

SPL REAL ESTATE 2 (RE2) IC LIMITED
(formerly ARCH REAL ESTATE 2 IC LIMITED)
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2010

**SPL REAL ESTATE 2 (RE2) IC LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

CONTENTS	PAGES
Administration	1
Chairman's Statement	2-6
Directors' Report	7-12
Investment Manager's Report	13-14
Independent Auditor's Report	15-16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares	19
Statement of Cash Flows	20
Notes to the Financial Statements	21-38
Portfolio Statement	39-40

**SPL REAL ESTATE 2 (RE2) IC LIMITED
ADMINISTRATION**

Registered Office of the Company	2nd Floor, No. 1 Le Truchot St. Peter Port Guernsey GY1 3JX	
Directors of the Company	Hugh Aldous - Chairman Andrew Duquemin William Scott Christopher Harris Neal Meader Peter Radford Robert Addison	(appointed on 31 December 2009) (appointed on 31 December 2009) (appointed on 31 December 2009) (appointed on 1 August 2010) (resigned on 28 January 2010) (resigned on 28 January 2010) (resigned on 31 December 2009)
Investment Manager	Spearpoint Limited Yorkshire House Le Truchot St. Peter Port Guernsey GYI 4PH	(appointed on 1 December 2009)
	Arch Financial Products LLP 7 Savile Row Mayfair London W1S 3PE	(resigned on 1 December 2009)
Custodian and Bankers	MeesPierson (C.I.) