financial statements.

Sark Fund Limited

Notes to Financial Statements (continued)

3. Management Fee and Performance Fee

The Manager receives a management fee at an annual rate of 1.50% of the net asset value attributable to the ordinary shares, calculated monthly and payable in arrears. The management fee totaled € 10,035,151 for the year ended December 31, 2004, of which €900,080 was payable at December 31, 2004.

The Manager will also be entitled to receive a Performance Fee from the Company calculated on a share-by-share basis in respect of each year of twelve months ending on December 31 in each year (a "Calculation Year"). The first Calculation Year was the year commencing on the Business Day immediately following the closing of the Initial offering period and ending on December 31, 2004. For each Calculation Year, the Performance Fee in respect of each share will be equal to 20% percent of the appreciation in the Net Asset Value per share of that class during the Calculation Year above the Base Net Asset Value per Share of that class. The Base Net Asset Value per Share is the greater of the Net Asset Value per Share of the relevant class at the time of issue of that share and the highest Net Asset Value per Share of the relevant class achieved as at the end of any previous Calculation Year (if any) during which the Share was in issue. The Performance Fee in respect of each Calculation Year will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee. The Manager earned a performance fee of € 3,134,302 for the year ended December 31, 2004, of which €2,926,741 was payable at December 31, 2004.

4. Share Capital

The Company has authorized share capital of €10 divided into 10 Founder shares ("Founder Shares") of €1.00 par value each, €100,000 divided into 10,000,000 ordinary shares of €0.01 par value each (the "Euro shares") and US\$ 100,000 divided into 10,000,000 ordinary shares of US\$0.01 par value each (the "US Dollar shares") (collectively the "Shares"). The issued and outstanding Shares at year end were 2,427,133.75 Euro shares and 5,392,606.21 US Dollar shares.

The Founder Shares carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the Shares. Founder Shares are not redeemable.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

The holders of the Founder Shares have the exclusive right to vote (to the exclusion of the holders of all other Shares), and in such case are entitled to one vote per share, in respect of each of the following matters: the appointment or removal of any manager or investment manager; the appointment or removal of any director; the winding up of the Company and amendments to the Memorandum and Articles of Association of the Company. The Founder Shares are held by the Manager.

Euro shares and US dollar shares carry an equal right to such dividends and other distributions as the Directors may declare. Except where voting rights attach exclusively to the Founder Shares, on a show of hands at a general meeting of the Company, every Shareholder who is present in person or by proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall be entitled to one vote in respect of each Share held by him. On a winding-up, the Shares are entitled in priority to the Founder Shares, to the return of the capital paid up thereon and to the surplus assets of the Company.

If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Peak Net Asset Value per Share, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Calculation Year by redeeming at Net Asset Value such number of the investor's Shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 20 percent of any such appreciation (a "Performance Fee Redemption"). The aggregate Net Asset Value of the Shares so redeemed (less the aggregate par value which will be retained by the Company) will be paid to the Manager as a Performance Fee.

Performance Fee Redemptions are employed to ensure that the Company maintains a uniform Net Asset Value per Share. As regards the investor's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Peak Net Asset Value per Share will be charged a Performance Fee in the normal manner described above.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share, the investor will be required to pay an amount in excess of the then current Net Asset Value per Share equal to 20 percent of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Peak Net Asset Value per Share (an "Equalization Credit"). At the date of subscription the Equalization Credit will equal the Performance Fee per Share accrued with respect to the other Shares in the Company (the "Maximum Equalization Credit"). The Equalization Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders and serves as a credit against Performance Fees that might otherwise be payable by the Company but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalization Credit ensures that all holders of Shares have the same amount of capital at risk per Share.

The additional amount invested as the Equalization Credit will be at risk in the Company and will therefore appreciate or depreciate based on the performance of the Company subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalization Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalization Credit will also be reduced by an amount equal to 20 percent of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share will result in the recapture of any reduction in the Equalization Credit but only to the extent of the previously reduced Equalization Credit up to the Maximum Equalization Credit.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

At the end of each Calculation Year, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the prior Peak Net Asset Value per Share, that portion of the Equalization Credit equal to 20 percent of the excess, multiplied by the number of Shares subscribed for by the Shareholder, will be applied to subscribe for additional Shares for the Shareholder. Additional Shares will continue to be so subscribed for on January 1, 2005 until the Equalization Credit, as it may have appreciated or depreciated in the Company after the original subscription for Shares was made, has been fully applied. As of December 31, 2004, the Equalization Credit payable was €1,191,568.

If the Shareholder redeems his Shares before the Equalization Credit has been fully applied, the Shareholder will receive additional redemption proceeds equal to the Equalization Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares being redeemed and the denominator of which is the number of Shares held by the Shareholder immediately prior to the redemption.

Share transactions for the year ended December 31, 2004 net asset value per share are as follows:

	Balance at January 1, 2004	Subscriptions	Redemptions	Balance at December 31, 2004	Net Asset Value per Share
Euro shares	1,503,263.06	1,259,724.18	(335,853.48)	2,427,133.75	€ 112.77
US Dollar shares	2,909,262.53	2,884,821.33	(401,477.65)	5,392,606.21	\$ 111.28

5. Non-Executive Directors

Emmanuel Gavaudan, Francoise Henry, Pierre-Louis Lions, and Angelos Metaxa served as non-executive directors of the Company for the year ended December 31, 2004. These same individuals also acted as directors for the Master Fund. The directors did not receive any fees or remuneration from the Company for their services.

Emmanuel Gavaudan is also a shareholder of the Company with less than 1% of its net assets at December 31, 2004.

As of December 31, 2004, there were no service agreements between the Company and any of the directors.

Sark Fund Limited

Notes to Financial Statements (continued)

6. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the year ended to December 31, 2004:

	Euro shares	US Dollar shares
Per share operating performance		
Net asset value, beginning of the year	€ 109.69	\$ 109.00
Income from investment operations:		
Net realized and unrealized gain on investments	2.57	1.81
Net investment income	0.51	0.47
Net increase in net assets resulting from operations	3.08	2.28
Net asset value, end of year	€ 112.77	\$ 111.28

Returns

Total return prior to performance fee	3.51 %	2.61 %
Performance fee	(0.71) %	(0.53) %
Total return after performance fee	2.80 %	2.08 %

Total return is calculated for the participating class taken as a whole. An individual shareholder's return and per share operating performance may vary from this return and per share operating performance based on the timing of capital transactions.

	Euro shares	US Dollar shares
Ratios to average net assets		
Net investment income	4.18%	4.89%
Total expenses prior to performance fee	(6.82)%	(7.49)%
Performance fee	(0.60)%	(0.42)%
Total expenses after performance fee	(7.42)%	(7.91)%

The expenses and net investment loss ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment loss assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

Sark Fund Limited

Notes to Financial Statements (continued)

7. Subsequent Events

From January 1, 2005 through May 10, 2005, the Company recorded shareholder subscriptions of €91.7 million and shareholder redemptions of €112.9 million.

8. Indemnities

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

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REPORT AND FINANCIAL STATEMENTS
Sark Master Fund Limited

Year ended December 31, 2004
with Report of Independent Auditors

This report is submitted pursuant to an exemption claimed under the Commodity Futures Trading Commission pursuant to Section 4.7 of the Regulations.

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best Knowledge and belief of the undersigned, the information contained in the audited financial statements of Sark Master Fund Limited as of December 31, 2004 and for year then ended, is accurate and complete.

A handwritten signature consisting of several slanted, parallel lines, positioned above a horizontal line.

Partner, Boussard & Gavaudan Asset Management L.P, Investment Manager
And Commodity Pool Operator, Sark Master Fund Limited.

Date: 10/05/05

Sark Master Fund Limited

Report and Financial Statements

For the year ended
to December 31, 2004

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Report of the Board of Directors

To the Shareholders of

SARK MASTER FUND Limited

The Directors present their report and accounts for the Sark Master Fund Limited (the "Fund") for the year ended 31 December 2004.

Activity

The activity of the Fund started on 3 March 2003.

The Fund's only shareholder is Sark Fund Limited which invests substantially all of its assets in the ordinary shares of the Fund.

The investment strategies of the Fund include Gamma trading, capital structure arbitrage and special situations, convertible bonds and warrant arbitrage.

Results

At year end, the net assets were € 719,979,668 after a net decrease resulting from operations of € 15,192,354.

The Directors of the Fund are satisfied that the results of the activity are in line with the strategies deployed. Thus, the Net Asset Value of the Euro shares was € 118.61 and the Net Asset Value of the US dollar shares was \$ 117.71 at 31 December 2004.

Directors


All Directors including Emmanuel GAVAUDAN, Françoise HENRY, Pierre-Louis LIONS, and Angelos METAXA, act in a non-executive capacity.

Emmanuel GAVAUDAN and Angelos METAXA are Directors of the Manager of the Fund.

Emmanuel GAVAUDAN is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the Prospectus of the Fund.

Emmanuel GAVAUDAN is also a shareholder of the Sark Fund Limited, with less than 1% of its net assets at 31 December 2004.

On behalf of the Board


ANGELOS METAXA
MAY 10, 2005

Report of Independent Auditors

To the Board of Directors and Shareholders of
Sark Master Fund Limited

We have audited the accompanying statement of assets and liabilities, including the condensed schedule of investments, of Sark Master Fund Limited (the "Fund"), as of December 31, 2004, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Master Fund Limited at December 31, 2004, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Ernst & Young LLP
London
10 May 2005

Sark Master Fund Limited

Statement of Assets and Liabilities

(Expressed in Euros)

December 31, 2004

Assets

Cash and cash equivalents	€ 68,531,456
Securities owned, at fair value (cost €1,658,913,467)	2,761,428,368
Unrealized gain on derivative contracts	3,656,051
Due from brokers	55,591,263
Interest and dividends receivable	27,625,507
Total assets	<u>2,916,832,645</u>

Liabilities

Securities sold, not yet purchased, at fair value (proceeds €1,166,087,425)	2,069,059,872
Unrealized losses on derivative contracts	21,152,496
Due to brokers	97,701,430
Interest and dividends payable	8,502,094
Accounts payable and accrued expenses	437,085
Total liabilities	<u>2,196,852,977</u>

Net assets € 719,979,668

Net asset value per share

Ordinary shares, €0.01 par value (10,000,000 shares authorized, 2,378,456.12 shares outstanding, net asset value of €282,110,759)	<u>€ 118.61</u>
Ordinary shares, \$0.01 par value (10,000,000 shares authorized, 5,058,539.79 shares outstanding, net asset value of €437,868,909, US\$ equivalent of \$595,457,928)	<u>\$ 117.71</u>

See notes to financial statements.

Sark Master Fund Limited

Condensed Schedule of Investments

(Expressed in Euros)

December 31, 2004

Securities owned, at fair value (383.58%) (cost €1,658,913,467)	
Bonds (243.10%) (cost €856,835,552)	
Belgium (1.86%) (cost €5,139,375)	€ 13,424,400
Communications (1.86%)	
Total Belgium	<u>13,424,400</u>
Cayman Islands (3.15%) (cost €20,682,444)	
Financial (3.15%)	22,672,587
Total Cayman Islands	<u>22,672,587</u>
France (42.04%) (cost €137,447,970)	
Communications (3.87%)	27,873,728
Consumer, Cyclical (1.69%)	12,176,100
Diversified (2.32%)	16,678,498
Industrial (0.23%)	1,624,821
Technology (11.02%)	
IFGFP 1.5% 01 Jul 2005 par value €53,076,348 (6.33%)	45,591,222
Other (4.69%)	33,781,036
Utilities (22.91%)	
Old LYOE 4.5% 22 May 2006 REGS par value €114,942,389 (17.99%)	129,536,800
Other (4.92%)	35,443,255
Total France	<u>302,705,460</u>
Germany (6.53%) (cost € 45,024,545)	
Basic Materials (1.89%)	13,584,000
Communications (0.13%)	919,440
Financial (2.95%)	21,256,817
Industrial (1.56%)	111,95,769
Total Germany	<u>46,956,026</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)

Bonds (continued)

Italy (35.63%) (cost €44,986,108)	
Financial (35.63%)	
Finmecc 0.375 08 August 2010 par value	
€282,789,000 (35.63%)	€ 256,498,418
Total Italy	<u>256,498,418</u>
Japan (1.70%) (cost €12,181,868)	
Industrial (1.46%)	10,507,865
Technology (0.24%)	1,742,388
Total Japan	<u>12,250,253</u>
Luxembourg (12.63%) (cost €87,461,681)	
Communications (11.79%)	
TISFIN 4.25% 26 SPT 2006 par value €41,850,000 (6.44%)	46,337,870
Other (5.35%)	38,485,260
Consumer, Non-cyclical (0.84%)	6,020,433
Total Luxembourg	<u>90,843,563</u>
Netherlands (93.31%) (cost €372,679,311)	
Communications (87.58 %)	
DT 6.5% 01 JUN 2006 par value €501,800,000 (85.60%)	616,335,850
Other (1.98%)	14,240,792
Consumer, Cyclical (0.66%)	4,784,200
Consumer, Non-cyclical (0.28%)	2,013,200
Industrial (4.79%)	34,477,386
Total Netherlands	<u>671,851,428</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)

Bonds (continued)

Switzerland (33.81%) (cost €61,319,040)	
Financial (27.68%)	
GRDSUI 6 % 23 DEC 2005 par value	
€214,500,000 (26.29%)	€ 189,281,402
Other (1.39%)	10,020,000
Industrial (6.13%)	44,116,414
Total Switzerland	243,417,816
United Kingdom (2.92%) (cost €20,864,637)	
Communications (2.92%)	21,033,354
Total United Kingdom	21,033,354
United States of America (9.52%) (cost €49,048,573)	
Communications (5.48%)	
NWS 0.75% 15 MAR 2023 – REGS par value €53,500,000	39,433,609
(5.48%)	
Consumer, Non-cyclical (4.04%)	29,122,458
Total United States of America	68,556,067
Total Bonds	€ 1,750,209,372

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)

Equities (135.38%) (cost €753,113,637)

Austria (0.73%) (cost €4,726,700)	
Communications (0.73%)	€ 5,231,250
Total Austria	5,231,250
Belgium (4.48%) (cost €27,578,930)	
Communications (2.82%)	20,326,555
Consumer, Non-cyclical (0.21%)	1,496,997
Financial (1.14%)	8,231,716
Industrial (0.05%)	382,000
Utilities (0.26%)	1,893,544
Total Belgium	32,330,812
France (62.07%) (cost €348,998,142)	
Basic Materials (3.89%)	28,023,860
Communications (12.85%)	92,511,761
Consumer, Cyclical (5.51%)	39,703,545
Consumer, Non-cyclical (27.38%)	
Aventis SA par value €1,311,392 (12.50%)	89,961,491
Sanofi-synthelabo SA Par value 796,180 (6.62%)	47,691,182
Others (8.26%)	59,439,192
Diversified (0.23%)	1,655,000
Energy (0.12%)	829,630
Financial (1.23%)	8,838,731
Industrial (0.75%)	5,415,779
Technology (2.20%)	15,869,274
Utilities (7.91%)	
Vivendi Environment par value 1,811,842 (6.70%)	48,249,352
Other utilities (1.21%)	8,727,197
Total France	446,915,994

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)

Equities (continued)

Germany (26.33%) (cost €153,291,016)

Basic Materials (0.95%)	€	6,818,182
Communications (6.27%)		45,123,615
Communications (4.77%)		34,313,879
Consumer, Cyclical (0.60%)		4,352,783
Consumer, Non-cyclical (0.23%)		1,678,500
Financial (7.53%)		54,213,703
Industrial (5.59%)		40,276,256
Utilities (0.39%)		2,816,520

Total Germany

189,593,438

Italy (12.29%) (cost €70,783,803)

Communications (5.33%)		38,347,162
Consumer, Cyclical (0.71%)		5,088,022
Financial (2.26%)		16,246,794
Industrial (1.73%)		12,446,318
Utilities (2.26%)		16,245,900

Total Italy

88,374,196

Luxembourg (3.07%) (cost €0)

Basic Materials (3.07%)		22,069,571
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Total Luxembourg

22,069,571

Netherlands (3.71%) (cost €23,165,945)

Communications (2.00%)		14,380,162
Consumer, Cyclical (1.23%)		8,873,183
Consumer, Non-cyclical (0.38%)		2,733,600
Industrial (0.10%)		723,692

Total Netherlands

26,710,637

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)

Equities (continued)

Norway (0.08%) (cost €535,748)	
Communications (0.08%)	€ 568,883
Total Norway	<u>568,883</u>
Portugal (0.33%) (cost €2,413,771)	
Consumer, Non-cyclical (0.33%)	2,389,547
Total Portugal	<u>2,389,547</u>
Spain (8.15%) (cost €47,696,565)	
Communications (0.23%)	1,675,460
Consumer, Cyclical (0.05%)	385,520
Consumer, Non-cyclical (0.13%)	922,032
Financial (4.82%)	34,700,752
Utilities (2.92%)	20,993,134
Total Spain	<u>58,676,898</u>
Sweden (0.41%) (cost €2,785,213)	
Communications (0.26%)	1,882,640
Consumer, Non-cyclical (0.15%)	1,087,640
Total Sweden	<u>2,970,280</u>
Switzerland (11.24%) (cost - €60,930,969)	
Communications (1.05%)	7,536,059
Consumer, Cyclical (0.17%)	1,203,577
Consumer, Non-cyclical (4.54%)	32,688,374
Financial (2.01%)	14,478,268
Industrial (0.23%)	1,626,013
Technology (3.24%)	23,292,920
Total Switzerland	<u>80,825,211</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)
Equities (continued)

United Kingdom (0.08%) (cost €515,837)	
Industrial (0.08%)	€ 582,401
Total United Kingdom	<u>582,401</u>
United States of America (2.41%) (cost €9,690,998)	
Communications (2.41%)	17,321,305
Financial (0.00%)	11,692
Total United States of America	<u>17,332,997</u>
Total Equity	<u>€ 974,572,115</u>
Option contracts (5.10%) (cost €48,964,278)	
Germany (2.42%) (cost €28,828,625)	
Communications (2.42%)	€ 17,439,135
Financial (0.0%)	14,793
Total Germany	<u>17,453,928</u>
Netherlands (0.32%)(cost € 2,667,000)	
Technology	<u>2,268,732</u>
Total Netherlands	<u>2,268,732</u>
Belgium (0.18%) (cost €3,194,000)	
Financial (0.18%)	1,302,680
Total Belgium	<u>1,302,680</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities owned, at fair value (continued)

Option contracts (continued)

France (0.68%) (cost € 6,160,708)	
Consumer, Cyclical (0.12%)	€ 883,498
Consumer, Non –cyclical (0.09%)	666,855
Communications (0.25%)	1,794,549
Technology (0.16%)	1,123,163
Index(0.06%)	432,105
	<hr/>
Total France	4,900,170
	<hr/>
Italy (1.22%) (cost €7,824,032)	
Financial (1.22%)	8,754,050
	<hr/>
Total Italy	8,754,050
	<hr/>
Japan (0.21%) (cost €0)	
Technology (0.21%)	1,496,643
	<hr/>
Total Japan	1,496,643
	<hr/>
Switzerland (0.07%) (cost €289,913)	
Financial (0.07%)	470,678
	<hr/>
Total Switzerland	470,678
	<hr/>
Total Options	€ 36,646,881
	<hr/>
Total securities owned, at fair value	€ 2,761,428,368
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Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Long (89.22%) (cost €636,145,087)	
Forward Purchase Contracts (87.63%) (cost €636,145,087)	
European Union (25.75%) (cost €185,384,406)	
Currency (25.75%)	€ 185,384,406
Total European Union	<u>185,384,406</u>
United States (61.88%) (Cost €450,760,681)	
Currency (61.88%)	445,525,531
Total United States	<u>445,525,531</u>
Total Forward Purchase Contracts (87.63%)	
(cost €636,145,087)	<u>€ 630,909,937</u>
Swap Contracts (0.09%) (cost €0)	
France (0.09%) (cost €0)	
Equity Swaps (0.09%)	€ 643,564
Total France	<u>643,564</u>
Total Swap Contracts	<u>€ 643,564</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Long (continued)

Contracts For Differences (0.79%) (cost €0)

Italy (0.02%) (cost €0)	
Industrial (0.02%)	€ 110,976
Total Italy	110,976
France (-0.33%) (cost €0)	
Communications (-0.32%)	(2,285,729)
Financial (-0.01%)	(62,000)
Total France	(2,347,729)
Ireland (0.01%) (cost €0)	
Communications (0.01%)	53,000
Total Ireland	53,000
Netherlands (-0.08%)(cost €0)	
Communications (-0.08%)	(558,142)
Total Netherlands	(558,142)
United Kingdom (1.06%) (cost €0)	
Basic Materials (0.03%)	227,262
Communications (0.74%)	5,320,161
Consumer, Cyclical (0.08%)	595,948
Consumer, Non-cyclical (0.12%)	861,981
Financial (0.04%)	278,742
Industrial (0.05%)	334,455
Total United Kingdom	7,618,549

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Long (continued)	
Contracts For Differences (continued)	
United States of America (0.11%) (cost €0)	
Consumer, Non-cyclical (0.11%)	<u>777,935</u>
Total United States of America	<u>777,935</u>
Total Contract for Differences	<u>€ 5,654,589</u>
Futures Contracts (0.71%) (cost €0)	
Germany (0.69%) (cost €0)	
Index (0.69 %)	<u>€ 4,964,512</u>
Total Germany	<u>4,964,512</u>
Japan (0.01%) (cost €0)	
Government (0.01%)	<u>62,720</u>
Total Japan	<u>62,720</u>
Switzerland (0.00%) (cost €0)	
Index (0.00%)	<u>(8,375)</u>
Total Switzerland	<u>(8,375)</u>
United Kingdom(0.05%) (cost €0)	
Index (0.05 %)	<u>390,222</u>
Total United Kingdom	<u>390,222</u>
United States of America (-0.04%) (cost €0)	
Government (-0.04 %)	<u>(284,189)</u>
Total United States of America	<u>(284,189)</u>
Total Futures Contracts	<u>€ 5,124,890</u>
Total Derivative Contracts - Long	<u>€ 642,332,980</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

**Securities sold, but not yet purchased, at fair value
(-287.35%) (proceeds €1,166,087,425)**

Bonds (-55.45%) (proceeds €249,791,550)

France (-37.12%) (proceeds €249,208,050)

Communications (-0.31%)	€ (2,221,560)
Government (-33.84%)	
BTNS 3.5 % 12 JAN 2008 par value €85,000,000 (-12.08%)	(86,955,000)
BTNS 3.75% 12 JAN 2007 €133,000,000 (-18.92%)	(136,245,200)
BTNS 3.5% 12 JUL 2009 €20,000,000 (-2.84 %)	(20,440,000)
Industrial (-0.19%)	(1,339,780)
Technology (-2.78%)	(20,037,911)

Total France (267,239,451)

Italy (-17.64%) (proceeds €0)

Financial (-17.64%)	
FINMECO 0.375 % 8 AUG 2010 par value €140,000,000 (-17.64%)	(126,984,354)

Total Italy (126,984,354)

Netherlands (-0.69%) (proceeds €583,500)

Financial (-0.61%)	(4,358,000)
Industrial (-0.08%)	(588,000)

Total Netherlands (4,946,000)

Total Bonds € (399,169,805)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities Sold, but not yet purchased (continued)
Equities (-224.46%) (proceeds €853,761,505)

Austria (-1.65%) (proceeds €9,884,729)	
Communications (-0.39%)	€ (2,790,000)
Financial (-1.26%)	(9,093,808)
Total Austria	<u>(11,883,808)</u>
Belgium (-19.95%) (proceeds €84,827,934)	
Communications (-2.82%)	(20,326,552)
Financial (-15.92%)	
Fortis par value €4,836,048 (-13.68%)	(98,510,298)
Other (-2.24%)	(16,163,043)
Utilities (-1.21%)	(8,727,752)
Total Belgium	<u>(143,727,645)</u>
France (-64.65%) (proceeds €299,496,731)	
Basic Materials (-4.01%)	(28,872,860)
Communications (-14.23%)	(102,452,207)
Consumer, Cyclical (-5.20%)	(37,439,820)
Consumer, Non-cyclical (-25.83%)	
Aventis SA par value €1,311,392 (-12.50%)	(89,961,491)
Sanofi-synthelabo SA par value €796,180 (-6.62 %)	(47,691,182)
Others (-6.71%)	(48,331,152)
Diversified (-0.23%)	(1,655,000)
Energy (-0.12%)	(829,630)
Financial (-1.18%)	(8,516,435)
Industrial (-0.18%)	(1,310,251)
Technology (-9.52%)	
ST Microelectronics NV par value €3,932,980 (-7.84%)	(56,438,263)
Others (-1.68%)	(12,124,245)
Utilities (-4.15%)	(29,875,988)
Total France	<u>(465,498,524)</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities Sold, but not yet purchased (continued) Equities (continued)

Germany (-71.81%) (proceeds €230,950,121)	
Basic Materials (-0.79%)	€ (5,702,740)
Communications (-60.94%)	
Deutsche Telecom AG –REG par value	
€25,247,877 (-58.39%)	(420,377,152)
Other (-2.55%)	(18,349,319)
Consumer, Non-cyclical (-0.40%)	(2,885,520)
Financial (-4.72%)	(33,984,483)
Industrial (-4.96%)	(35,682,270)
Total Germany	(516,981,484)
Italy (-12.19%) (proceeds €48,280,578)	
Communications (-4.06%)	(29,260,478)
Consumer, Cyclical (-0.71%)	(5,088,022)
Financial (-6.40%)	(46,051,172)
Industrial (-1.02%)	(7,333,655)
Total Italy	(87,733,327)
Japan (-1.14%) (proceeds €8,669,968)	
Industrial (-0.60%)	(4,316,398)
Technology (-0.54%)	(3,871,576)
Total Japan	(8,187,974)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities Sold, but not yet purchased (continued)
Equities (continued)

Luxembourg (-3.07%) (proceeds €0)	
Basic Materials (-3.07%)	€ (22,069,571)
Total Luxembourg	<u>(22,069,571)</u>
Netherlands (-4.02%) (proceeds €18,765,981)	
Communications (-1.93%)	(13,904,096)
Consumer, Cyclical (-1.09%)	(7,851,892)
Consumer, Non-cyclical (-0.86%)	(6,181,222)
Financial (-0.14%)	(993,990)
Total Netherlands	<u>(28,931,200)</u>
Portugal (-0.05%) (proceeds €389,624)	
Consumer, Non-cyclical (-0.05%)	(385,818)
Total Portugal	<u>(385,818)</u>
Spain (-9.60%) (proceeds €58,112,815)	
Communications (-0.23%)	(1,675,460)
Consumer, Cyclical (-0.18%)	(1,312,720)
Consumer, Non-cyclical (-0.13%)	(922,032)
Financial (-4.82%)	(34,725,824)
Utilities (-4.24%)	(30,494,480)
Total Spain	<u>(69,130,516)</u>
Sweden (-0.26%) (proceeds €1,654,804)	
Communications (-0.26%)	(1,882,640)
Total Sweden	<u>(1,882,640)</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities Sold, but not yet purchased (continued) Equities (continued)

Switzerland (-34.67%) (proceeds €89,518,826)	
Communications (-0.46%)	€ (3,296,845)
Consumer, Cyclical (-0.17%)	(1,203,577)
Consumer, Non-cyclical (-4.54%)	(32,688,374)
Financial (-28.40%)	
Credit Swiss Group par value €5,863,055 (-25.21%)	(181,508,096)
Other (-3.19%)	(22,997,367)
Industrial (-0.82%)	(5,924,379)
Technology (-0.28%)	(2,050,773)
Total Switzerland	(249,669,411)
United States of America (-1.40%) (proceeds €3,209,394)	
Communications (-0.47%)	(3,390,851)
Financial (-0.93%)	(6,682,274)
Total United States of America	(10,073,125)
Total Equities	€(1,616,155,043)
Options (-7.44%) (proceeds €62,534,370)	
Austria (0.00%) (proceeds €240,000)	
Communications (0.00%)	(22,970)
Total Austria	(22,970)
Belgium (-0.10%) (proceeds €1,372,000)	
Financial (-0.10%)	(755,475)
Total Belgium	(755,475)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Securities Sold, but not yet purchased (continued)

Options (continued)

France (-1.61%) (proceeds €0)	
Communications (-0.55%)	€ (3,953,934)
Consumer, Cyclical (-0.01%)	(96,000)
Utilities (-1.05%)	(7,593,212)
Total France	(11,643,146)
Italy (-0.01%) (proceeds €210,000)	
Communications (-0.01%)	(64,500)
Total Italy	(64,500)
Germany (-5.06%) (proceeds €54,142,500)	
Communications (-4.86%)	(35,002,905)
Financial (-0.20%)	(1,463,850)
Total Germany	(36,466,755)
Switzerland (-0.18%) (proceeds €2,133,753)	
Communications (-0.07%)	(505,055)
Financial (-0.11%)	(807,272)
Total Switzerland	(1,312,327)
United States of America (-0.48%) (proceeds €4,436,117)	
Financial (-0.48%)	(3,469,851)
Total United States of America	(3,469,851)
Total Options	€ (53,735,024)
Total securities sold, not yet purchased, at fair value	€(2,069,059,872)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Short (-91.64%) (proceeds €659,829,426)	
Forward Sales Contracts (-87.87%) (proceeds €636,145,087)	
European Union (-62.61%) (proceeds €450,760,681)	
Currency (-62.61%)	€ (450,760,681)
Total European Union	<u>(450,760,681)</u>
Switzerland (-12.16%) (proceeds €89,415,817)	
Currency (-12.16%)	(87,523,852)
Total Switzerland	<u>(87,523,852)</u>
United Kingdom (-6.37%) (proceeds €46,936,830)	
Currency (-6.37%)	(45,847,938)
Total United Kingdom	<u>(45,847,938)</u>
United States of America (-6.73%) (proceeds €49,031,759)	
Currency (-6.73%)	(48,462,302)
Total United States of America	<u>(48,462,302)</u>
Total Forward Sales Contracts	<u>€ (632,594,772)</u>

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Short (continued)
Swap Contracts (-1.77%) (proceeds €0)

Bermuda (-0.04%) (proceeds €0)	
Credit Default Swaps (-0.04 %)	€ (287,882)
Total Bermuda	(287,882)
France (-1.10%) (proceeds €0)	
Credit Default Swaps (-0.35 %)	(2,513,620)
Interest Rate Swaps (-0.75%)	(5,403,899)
Total France	(7,917,519)
Germany (-0.21%) (proceeds €0)	
Credit Default Swaps (-0.21 %)	(1,515,279)
Total Germany	(1,515,279)
Guernsey (-0.10%) (proceeds €0)	
Credit Default Swaps (-0.10 %)	(742,249)
Total Guernsey	(742,249)
Italy (0.00%) (proceeds €0)	
Credit Default Swaps (0.00%)	(11,022)
Total Italy	(11,022)
Japan (0.00%) (proceeds €0)	
Credit Default Swaps (0.00%)	(22,370)
Total Japan	(22,370)
Luxemburg (-0.04%) (proceeds €0)	
Credit Default Swaps (-0.04 %)	(298,960)
Total Luxemburg	(298,960)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Short (continued)
Swap Contracts (continued)

Netherlands (-0.07%) (proceeds €0)	
Credit Default Swaps (-0.07 %)	€ (518,710)
Total Netherlands	(518,710)
Russia (-0.01%) (proceeds €0)	
Credit Default Swaps (-0.01%)	(49,531)
Total Russia	(49,531)
Switzerland (-0.07%) (proceeds €0)	
Credit Default Swaps (-0.07%)	(518,142)
Total Switzerland	(518,142)
United Kingdom (-0.01%) (proceeds €0)	
Credit Default Swaps (-0.01 %)	(58,310)
Total United Kingdom	(58,310)
United States of America (-0.12%) (proceeds €0)	
Credit Default Swaps (-0.12%)	(869,833)
Total United States of America	(869,833)
Total Swap Contracts	€ (12,809,806)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Short (continued)

Contracts for Differences (0.89%) (proceeds €0)

France (0.18%) (proceeds €0)		
Communications (0.19%)	€	1,356,102
Financial (-0.01%)		(86,000)
France Total		1,270,102
Italy (-0.02%) (proceeds €0)		
Industrial (-0.02%)		(148,352)
Total Italy		(148,352)
Netherlands (0.04%)		
Communications (0.04%)		297,902
Total Netherlands		297,902
United Kingdom (-1.09%)		
Communications (-0.91%)		(6,576,346)
Consumer, Cyclical (0.03%)		209,564
Consumer, Non-cyclical (-0.15%)		(1,090,110)
Financial (-0.04%)		(309,926)
Industrial (-0.02%)		(127,417)
United Kingdom Total		(7,894,235)
Total Contract for Differences	€	(6,474,583)

Sark Master Fund Limited

Condensed Schedule of Investments (continued)

Derivative Contracts –Short (continued)
Futures Contracts (-1.11%) (proceeds €0)

Germany (-1.08%)	
Index (-1.08%)	€ (7,756,395)
Germany Total	<u>(7,756,395)</u>
Japan (-0.01%)	
Government (-0.01%)	(40,617)
Japan Total	<u>(40,617)</u>
Switzerland (0.00%)	
Index (0.00%)	(7,563)
Switzerland Total (0.00%)	<u>(7,563)</u>
United Kingdom (-0.10%)	
Index (-0.10%)	(713,261)
United Kingdom Total	<u>(713,261)</u>
United States of America (0.08%)	
Government (0.08%)	571,984
Index (0.00%)	(4,412)
United States of America Total	<u>567,572</u>
Total Futures Contracts	<u>€ (7,950,264)</u>
Total Derivative Contracts – Short	<u>€ (659,829,426)</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Operations

(Expressed in Euros)

For the year ended December 31, 2004

Loss from securities and derivatives transactions	
Net realized loss from securities and derivatives transactions	€ (223,403,831)
Net change in unrealized gain on securities and derivatives	179,368,045
Net loss from securities and derivatives transactions	<u>(44,035,786)</u>
Investment income	
Interest	57,687,911
Dividends (net of withholding tax of € 289,361)	7,494,054
Total investment income	<u>65,181,965</u>
Expenses	
Interest	15,955,481
Dividends	15,966,277
Stock borrowing fees	2,978,001
Administration fees	1,244,152
Professional fees	143,703
Other	50,919
Total expenses	<u>36,338,533</u>
Net investment income	<u>28,843,432</u>
Net decrease in net assets resulting from operations	<u>€ (15,192,354)</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Changes in Net Assets (Expressed in Euros)

For the year ended December 31, 2004

Increase / (Decrease) in net assets resulting from operations	
Net realized loss from securities and derivatives transactions	€ (223,403,831)
Net change in unrealized gain on securities and derivatives	179,368,045
Net investment income	28,843,432
Net decrease in net assets resulting from operations	<u>(15,192,354)</u>
Increase / (decrease) in net assets resulting from capital share transactions	
Shareholder subscriptions (3,983,808.95 shares issued)	400,136,378
Shareholder redemptions (913,622.67 shares redeemed)	<u>(90,795,066)</u>
Net increase in net assets resulting from capital share transactions	<u>309,341,312</u>
Net increase in net assets	294,148,958
Net assets, beginning of year	<u>425,830,710</u>
Net assets, end of year	<u>€ 719,979,668</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Cash Flows (Expressed in U.S. Dollars)

For the year ended to December 31, 2004

Cash flows from operating activities	
Net decrease in net assets resulting from operations	€ (15,192,354)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:	
Increase in securities owned	(1,689,683,417)
Increase in unrealized losses on derivative contracts, net	(5,440,378)
Increase in due from brokers	(24,035,835)
Increase in interest and dividends receivable	(18,437,880)
Increase in securities sold, not yet purchased	1,695,628,805
Decrease in due to brokers	(192,021,322)
Increase in interest and dividends payable	8,153,504
Increase in account payable and accrued expenses	217,445
Net cash used in operating activities	<u>(240,811,432)</u>
Cash flows from financing activities	
Shareholder subscriptions	400,136,378
Shareholder redemptions	<u>(90,795,066)</u>
Net cash provided by financing activities	<u>309,341,312</u>
Net increase in cash and cash equivalents	68,529,880
Cash and cash equivalents at beginning of year	<u>1,576</u>
Cash and cash equivalents at end of year	<u>€ 68,531,456</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u>€ 7,577,059</u>

See notes to financial statements.

Sark Master Fund Limited

Notes to Financial Statements (Expressed in Euros)

December 31, 2004

1. Organization

Sark Master Fund (the "Fund") was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law. The Fund's objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. Boussard & Gavaudan Asset Management, LP (the "Investment Manager") has been appointed investment manager to the Fund. The Investment Manager has appointed Boussard & Gavaudan Gestion (the "Investment Advisor") as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also had responsibility for the management of part of the assets of the Fund delegated to it by the Investment Manager.

The Fund is a "master" fund in a "master-feeder" fund structure whereby its current shareholder, Sark Fund Limited (the "Feeder Fund"), invests all, or substantially all, of its assets (to the extent not retained in cash) in the ordinary shares of the Fund. A second "feeder fund", constituted as a Delaware limited partnership, has been established to invest its assets in the ordinary shares of the Fund. As at December 31, 2004, no capital has been received by the partnership, and the partnership has not made an investment into the Fund. 1729 Management (Cayman) Limited (the "Manager") serves as manager to the Fund.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in Euros. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Transactions in securities are recorded on a trade-date basis. Interest is recorded on the accruals basis and dividends are recorded on the ex-dividend date. All discounts/premiums on debt securities are accreted/amortized for financial reporting purposes.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Basis of Accounting (continued)

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" approximates the carrying amounts presented in the statement of financial condition.

Assets and liabilities denominated in foreign currencies are translated into Euros at the closing rates of exchange at December 31, 2004. Transactions during the year are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in net realized loss on securities and derivative transactions and net change in unrealized gain on securities and derivative transactions.

The industry classifications included in the condensed schedule of investments represents the Investment Manager's belief as to the most meaningful presentation of the classification of the principle business of each of the Fund's investments.

Securities

Securities owned and securities sold, not yet purchased which are listed or quoted on any securities exchange or similar electronic system and regularly trade thereon will be valued at their last traded price. If no trades occurred on such day, securities will be valued at the closing bid price if held long and at the closing ask price if held short, and as adjusted in such manner as the directors' in their sole discretion, think fit, having regard to the size of the holding. Where prices are available on one or more exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply.

Any security for which no prices as described above are available, will be valued at its fair value as determined by the directors. The fair value will be determined having regard to the security's cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such activity in issue, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivatives

The Fund also enters into derivative contract transactions such as foreign currency forwards, futures agreements, swap agreements, credit default swaps, contracts for differences, exchange traded options and over the counter ("OTC") options. Derivative contracts, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. The directors may determine at their discretion which markets shall prevail and may permit some other method of valuation to be used, provided that the directors or their appointed designee, at their absolute discretion, consider that it better reflects value and is in accordance with good accounting practice.

Derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty. The directors or their appointed designee may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice. The resulting unrealized gains and losses are reflected in the statement of operations.

Derivative contracts have been recorded pursuant to the Financial Accounting Standards Board's SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity." Derivatives include futures, options, forward currency and swaps, and are recorded at market or fair value. Typically, derivative contracts serve as components of the Fund's investment strategies and are utilized primarily to structure and hedge investments to meet economically the investment objectives of the Fund.

Income Taxes

The Fund is not subject to income taxes in the jurisdiction in which it operates. The only taxes payable by the Fund on its income are withholding taxes applicable to certain income. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

Sark Master Fund Limited

Notes to Financial Statements (continued)

3. Due from and Due to Brokers

Due from and due to brokers primarily consists of cash and cash collateral with the Fund's clearing brokers and various counterparties and the amounts receivable or payable for securities transactions that have not settled at December 31, 2004.

The cash at brokers that relates to securities sold, not yet purchased is restricted until the securities are purchased. Securities sold, not yet purchased are collateralized by certain of the Fund's securities owned. Margin debt balances are collateralized by the Fund's securities and cash held at the broker.

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of its business, the Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk. These financial instruments include foreign currency forwards, futures agreements, swap agreements, credit default swaps, contracts for differences, exchange traded options, OTC options and securities sold short. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specific future dates.

Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the market values of the securities underlying the financial instruments or the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

The contract amounts of the swaps and forward and futures contracts do not represent the Fund's risk of loss due to counterparty non-performance. The Fund's exposure to credit risk associated with counterparty non-performance for these contracts is limited to the unrealized gains in such contracts which are recognized in the statement of assets and liabilities.

Securities sold, not yet purchased represent obligations of the Fund to deliver the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

Sark Master Fund Limited

Notes to Financial Statements (continued)

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk (continued)

Written options entered into by the Fund represent obligations of the Fund to buy or sell the underlying asset at a specified value, at a specific point in time based upon the agreed or contracted quantity. The ultimate gain or loss depends upon the prices at which the underlying securities are bought or sold to settle the Fund's obligation.

The Fund's principal trading activities are primarily with brokers and other financial institutions located in North America and Europe. All securities transactions of the fund are cleared by major securities firms pursuant to customer agreements. At December 31, 2004, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers are positions with and amounts due to or from these brokers. The Fund had substantially all its individual counterparty concentrations with these brokers and their affiliates.

5. Derivative Contracts

The Fund, in connection with its proprietary trading activities, enters into transactions in a variety of derivative financial instruments. As of December 31, 2004, the fair value of these derivative contracts are included in the statement of assets and liabilities in unrealised gains and losses on derivative contracts. These derivative contracts are valued at mark to market or fair value with the resulting gains and losses reflected in the statement of operations (as described in Note 2). For OTC contracts, the Fund enters into master netting agreements with its counterparties, therefore, assets represent the Fund's unrealized gains less unrealized losses for OTC contracts in which the Fund has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts. The derivative contracts that the Fund holds or issues are foreign currency forwards, futures agreements, swap agreements, credit default swaps, contracts for differences, exchange traded options and OTC options.

Sark Master Fund Limited

Notes to Financial Statements (continued)

5. Derivative Contracts (continued)

	Fair Value at December 31, 2004	
	<u>Assets</u>	<u>Liabilities</u>
Forward purchase contracts	€ -	€ 1,684,836
Interest rate swaps	643,564	5,403,899
Credit default swaps	-	7,405,907
Equity swaps	-	-
Contracts for differences	2,423,885	3,243,879
Futures contracts	588,602	3,413,975
Options	36,646,881	53,735,024
	<u>€ 40,302,932</u>	<u>€ 74,887,520</u>

Credit risk arises from the potential inability of counterparties to perform their obligations under the terms of a contract. The Fund's exposure to credit risk associated with counterparty nonperformance is generally limited to the fair value of OTC contracts reported as assets. Exchange traded derivatives generally do not give rise to significant counterparty exposure because of the margin requirements of the individual exchanges. All of the Fund's counterparties are with major multi-national broker-dealers. At December 31, 2004, the Fund's exposure to credit risk was €40,302,932. The directors believe that the ultimate settlement of the transactions outstanding at December 31, 2004 will not have a material effect on the Fund's financial condition.

6. Share Capital

The authorized share capital of the Fund is €100,000 divided into 10,000,000 ordinary shares, par value €0.01 each ("Class A Shares") and \$100,000 divided into 10,000,000 ordinary shares of a par value of \$0.01 each ("Class B Shares"). At December 31, 2004, there were 2,378,456.12 Class A Shares at €118.61 par value and 5,058,539.80 Class B Shares at \$117.71 par value outstanding. As of December 31, 2004, all of the issued and outstanding share capital of the Fund was owned by the Feeder Fund.

Sark Master Fund Limited

Notes to Financial Statements (continued)

6. Share Capital

Share transactions for the year ended December 31, 2004 were as follows:

Class	Shares Outstanding at beginning of year	Shares Issued	Shares Redeemed	Shares Outstanding at end of year
Class A Shares	1,466,010.97	1,214,152.07	(301,706.92)	2,378,456.12
Class B Shares	2,900,798.66	2,769,656.88	(611,915.74)	5,058,539.80

7. Related Party Disclosures

The management and performance fees earned by the Manager are charged to and paid by the Feeder Fund only.

8. Administration and Custodian Fees

GlobeOp Financial Services LLC (the "Administrator") is responsible for providing administration services to the Fund. The administration fee totalled €1,244,512 for the year ended to December 31, 2004, of which €106,435 was payable at December 31, 2004.

Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited have been appointed as the Fund's prime brokers and custodians. The prime brokers and custodians receive prime brokerage fees which are based upon a combination of transaction charges and interest costs. The prime brokers and custodians charge interest on debit balances at a rate agreed with the Fund. No fees are paid to Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited for acting as custodian.

Sark Master Fund Limited

Notes to Financial Statements (continued)

9. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the year ended December 31, 2004:

	<u>Class A</u>	<u>Class B</u>
Per share operating performance		
Net asset value, beginning of the year	€ 113.53	\$ 112.72
Income from investment operations:		
Net gain on investments	0.50	0.33
Net investment income	4.58	4.66
Net gain	<u>5.08</u>	<u>4.99</u>
Net asset value, end of year	<u>€ 118.61</u>	<u>\$ 117.71</u>
Total return	<u>4.48 %</u>	<u>4.43 %</u>

Total return is calculated for the participating class taken as a whole. An individual shareholder's return may vary from these returns based on the timing of capital transactions.

	<u>Class A</u>	<u>Class B</u>
Ratio to average net assets		
Investment income	8.85 %	8.85 %
Total expenses	(4.93)%	(4.93)%
Net investment income	<u>3.92 %</u>	<u>3.92 %</u>

The expenses and net investment income ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment income assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

Sark Master Fund Limited

Notes to Financial Statements (continued)

10. Non-Executive Directors

Emmanuel Gavaudan, François Henry, Pierre-Louis Lions, and Angelos Metaxa served as non executive directors for the year ended December 31, 2004. Each of the directors is entitled to a fee of €10,000 per annum in aggregate from the Fund and the Feeder Fund. Directors' fees totalled €40,000 for the year from December 31, 2004, borne by the Fund.

As of December 31, 2004, there were no service agreements between the Fund and any of the directors.

Emmanuel Gavaudan and Angelos Metaxa are Directors of the Manager of the Fund. Emmanuel Gavaudan is a shareholder of the Manager, the Investment Manager, the Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the prospectus of the Fund.

Emmanuel Gavaudan is also a shareholder of the Feeder Fund owning less than 1% of its net assets at 31 December 2004.

11. Subsequent Events

From January 1, 2005 through May 10, 2005, the Fund had shareholder subscriptions of €91.7 million and shareholder redemptions of €112.9 million.

12. Indemnities

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

REPORT AND FINANCIAL STATEMENTS

Sark Fund Limited

Period from March 3, 2003
(commencement of operations)
to December 31, 2003
with Report of Independent Auditors

*This report is submitted pursuant to an exemption claimed under the
Commodity Futures Trading Commission pursuant to Section 4.7 of the
Regulations.*

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best knowledge and belief of the undersigned, the information contained in the audited financial statements of Sark Fund Limited for the period from March 3, 2003 (commencement of operations) to December 31, 2003 is accurate and complete.

Partner, Boussard & Gavaudan Asset Management LP, Investment Manager
and Commodity Pool Operator, Sark Fund Limited

Sark Fund Limited

Report and
Financial Statements

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

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Affirmation of the Commodity Pool Operator

Financial Statements of Sark Master Fund Limited

Report of the Board of Directors

To the Shareholders of

SARK FUND Limited

The Directors present their report and accounts for the Sark Fund Limited (“the Fund”) for the period from incorporation on 14 January 2003 to 31 December 2003.

Activity

The activity of the Fund commenced on 3 March 2003.

The Fund is acting as a feeder fund for the SARK MASTER FUND LIMITED. Consequently all its assets are invested into the Sark Master Fund Limited the activity of which is divided into Gamma trading, Capital Structure Arbitrage and Special Situations, Convertible bonds and warrant arbitrage.

The funds invested in the Sark Master Fund Limited grew constantly to reach €425,830,710 at year end.

Results

The Directors of the Fund are satisfied that the results of the activity are in line with the strategies deployed. Thus, the Net Asset Value of the Euro shares reached 109.69 and the Net Asset Value of the US Dollar shares reached 109.00 at 31 December 2003, even though the operations generated a net decrease in net assets of €3,898,076.

During the period, the Management fees and Performance fees paid to the Investment Manager of the Fund totaled respectively €3,501,876 and €5,872,844.

Directors

All Directors including Emanuel GAVAUDAN, François HENRY, Pierre-Louis LIONS, Angelos METAXA, and Wiet POT, act in a non executive capacity.

Emanuel GAVAUDAN and Angelos METAXA are Directors of the Manager of the Fund.

Emanuel GAVAUDAN is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the Prospectus of the Fund. Emanuel GAVAUDAN is also a shareholder of the Fund.

On behalf of the board

April 6, 2004

Report of Independent Auditors

The Board of Directors and Shareholders
Sark Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Fund Limited as of December 31, 2003, and the related statements of operations, changes in net assets and cash flows for the period from March 3, 2003 (commencement of operations) to December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Fund Limited at December 31, 2003, and the results of its operations, the changes in its net assets and its cash flows for the period from March 3, 2003 (commencement of operations) to December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.



March 31, 2004

Sark Fund Limited

Statement of Assets and Liabilities (Expressed in Euros)

December 31, 2003

Assets

Cash and cash equivalents	€	2,836
Investment in Sark Master Fund Limited, at fair value		<u>425,830,710</u>
Total assets		<u>425,833,546</u>

Liabilities

Interest payable		5,326
Performance fee payable		5,686,319
Equalization credit payable		3,151,418
Management fee payable		<u>547,205</u>
Total liabilities		<u>9,390,268</u>

Net assets € 416,443,278

Ordinary shares, €0.01 par value (10,000,000 shares authorized, 1,503,263 shares issued and outstanding, net asset value €109.69)		<u>€109.69</u>
Ordinary shares, \$0.01 par value (10,000,000 shares authorized, 2,909,263 shares issued and outstanding, net asset value \$109.00)		<u>\$109.00</u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Operations
(Expressed in Euros)

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

Realized and unrealized gain (loss) from securities and derivatives transactions allocated from Sark Master Fund Limited

Net realized gain from securities and derivatives transactions	€ 27,340,637	
Net change in unrealized depreciation on securities and derivatives	<u>(29,445,530)</u>	
Net loss from securities and derivatives transactions		€ (2,104,893)

Net investment income allocated from Sark Master Fund Limited

Interest income	15,061,836	
Dividend income (net of withholding tax of €619)	568,705	
Total expenses	<u>(8,045,920)</u>	
Net investment income from Sark Master Fund Limited	7,584,621	

Company income

Interest income	<u>17,277</u>	
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Company expense

Interest expense	20,361	
Performance fee	5,872,844	
Management fee	<u>3,501,876</u>	
Total expenses	<u>9,395,081</u>	
Net investment loss		<u>(1,793,183)</u>

Net decrease in net assets resulting from operations		<u>€ (3,898,076)</u>
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See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Changes in Net Assets (Expressed in Euros)

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

Operations

Net loss from securities and derivatives transactions	€ (2,104,893)
Net investment loss	(1,793,183)
Net decrease in net assets resulting from operations	<u>(3,898,076)</u>

Capital share transactions

Capital subscriptions – Euro class	157,895,261
Capital subscriptions – USD class	274,860,452
Capital redemptions – Euro class	(1,379,078)
Capital redemptions – USD class	(11,035,281)
Net increase in net assets resulting from capital share transactions	<u>420,341,354</u>

Net change in net assets	416,443,278
Net assets at beginning of period	<u>-</u>
Net assets at end of period	<u>€ 416,443,278</u>

See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Statement of Cash Flows (Expressed in Euros)

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

Cash flows from operating activities

Net decrease in net assets resulting from operations	€ (3,898,076)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Increase in investment in Sark Master Fund Limited	(425,830,710)
Increase in interest payable	5,326
Increase in performance fee payable	5,686,319
Increase in management fees payable	547,205
Net cash used in operating activities	<u>(423,489,936)</u>

Cash flows from financing activities

Proceeds from issuance of shares	432,755,713
Payments for redemption of shares	(12,414,359)
Change in equalization credit payable	3,151,418
Net cash provided by financing activities	<u>423,492,772</u>

Net change in cash and cash equivalents	2,836
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<u>€ 2,836</u>

Supplemental disclosure of cash flow information

Cash paid during the period for interest	<u>€ 15,035</u>
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See accompanying notes and financial statements of Sark Master Fund Limited

Sark Fund Limited

Notes to Financial Statements

December 31, 2003

1. Organization

Sark Fund Limited (the “Company”) was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Company is registered as a regulated mutual fund with the Cayman Islands Monetary Authority under section 4(3) of the Mutual Funds Law of the Cayman Islands. The shares of the Company have been listed on the Irish Stock Exchange. The Company invests substantially all of its assets and makes all of its investments through Sark Master Fund Limited (the “Master Fund”). The Master Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss.

Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Company by 1729 Management (Cayman) Limited (the “Manager”). The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also had delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund. Certain partners of the Investment Manager are also directors and shareholders of the Company. The Directors of the Company are also directors of the Master Fund. GlobeOp Financial Services LLC (the “Administrator”) serves as the administrator for the Company. The Administrator provides facilities for the principal operation and general business of the Company. Administration fees charged by the Administrator are borne by the Master Fund.

2. Significant Accounting Policies

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are stated in Euros.

The Company’s investment in the Master Fund is valued at fair value, which is the Company’s proportionate interest in the net assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company’s statement of operations includes its pro-rata share of each type of income and expense of the Master Fund’s statement of operations. Attached are the audited financial statements of the Master Fund, which are an integral part of these financial statements. As of December 31, 2003, the Company has 100.00% ownership interest in the Master Fund.

Sark Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

The Company treats all highly-liquid financial instruments that mature within three months as cash equivalents. At December 31, 2003, primarily all cash and cash equivalents were held by one financial institution.

The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," approximates the carrying amounts presented in the statement of assets and liabilities.

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In January 2003, the Financial Accounting Standards Board ("FASB") issued interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"), which provides new criteria for determining whether consolidation accounting is required. The application of FIN 46 has been deferred for non-registered investment companies pending the release of an FASB Scope of Investment Companies project ("Scope project"). The Scope project is designed to determine which entities will qualify as investment companies, and therefore present their investees at fair value. Those entities so qualifying will not need to determine whether their investees should be consolidated pursuant to the provisions of FIN 46 or other accounting standards. FIN 46 would have no impact on the Company's net assets or net increase in net assets resulting from operations.

The Master Fund qualifies for the deferral from applying the provisions of FIN 46 and therefore carries its investees at fair value. The Company also so qualifies and therefore may present the financial position and results of operations of the Master Fund by attaching the financial statements of the Master Fund.

The Company is not subject to income taxes in the Cayman Islands or the United States of America. The only taxes payable by the Company on its income are withholding taxes applicable to certain income. As a result no tax liability or expense has been recorded in the financial statements.

Sark Fund Limited

Notes to Financial Statements (continued)

3. Management Fee and Performance Fee

The Manager receives a management fee at an annual rate of 1.5% of the net asset value attributable to the ordinary shares, calculated monthly and payable in arrears. The management fee totaled €3,501,876 for the period from March 3, 2003 (commencement of operations) to December 31, 2003, of which €547,204 was payable at December 31, 2003.

The Manager will also be entitled to receive a Performance Fee from the Company calculated on a Share-by-Share basis in respect of each period of twelve months ending on December 31 in each year (a "Calculation Period"). The first Calculation Period was the period commencing on the Business Day immediately following the closing of the Initial Offer Period and ending on December 31, 2003. For each Calculation Period, the Performance Fee in respect of each share will be equal to 20 percent of the appreciation in the Net Asset Value per share of that class during the Calculation Period above the Base Net Asset Value per Share of that class. The Base Net Asset Value per Share is the greater of the Net Asset Value per Share of the relevant class at the time of issue of that share and the highest Net Asset Value per Share of the relevant class achieved as at the end of any previous Calculation Period (if any) during which the Share was in issue. The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee. The Manager earned a performance fee of €5,872,844 for the period from March 3, 2003 (commencement of operations) to December 31, 2003, of which €5,686,319 was payable at December 31, 2003.

4. Share Capital

The Company has authorized share capital of €100,010 divided into 10 Founder shares ("Founder Shares") of €1.00 par value each, €100,000 divided into 10,000,000 ordinary shares of €0.01 par value each (the "Euro shares") and US\$100,000 divided into 10,000,000 ordinary shares of US\$0.01 par value each (the "US Dollar shares") (collectively the "Shares"). The issued and outstanding Shares at year end were 1,503,263 Euro shares and 2,909,263 US Dollar shares.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

The Founder Shares carry no right to dividends and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up on the Shares. Founder Shares are not redeemable.

The holders of the Founder Shares have the exclusive right to vote (to the exclusion of the holders of the Shares), and in such case are entitled to one vote per share, in respect of each of the following matters: the appointment or removal of any manager or investment manager; the appointment or removal of any director; the winding up of the Company and amendments to the Memorandum and Articles of Association of the Company. The Founder Shares are held by the Manager.

Shares carry an equal right to such dividends and other distributions as the Directors may declare. Except where voting rights attach exclusively to the Founder Shares, on a show of hands at a general meeting of the Company, every Shareholder who is present in person or by proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall be entitled to one vote in respect of each Share held by him. On a winding-up, the Shares are entitled in priority to the Founder Shares, to the return of the capital paid up thereon and to the surplus assets of the Company.

If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Peak Net Asset Value per Share, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at Net Asset Value such number of the investor's Shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 20 percent of any such appreciation (a "Performance Fee Redemption"). The aggregate Net Asset Value of the Shares so redeemed (less the aggregate par value which will be retained by the Company) will be paid to the Manager as a Performance Fee.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

Performance Fee Redemptions are employed to ensure that the Company maintains a uniform Net Asset Value per Share. As regards the investor's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Peak Net Asset Value per Share will be charged a Performance Fee in the normal manner described above.

If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share, the investor will be required to pay an amount in excess of the then current Net Asset Value per Share equal to 20 percent of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Peak Net Asset Value per Share (an "Equalization Credit"). At the date of subscription the Equalization Credit will equal the Performance Fee per Share accrued with respect to the other Shares in the Company (the "Maximum Equalization Credit"). The Equalization Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders and serves as a credit against Performance Fees that might otherwise be payable by the Company but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalization Credit ensures that all holders of Shares have the same amount of capital at risk per Share.

The additional amount invested as the Equalization Credit will be at risk in the Company and will therefore appreciate or depreciate based on the performance of the Company subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalization Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalization Credit will also be reduced by an amount equal to 20 percent of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share will result in the recapture of any reduction in the Equalization Credit but only to the extent of the previously reduced Equalization Credit up to the Maximum Equalization Credit.

Sark Fund Limited

Notes to Financial Statements (continued)

4. Share Capital (continued)

At the end of each Calculation Period, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the prior Peak Net Asset Value per Share, that portion of the Equalization Credit equal to 20 percent of the excess, multiplied by the number of Shares subscribed for by the Shareholder, will be applied to subscribe for additional Shares for the Shareholder. Additional Shares will continue to be so subscribed for on January 1, 2004 until the Equalization Credit, as it may have appreciated or depreciated in the Company after the original subscription for Shares was made, has been fully applied. As of December 31, 2003, the Equalization Credit payable was \$3,151,418.

If the Shareholder redeems his Shares before the Equalization Credit has been fully applied, the Shareholder will receive additional redemption proceeds equal to the Equalization Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares being redeemed and the denominator of which is the number of Shares held by the Shareholder immediately prior to the redemption.

Share transactions for the period from March 3, 2003 (commencement of operations) to December 31, 2003 and the December 31, 2003 net asset value per share are as follows:

	Balance at March 3, 2003 (commencement of operations)	Subscriptions	Redemptions	Balance at December 31, 2003	Net Asset Value per Share
Euro shares	-	1,516,744.44	(13,481.38)	1,503,263.06	109.69
US Dollar shares	-	3,030,332.05	(121,069.52)	2,909,262.53	109.00

5. Non-Executive Directors

Emmanuel Gavaudan, Françoise Henry, Pierre-Louis Lions, Angelos Metaxa and Wiet Pot served as non-executive directors of the Company for the period ended December 31, 2003. These same individuals also acted as directors for the Master Fund. The directors did not receive any fees or remuneration for their services.

Emmanuel Gavaudan is also a shareholder of the Fund with less than 1% of its net assets at December 31, 2003.

As of December 31, 2003, there were no service agreements between the Company and any of the directors.

Sark Fund Limited

Notes to Financial Statements (continued)

6. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the period from March 3, 2003 (commencement of operations) to December 31, 2003:

	Euro shares	US Dollar shares
Per share operating performance		
Net asset value, beginning of the period	€ 100.00	\$ 100.00
Income (loss) from investment operations:		
Net realized and unrealized gain on investments	8.32	7.89
Net investment loss	1.37	1.11
Net increase in net assets resulting from operations	9.69	9.00
Net asset value, end of period	€ 109.69	\$ 109.00

	Euro shares	US Dollar shares
Returns		
Total return prior to performance fee	12.11%	11.26%
Performance fee	(2.42)%	(2.26)%
Total return after performance fee	9.69%	9.00%

Total return is calculated for the participating class taken as a whole. An individual shareholder's return and per share operating performance may vary from this return and per share operating performance based on the timing of capital transactions. The calculation of total return has not been annualized.

	Euro shares	US Dollar shares
Ratios to average net assets		
Net investment income	1.37%	1.13%
Total expenses prior to performance fee	(4.01)%	(4.85)%
Performance fee	(2.44)%	(2.26)
Total expenses after performance fee	(6.45)%	(7.11)%

Sark Fund Limited

Notes to Financial Statements (continued)

6. Financial Highlights (continued)

The expenses and net investment loss ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment loss assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

7. Subsequent Events

From January 1, 2004 through March 31, 2004, the Company had shareholder subscriptions of €182,085,124.

8. Indemnities

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

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REPORT AND FINANCIAL STATEMENTS
Sark Master Fund Limited

Period from March 3, 2003
(commencement of operations)
to December 31, 2003
with Report of Independent Auditors

*This report is submitted pursuant to an exemption claimed under the Commodity
Futures Trading Commission pursuant to Section 4.7 of the Regulations.*

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best knowledge and belief of the undersigned, the information contained in the audited financial statements of Sark Master Fund Limited for the period from March 3, 2003 (commencement of operations) to December 31, 2003 is accurate and complete.

Partner, Boussard & Gavaudan Asset Management LP, Investment Manager
and Commodity Pool Operator, Sark Master Fund Limited

Sark Master Fund Limited

Report and Financial Statements

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

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Report of the Board of Directors

To the Shareholders of

SARK MASTER FUND Limited

The Directors present their report and accounts for the Sark Master Fund Limited (“The Fund”) for the period from incorporation on 14 January 2003 to 31 December 2003.

Activity

The activity of the Fund started on 3 March 2003.

The Fund’s only shareholder is Sark Fund Limited which invests substantially all of its assets in the ordinary shares of the Fund.

The investment strategies of the Fund include Gamma trading, capital structure arbitrage and special situations, convertible bonds and warrant arbitrage.

Results

At year end, the net assets were € 425,830,710 after a net increase resulting from operations of € 5,479,728.

The Directors of the Fund are satisfied that the results of the activity are in line with the strategies deployed. Thus, the Net Asset Value of the Euro shares was 113.53 and the Net Asset Value of the US dollar shares was 112.72 at 31 December 2003.

Directors

All Directors including Emmanuel GAVAUDAN, Françoise HENRY, Pierre-Louis LIONS, Angelos METAXA, and Wiet POT, act in a non-executive capacity.

Emmanuel GAVAUDAN and Angelos METAXA are Directors of the Manager of the Fund. Emmanuel GAVAUDAN is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the Prospectus of the Fund.

Emmanuel GAVAUDAN is also a shareholder of the Fund with less than 1% of its net assets at 31 December 2003.

On behalf of the Board

31 March 2004



Report of Independent Auditors

To the Board of Directors and Shareholders of
Sark Master Fund Limited

We have audited the accompanying statement of assets and liabilities of Sark Master Fund Limited (the "Fund"), including the condensed schedule of investments, as of December 31, 2003, and the related statements of operations, changes in net assets and cash flows for the period from March 3, 2003 (commencement of operations) to December 31, 2003. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sark Master Fund Limited at December 31, 2003, and the results of its operations, the changes in its net assets and its cash flows for the period from March 3, 2003 (commencement of operations) to December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Ernst & Young LLP
London
March 31, 2004

Sark Master Fund Limited

Statement of Assets and Liabilities

(Expressed in Euros)

December 31, 2003

Assets	
Cash	€ 1,576
Securities owned, at fair value (cost €1,046,961,528)	1,071,744,951
Derivative contracts, at fair value (cost €12,231,732)	8,601,986
Due from brokers	31,555,428
Interest and dividends receivable	9,187,627
Total assets	<u>1,121,091,568</u>
 Liabilities	
Securities sold, not yet purchased, at fair value (proceeds €361,621,121)	373,431,067
Derivative contracts, at fair value (proceeds €20,057,930)	31,538,809
Due to brokers	289,722,752
Interest and dividends payable	348,590
Accounts payable and accrued expenses	219,640
Total liabilities	<u>695,260,858</u>
 Net assets	 <u>€ 425,830,710</u>
 Net asset value per share	
Ordinary shares, €0.01 par value (10,000,000 shares authorized, 1,466,010.97 shares outstanding, net asset value of €166,430,204)	 <u>€ 113.53</u>
Ordinary shares, \$0.01 par value (10,000,000 shares authorized, 2,900,798.66 shares outstanding, net asset value of \$326,979,641)	 <u>\$ 112.72</u>

See notes to financial statements.

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Investments in securities

Equity

Belgium (0.36%) (cost – Euro 1,410,646)	
Consumer non-cyclical (0.36%)	1,515,301
Total Belgium	1,515,301
France (7.68%) (cost – Euro 30,039,168)	
Communications (1.63%)	6,960,295
Consumer Cyclical (0.87%)	3,711,078
Consumer, Non-cyclical (1.98%)	8,413,514
Energy (0.12%)	500,000
Financial (0.36%)	1,519,368
Industrial (0.32%)	1,353,294
Utilities (2.40%)	10,382,063
Total France	32,839,612
Germany (1.35%) (cost – Euro 5,205,642)	
Basic Materials (0.10%)	420,165
Communications (0.92%)	3,896,556
Consumer cyclical (0.33%)	1,423,051
Total Germany	5,739,772
Italy (0.12%) (cost – Euro 495,705)	
Consumer cyclical (0.12%)	495,589
Total Italy	495,589
Netherlands (2.34%) (cost – Euro 10,197,846)	
Communications (1.72%)	7,315,305
Consumer cyclical (0.05%)	210,397
Consumer non cyclical (0.57%)	2,416,000
Total Netherlands	9,941,702
Switzerland (0.14%) (cost - Euro 615,578)	
Basic materials (0.14%)	585,410
Total Switzerland	585,410
Total Equity (11.99%) (cost – Euro 47,964,585)	51,117,386

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Investments in securities

Corporate Bonds

Belgium (2.92%) (cost – Euro 12,256,285)	
Communications (2.92%)	12,438,900
Total Belgium	<u>12,438,900</u>
Bermuda (9.74%) (cost – Euro 41,224,774)	
Industrial (9.74%)	
Holcim Overseas Finance 1% 30 Dec 04, par value 61,250,000	41,455,910
Total Bermuda	<u>41,455,910</u>
Cayman Islands (cost – Euro 6,421,349)	
Financial (1.60%)	6,800,389
Total Cayman Islands	<u>6,800,389</u>
France (58.57%) (cost – Euro 238,705,017)	
Communications (15.15%)	
Vivendi Universal 9.5% 15 Apr 2010 par value 40,000,000 (11.15%)	47,499,999
Other (4.00%)	17,047,754
Consumer cyclical (6.89%)	29,355,210
Financial (0.92%)	3,896,970
Technology (18.98%)	
Infogrames Entertainment 1.5% 01 July 2005 (5.87%)	24,998,520
UBI Soft Entertainment 2.5% 30 November 2006 (5.24%)	22,299,459
Other (7.87%)	33,520,778
Suez 4.5% 22 May 2006 (16.63%)	70,802,470
Total France	<u>249,421,160</u>

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Investments in securities (continued)

Corporate Bonds (continued)

Germany (17.57%) (cost – Euro 73,531,702)	
Communications (0.57%)	2,414,689
Financial (17.00%)	
KFW-Krediet Wiederaufbau 0.875% 08 Jan 2007 par value 67,000,000 (15.94%)	67,879,375
Other (1.06%)	4,509,630
Total Germany	74,803,694
Great Britain (7.18%) (cost – Euro 30,757,942)	
Financial	
3i Group PLC 1.375% 01 Aug 2008 par value 31,000,000 (7.18%) (cost – Euro 30,829,250)	30,587,670
Total Great Britain	30,587,670
Guernsey (34.11%) (cost – Euro 142,758,132)	
Financial	
ABB Intl Finance Ltd 3.5% 10 Sept 2010 par value 84,000,000 (13.50%)	57,469,062
ABB Intl Finance Ltd 6.5% 30 Nov 2011 par value 3,000,000 (0.71%)	3,016,867
Credit Suisse Group 6% 23 Dec 2005 par value 96,700,000 (19.90%)	84,738,071
Total Guernsey	145,224,000
Luxembourg (62.64%) (cost – Euro 263,617,405)	
Basic Materials (16.77%)	
Arcelor 3% 01 Jan 2006 par value 59,172,349 (16.77%)	71,413,311
Communications (12.43%)	
Tisfin 4.25% 26 Sep 2006 par value 40,000,000 (9.58%)	40,800,000
Other (2.85%)	12,154,934
Consumer, Cyclical (6.65%)	
Fiat 3.25% Jan 2007 par value 36,000,000 (6.65%)	28,331,614
Financial (26.78%)	
Finmecc 0.375% 8 Aug 2010 par value 78,650,000 (19.40%)	82,596,921
Other (7.38%)	31,438,836
Total Luxembourg	266,735,616

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Investments in securities (continued)

Corporate Bonds (continued)

Netherlands (38.20%) (cost – Euro 159,438,654)	
Communications (10.44%)	
DT 6.5% 1 Jun 2006 par value 38,000,000 (10.44%)	44,464,218
Consumer, Cyclical (4.21%)	17,935,000
Consumer, non-cyclical (10.22%)	
Royal Numico NV 1.5% 22 Sep 2004 (10.22%)	43,516,091
Industrial (9.74%)	
Siemens Finance BV 1.375% 4 Jun 2010 (9.74%)	41,456,249
Technology (3.59%)	15,278,640
Total Netherlands	<hr/> 162,650,198
United States (7.17%) (cost – Euro 30,285,383)	
Consumer, Cyclical (2.09%)	8,881,218
Consumer, non-cyclical (5.08%)	
Ahold 6.25% 28 Nov 2006 (5.08%)	21,628,810
Total United States	<hr/> 30,510,028
Total Corporate Bonds (239.70%) (cost – Euro 998,996,943)	<hr/> 1,020,627,565
Total Long (251.69%) (cost – Euro 1,046,961,528)	<hr/> 1,071,744,951

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

**Derivative Contracts – Assets
Over the Counter Options**

Belgium (0.05%) (cost – Euro 397,500) Financial	209,000
Total Belgium	209,000
France (0.04%) (cost – Euro 2,080,000) Communications (0.01%) Industrial (0.03%)	35,770 108,700
Total France	144,470
Italy (0.16%) (cost – Euro 990,000) Financial (0.16%)	700,000
Total Italy	700,000
Netherlands 0.04% (cost – Euro 839,000) Consumer, non-cyclical 0.00% Financial (0.04%)	10,150 173,200
Total Netherlands	183,350
Total Over the Counter Options (0.29%) (cost – Euro 4,306,500)	1,236,820

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Derivative Contracts – Assets (continued)

Listed Options

France (0.59%) (cost – Euro 1,001,000) Communications	2,503,346
Total France	<u>2,503,346</u>
Italy (1.43%) (cost – Euro 6,834,032) Financial	6,088,640
Total Italy	<u>6,088,640</u>
Netherlands (0.00%) (cost – Euro 90,200) Consumer, non-cyclical	10,000
Total Netherlands	<u>10,000</u>
Total Listed Options (2.02%) (cost – Euro 7,925,232)	<u>8,601,986</u>
Forwards, purchase contracts USD (59.86%) (cost – Euro 262,948,794)	254,917,056

Sark Master Fund Limited

Schedule of Investments
(Expressed in Euros)

December 31, 2003

Derivative Contracts – Assets (continued)

Credit Default Swaps - buy protection

France (0.10%)	
Communications 0.03%	108,479
Consumer Cyclical 0.07%	313,584
Industrial 0.00%	13,033
Total France	<hr/> 435,096
Italy (0.15%)	
Industrial (0.05%)	196,292
Total Italy	<hr/> 196,292
Luxembourg (0.04%)	
Financial (0.04%)	154,793
Total Luxembourg	<hr/> 154,793
Total Credit Default Swaps - buy protection 0.19%	<hr/> 786,181 <hr/>

Contracts for differences

Great Britain (0.01%)	
Consumer, non-cyclical 0.00%	20,055
Financial (0.01%)	31,608
Total Great Britain	<hr/> 51,663
Republic of Ireland (0.00%)	
Financial	15,783
Total Contracts for Differences – Assets (0.01%)	<hr/> 67,446 <hr/>
Total Derivative Contracts – Assets	<hr/> 265,609,489 <hr/>

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Securities sold, but not yet purchased

Equity

Belgium (-13.01%) (proceeds – Euro 52,895,264)	
Financial	
Fortis (-13.01%)	(55,421,393)
Total Belgium	(55,421,393)
France (-4.90%) (proceeds – Euro 20,022,080)	
Communications (-0.46%)	(1,979,735)
Consumer, Cyclical (-2.48%)	(10,559,516)
Financial (-0.86%)	(3,644,629)
Technology (-1.10%)	(4,674,632)
Total France	(20,858,512)
Germany (-19.51%) (proceeds – Euro –80,017,941)	
Communications	
Deutsche Telekom AG (-7.14%)	(30,399,132)
Other (-0.61%)	(2,598,072)
	(32,997,204)
Industrial	
Deutsche Post AG (-5.14%)	(21,871,182)
Siemens AG (-6.62%)	(28,188,412)
	(50,059,594)
Total Germany	(83,056,798)
Italy (-8.32%) (proceeds – Euro 31,392,410)	
Communications (-2.78%)	(11,852,160)
Financial	
Assicurazioni Generali SPA (-5.47%)	(23,293,388)
Other (-0.07%)	(305,609)
	(23,598,997)
Total Italy	(35,451,157)

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Securities sold, but not yet purchased

Equity

Luxembourg (-6.35%) (proceeds – Euro 25,291,585)	
Basic Materials (-6.35%)	
Arcelor (-6.35%)	(27,043,708)
Total Luxembourg	<u>(27,043,708)</u>
Netherlands (-12.56%) (proceeds – Euro 54,905,861)	
Financial (-0.40%)	(1,689,402)
Technology (-12.16%)	
ST Microelectronics (-12.16%)	(51,783,222)
Total Netherlands	<u>(53,472,624)</u>
Switzerland (-23.04%) (proceeds – Euro -97,095,980)	
Communications (-0.12%)	(513,398)
Consumer, non-cyclical (-0.80%)	(3,424,914)
Financial	
Credit Suisse Group (-16.95%)	(72,167,241)
Industrial (-5.17%)	(22,021,322)
Total Switzerland	<u>(98,126,875)</u>
Total Equity (-87.70%) (proceeds – Euro -361,621,121.00)	<u><u>(373,431,067)</u></u>

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Derivative Contracts – Liabilities

Written Option Contracts - Over the Counter

France (-1.54%) (proceeds – Euro 6,768,750)	
Communications (-0.03%)	(148,033)
Consumer, Non-cyclical (-0.03%)	(116,000)
Industrial (-0.10%)	(436,500)
Utilities (-1.38%)	(5,875,094)
Total France	<hr/> (6,575,627) <hr/>
Germany (-0.69%) (proceeds – Euro -3,570,715)	
Communications (-0.20%)	(831,250)
Financial (-0.49%)	(2,071,813)
Total Germany	<hr/> (2,903,063) <hr/>
Netherlands (-0.08%) (proceeds – Euro -445,500)	
Consumer, non-cyclical (-0.08%)	(321,950)
Total Netherlands	<hr/> (321,950) <hr/>
Switzerland	
Financial (-1.74%) (proceeds – Euro -7,547,857)	(7,405,451)
Total Switzerland	<hr/> (7,405,451) <hr/>
Total Written Contracts - Over the Counter (-4.05%) (proceeds – Euro -18,332,822)	<hr/> (17,206,092) <hr/>

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Derivative Contracts – Liabilities

Written Option Contracts – listed

Netherlands	
Consumer, non-cyclical (0.00%)	(20,650)

Futures

Great Britain	
Financial (-0.85%) (proceeds – Euro 4,812)	(3,616,937)

Interest Rate Swaps

Pay fixed, receive floating (-0.01%)	(47,193)
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Forward, sale contracts

Eur (-61.75%) (proceeds – Euro 262,948,794)	(262,948,794)
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Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Credit Default Swaps - sell protection

Bermuda (-0.03%)	
Industrial (-0.03%)	(138,542)
Total Bermuda	<u>(138,542)</u>
France (-0.23%)	
Communications (-0.02%)	(97,134)
Consumer, Cyclical (-0.02%)	(98,700)
Consumer, Non-cyclical (-0.05%)	(206,755)
Financial (-0.02%)	(65,517)
Utilities (-0.12%)	(502,276)
Total France	<u>(970,382)</u>
Germany (-0.14%)	
Basic Materials (-0.03%)	(112,873)
Consumer, Cyclical (-0.11%)	(479,128)
Total Germany	<u>(592,001)</u>
Great Britain (-0.02%)	
Communications (-0.02%)	(95,415)
Total Great Britain	<u>(95,415)</u>
Guernsey (-0.30%)	
Financial (-0.30%)	(1,290,201)
Total Guernsey	<u>(1,290,201)</u>
Netherlands (-0.07%)	
Communications (-0.05%)	(193,690)
Financial (-0.02%)	(68,567)
Total Netherlands	<u>(262,257)</u>
Total Credit Default Swaps - sell protection (-0.79%)	<u>(3,348,798)</u>

Sark Master Fund Limited

Schedule of Investments

(Expressed in Euros)

December 31, 2003

Contracts for Difference

Great Britain (-0.31%)	
Basic Materials (-0.22%)	(951,999)
Communications (-0.03%)	(130,835)
Consumer, Cyclical (0.00%)	(15,053)
Financial (-0.06%)	(259,959)
	<hr/>
Total Great Britain	(1,357,847)
	<hr/>
Total Contracts for Differences – Liabilities	(1,357,847)
	<hr/>
Total Derivative Contracts – Liabilities	
(-67.76%) (proceeds – Euro –281,276,804)	(288,546,311)
	<hr/>

Sark Master Fund Limited

Statement of Operations

(Expressed in Euros)

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

Gain (loss) from securities and derivatives transactions

Net realized gain from securities and derivatives transactions	€ 27,340,637	
Net change in unrealized loss on securities and derivatives	<u>(29,445,530)</u>	
Net loss from securities and derivatives transactions		€ (2,104,893)

Investment income

Interest	15,061,836	
Dividends (net of withholding tax of €619)	<u>568,705</u>	
Total investment income	<u>15,630,541</u>	

Expenses

Interest	2,541,746	
Dividends	3,590,400	
Stock borrowing fees	1,048,263	
Administration fees	551,833	
Professional fees	60,000	
Other	<u>253,678</u>	
Total expenses	<u>8,045,920</u>	

Net investment income		<u>7,584,621</u>
Net increase in net assets resulting from operations		<u>€ 5,479,728</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Changes in Net Assets
(Expressed in Euros)

Period from March 3, 2003
(commencement of operations) to
December 31, 2003

Increase (decrease) in net assets resulting from operations	
Net realized gain from securities and derivatives transactions	€ 27,340,637
Net change in unrealized loss on investments and derivatives transactions	(29,445,530)
Net investment income	<u>7,584,621</u>
Net increase in net assets resulting from operations	5,479,728
Increase in net assets resulting from capital share transactions	
Shareholder subscriptions (4,370,461.10 shares issued)	420,738,508
Shareholder redemptions (3,651.47 shares redeemed)	<u>(387,526)</u>
Net increase in net assets resulting from capital share transactions	420,350,982
Net increase in net assets	425,830,710
Net assets, beginning of period	-
Net assets, end of period	<u>€ 425,830,710</u>

See notes to financial statements.

Sark Master Fund Limited

Statement of Cash Flows
(Expressed in U.S. Dollars)

Period from March 3, 2003
(commencement of operations)
to December 31, 2003

Cash flows from operating activities

Net increase in net assets resulting from operations € 5,479,728

Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:

Increase in assets:

Securities owned, at fair value	(1,071,744,951)
Derivatives contracts, at fair value	(8,601,986)
Due from brokers	(31,555,428)
Interest and dividends receivable	(9,187,627)

Increase in liabilities:

Securities sold, not yet purchased, at fair value	373,431,067
Derivative contracts, at fair value	31,538,809
Due to brokers	289,722,752
Interest and dividends payable	348,590
Accounts payable and accrued expenses	219,640

Net cash used in operating activities (420,349,406)

Cash flows from financing activities

Shareholder subscriptions	420,738,508
Shareholder redemptions	(387,526)
Net cash provided by financing activities	<u>420,350,982</u>

Net increase in cash and cash equivalents 1,576

Cash and cash equivalents at beginning of period —

Cash and cash equivalents at end of period € 1,576

Supplemental disclosure of cash flow information

Cash paid during the period for interest € 2,208,156

See notes to financial statements.

Sark Master Fund Limited

Notes to Financial Statements

(Expressed in Euros)

December 31, 2003

1. Organization

Sark Master Fund (the “Fund”) was incorporated with limited liability in the Cayman Islands on January 14, 2003 as an exempted company under the provisions of the Companies Law of the Cayman Islands. The Fund is not required to be registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law. The Fund’s objective is to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. Boussard & Gavaudan Asset Management, LP (the “Investment Manager”) has been appointed investment manager to the Fund. The Investment Manager has appointed Boussard & Gavaudan Gestion (the “Investment Advisor”) as investment advisor. The Investment Advisor has been appointed to provide advice to the investment manager in relation to its management of the investments of the Fund. The Investment Advisor has also had delegated to it by the Investment Manager responsibility for the management of part of the assets of the Fund.

The Fund is a “master” fund in a “master-feeder” fund structure whereby its current shareholder, Sark Fund Limited (the “Feeder Fund”), invests all, or substantially all, of its assets (to the extent not retained in cash) in the ordinary shares of the Fund. A second “feeder fund”, constituted as a Delaware limited partnership, has been established to invest its assets in the ordinary shares of the Fund. 1729 Management (Cayman) Limited serves as manager to the Fund.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in Euros. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Transactions in securities are recorded on a trade-date basis. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date. All discounts/premiums on debt securities are accreted/amortized for financial reporting purposes.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Basis of Accounting (continued)

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" approximates the carrying amounts presented in the statement of financial condition.

Assets and liabilities denominated in foreign currencies are translated into Euros at the closing rates of exchange at December 31, 2003. Transactions during the period are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in net realized gains on securities and derivative transactions and net change in unrealized loss on securities and derivative transactions.

The industry classifications included in the condensed schedule of investments represents the Investment Manager's belief as to the most meaningful presentation of the classification of the principle business of each of the Fund's investments.

Securities

Securities owned and securities sold, not yet purchased which are listed or quoted on any securities exchange or similar electronic system and regularly trade thereon will be valued at their last traded price. If no trades occurred on such day, securities will be valued at the closing bid price if held long and at the closing ask price if held short, and as adjusted in such manner as the directors' in their sole discretion, think fit, having regard to the size of the holding. Where prices are available on one or more exchange or system for a particular security the directors will in their sole discretion determine which of those prices shall apply.

Any security for which no prices as described above are available, will be valued at its fair value as determined by the directors. The fair value will be determined having regard to the security's cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such activity in issue, and such other factors as the directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivatives

The Fund also enters into derivative contract transactions such as futures agreements, swap agreements, credit default swaps, contracts for differences and OTC options. Derivative contracts, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. The directors may determine at their discretion which markets shall prevail and provided also that the directors or their appointed designee, at their absolute discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice.

Derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty. The directors or their appointed designee may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice. The resulting unrealized gains and losses are reflected in the statement of operations.

Derivative contracts have been recorded pursuant to the Financial Accounting Standards Board's SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity." Derivatives include futures, options, forward currency and swaps, and are recorded at market or fair value. Typically, derivative contracts serve as components of the Fund's investment strategies and are utilized primarily to structure and hedge investments to meet economically the investment objectives of the Fund.

Consolidation

In January 2003, the Financial Accounting Standards Board ("FASB") issued interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"), which provides new criteria for determining whether consolidation accounting is required. The application of FIN 46 has been deferred for non-registered investment companies pending the release of an FASB Scope of Investment Companies project ("Scope project"). The Scope project is designed to determine which entities will qualify as investment companies, and therefore present their investees at fair value.

Sark Master Fund Limited

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Consolidation (continued)

Those entities so qualifying will not need to determine whether their investees should be consolidated pursuant to the provisions of FIN 46 or other accounting standards.

The Master Fund qualifies for the deferral from applying the provisions of FIN 46 and therefore carries its investees at fair value. The Feeder Fund also so qualifies and therefore may present the financial position and results of operations of the Fund by attaching the financial statements of the Fund.

Income Taxes

The Fund is not subject to income taxes in the jurisdiction in which it operates. The only taxes payable by the Fund on its income are withholding taxes applicable to certain income. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

3. Due from and Due to Brokers

Due from and due to brokers primarily consists of cash and cash collateral with the Fund's clearing brokers and various counterparties and the amounts receivable or payable for securities transactions that have not settled at December 31, 2003.

The cash at brokers that relates to securities sold, not yet purchased is restricted until the securities are purchased. Securities sold, not yet purchased are collateralized by certain of the Fund's securities owned. Margin debt balances are collateralized by the Fund's securities and cash held at the broker.

4. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of its business, the Fund trades various financial instruments and enters into various investment activities with off-balance sheet risk. These financial instruments include foreign currency forwards, futures agreements, swap agreements, contracts for differences, written options and securities sold short. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specific future dates.

Sark Master Fund Limited

Notes to Financial Statements (continued)

4. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the market values of the securities underlying the financial instruments or the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of financial condition.

The contract amounts of the swaps and forward and futures contracts do not represent the Fund's risk of loss due to counterparty nonperformance. The Fund's exposure to credit risk associated with counterparty nonperformance for these contracts is limited to the unrealized gains in such contracts which are recognized in the statement of financial condition.

Securities sold, not yet purchased represent obligations of the Fund to deliver the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as the Fund's satisfaction of the obligations may exceed the amount recognized in the statement of financial condition.

Written options entered into by the Fund represent obligations of the Fund to buy or sell the underlying asset at a specified value, at a specific point in time based upon the agreed or contracted quantity. The ultimate gain or loss depends upon the prices at which the underlying securities are bought or sold to settle the Fund's obligation.

The Fund's principal trading activities are primarily with brokers and other financial institutions located in North America and Europe. All securities transactions of the fund are cleared by major securities firms pursuant to customer agreements. At December 31, 2003, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers are positions with and amounts due to or from these brokers. The Fund had substantially all its individual counterparty concentrations with these brokers and their affiliates.

Sark Master Fund Limited

Notes to Financial Statements (continued)

5. Derivative Contracts

The Fund, in connection with its proprietary trading activities, enters into transactions in a variety of derivative financial instruments. As of December 31, 2003, the fair value of these derivative contracts are included in the statement of financial condition in derivative contracts, at fair value. These derivative contracts are valued at mark to market or fair value with the resulting gains and losses reflected in the statement of operations (as described in Note 2). For over the counter (“OTC”) contracts, the fund enters into master netting agreements with its counterparties, therefore, assets represent the Fund’s unrealized gains less unrealized losses for OTC contracts in which the Fund has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts. The derivative contracts that the fund holds or issues are foreign currency forwards, futures agreements, swap agreements, credit default swaps, contracts for differences, exchange traded options and OTC options.

	Fair Value at December 31, 2003	
	<u>Assets</u>	<u>Liabilities</u>
Swap agreements	€ -	€ (47,193)
Credit default swaps	-	(2,562,617)
OTC options	-	(15,969,272)
Contracts for differences	-	(1,290,401)
Futures contracts	-	(3,616,937)
Foreign currency forwards	-	(8,031,739)
Exchange traded options	8,601,986	(20,650)
	<u>€ 8,601,986</u>	<u>€ (31,538,809)</u>

Credit risk arises from the potential inability of counterparties to perform their obligations under the terms of a contract. The Fund’s exposure to credit risk associated with counterparty nonperformance is generally limited to the fair value of OTC contracts reported as assets. Exchange traded derivatives generally do not give rise to significant counterparty exposure because of the margin requirements of the individual exchanges. All of the Company’s counterparties are with major multi-national broker-dealers. At December 31, 2003, the Fund’s exposure to credit risk was €11,080,633. The Directors believe that the ultimate settlement of the transactions outstanding at December 31, 2003 will not have a material effect on the Fund’s financial condition.

Sark Master Fund Limited

Notes to Financial Statements (continued)

6. Share Capital

The authorized share capital of the Fund is €100,000 divided into 10,000,000 ordinary shares, par value €0.01 each (“Class A Shares”) and \$100,000 divided into 10,000,000 ordinary shares of a par value of \$0.01 each (“Class B Shares”). At December 31, 2003, there were 1,466,010.97 Class A Shares at €14,660.11 par value and 2,900,798.66 Class B Shares at \$29,007.99 par value outstanding. As of December 31, 2003, all of the issued and outstanding share capital of the Fund was owned by the Feeder Fund.

Share transactions for the period ended December 31, 2003 were as follows:

Class	Shares Outstanding at beginning of period	Shares Issued	Shares Redeemed	Shares Outstanding at end of period
Class A Shares	-	1,469,662.44	(3,651.47)	1,466,010.97
Class B Shares	-	2,900,798.66	-	2,900,798.66

7. Related Party Disclosures

The management and performance fees earned by the Manager are charged to and paid by the Feeder Funds only.

8. Administration and Custodian Fees

GlobeOp Financial Services LLC (the “Administrator”) is responsible for providing administration services to the Fund. The administration fee totaled €551,833 for the period from March 3, 2003 (commencement of operations) to December 31, 2003, of which €147,410 was payable at December 31, 2003.

Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited have been appointed as the Fund’s prime brokers and custodians. The prime brokers and custodians receive prime brokerage fees which are based upon a combination of transaction charges and interest costs. The prime brokers and custodians charge interest on debit balances at a rate agreed with the Fund. No fees are paid to Goldman Sachs International, Deutsche Bank AG London and Morgan Stanley & Co International Limited for acting as custodian.

Sark Master Fund Limited

Notes to Financial Statements (continued)

9. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the period ended December 31, 2003:

	Euro Shares	USD Shares
Per share operating performance		
Net asset value, beginning of the period	€ 100.00	\$ 100.00
Income from investment operations:		
Net gain on investments	9.13	9.37
Net investment income	4.40	3.35
Net gain	13.53	12.72
Net asset value, end of period	€ 113.53	\$112.72
 Total return	 13.53%	 12.72%

Total return is calculated for the participating class taken as a whole. An individual shareholder's return may vary from these returns based on the timing of capital transactions. The calculation of total return has not been annualized.

	Euro Shares	USD Shares
Ratio to average net assets		
Net investment income	5.01 %	4.80%
 Total expenses	 2.66%	 3.30%

The expenses and net investment income ratios above are calculated for all the shareholders taken as a whole. The computation of such ratios based on the amount of expenses and net investment income assessed to an individual shareholder's capital may vary from these ratios based on the timing of capital transactions.

Sark Master Fund Limited

Notes to Financial Statements (continued)

10. Non-Executive Directors

Emmanuel Gavaudan, François Henry, Pierre-Louis Lions, Angelos Metaxa and Wiet Pot served as non executive directors for the period ended December 31, 2003. Each of the directors is entitled to a fee of €10,000 per annum in aggregate from the Fund and the Feeder Fund. Directors' fees totaled €40,000 for the period from January 14, 2003 (date of incorporation) to December 31, 2003.

As of December 31, 2003, there were no service agreements between the Fund and any of the directors.

Emmanuel Gavaudan and Angelos Metaxa are Directors of the Manager of the Fund. Emmanuel Gavaudan is a shareholder of the Manager, the Investment Manager, the Sub-Investment Manager, and the Adviser, parties with which the Fund has entered specific agreements. All the material provisions of these contracts are detailed in the prospectus of the Fund.

Emmanuel Gavaudan is also a shareholder of 30,000 shares of the Fund, less than 1% of its net assets at 31 December 2003.

11. Subsequent Events

From January 1, 2004 through March 31, 2004, the Fund had net shareholder subscriptions of € 182,085,124.

APPENDIX 1—STRESS TEST PARAMETERS

The parameters that are changed by the Investment Manager to produce its simulations for the stress test analyses are as follows:

Spot

Spot means that the spot price of each underlying equity security within the fund is changed by that specific percentage.

Volatility

Volatility means that the volatility surface used for computing prices of derivatives within the fund is changed by that specific percentage.

Credit

Credit means that the credit default swap rate curve is shifted by that specific percentage in order to recalculate the risky zero coupon curves, i.e. riskless zero coupon curves plus the credit default swap spread.

Rate

Rate means that all interest rate curves for all currencies are shifted by that specific percentage to recalculate the riskless zero coupon curves.

Utilising these four parameters, the Investment Manager stress tests the portfolio of the Sark Fund by applying the scenarios below to the Sark Fund. The results of the stress test that produced the greatest negative effect on the Sark Fund on a monthly basis from March 2003 to September 2006 are set forth on page 39.

Description of Stress Test Scenarios

Spot: 10%; Credit: 0%; Vol: 0%; Rates: 0%
Spot: -10%; Credit: 0%; Vol: 0%; Rates: 0%
Spot: 0%; Credit: 0%; Vol: 10%; Rates: 0%
Spot: 0%; Credit: 0%; Vol: -10%; Rates: 0%
Spot: 0%; Credit: 25%; Vol: 0%; Rates: 0%
Spot: 0%; Credit: -25%; Vol: 0%; Rates: 0%
Spot: -10%; Credit: 50%; Vol: 30%; Rates: 0%
Spot: -20%; Credit: 75%; Vol: 50%; Rates: 0%
Spot: -30%; Credit: 100%; Vol: 70%; Rates: 0%
Spot: -10%; Credit: 50%; Vol: 30%; Rates: -12.5%
Spot: -20%; Credit: 75%; Vol: 50%; Rates: -12.5%
Spot: -30%; Credit: 100%; Vol: 70%; Rates: -12.5%
Spot: -10%; Credit: 50%; Vol: 30%; Rates: 12.5%
Spot: -20%; Credit: 75%; Vol: 50%; Rates: 12.5%
Spot: -30%; Credit: 100%; Vol: 70%; Rates: 12.5%
Spot: 5%; Credit: 25%; Vol: 0%; Rates: 0%
Spot: 5%; Credit: 25%; Vol: 10%; Rates: 0%
Spot: 5%; Credit: 25%; Vol: -10%; Rates: 0%
Spot: -5%; Credit: -25%; Vol: 10%; Rates: 0%
Spot: -5%; Credit: -25%; Vol: -10%; Rates: 0%
Spot: 0%; Credit: 25%; Vol: 10%; Rates: 0%
Spot: 0%; Credit: 25%; Vol: -10%; Rates: 0%
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Spot: 10%; Credit: -25%; Vol: 0%; Rates: 0%
Spot: 10%; Credit: -25%; Vol: 10%; Rates: 0%
Spot: 5%; Credit: -25%; Vol: -10%; Rates: 12.5%
Spot: 5%; Credit: -25%; Vol: 0%; Rates: 12.5%
Spot: 5%; Credit: -25%; Vol: 10%; Rates: 12.5%
Spot: 10%; Credit: -25%; Vol: -10%; Rates: 12.5%
Spot: 10%; Credit: -25%; Vol: 0%; Rates: 12.5%
Spot: 10%; Credit: -25%; Vol: 10%; Rates: 12.5%
Spot: 5%; Credit: -25%; Vol: -10%; Rates: 25%

Spot: 5%; Credit: -25%; Vol: 0%; Rates: 25%
Spot: 5%; Credit: -25%; Vol: 10%; Rates: 25%
Spot: 10%; Credit: -25%; Vol: -10%; Rates: 25%
Spot: 10%; Credit: -25%; Vol: 0%; Rates: 25%
Spot: 10%; Credit: -25%; Vol: 10%; Rates: 25%

The scenarios used by the Investment Manager in the monthly stress tests are those that the Investment Manager believes are useful in structuring, and judging the risk of, the investments made by the Sark Master Fund and, therefore, ultimately of the investment of the Sark Fund in the Sark Master Fund. These scenarios do not represent all of the possible scenarios that may adversely impact the performance of the Sark Fund, and thus the value of the shares of the Sark Fund. The scenarios used, and the results of the stress tests, are based on assumptions and projections made by the Investment Manager. The impact of the Sark Fund to the occurrence of any particular scenario is dependant on its portfolio of investments at any one time and thus may differ significantly from time to time. The results of the stress tests presented on page 39 are for comparative purposes only and should not be relied upon by investors when making a decision to invest in the Shares.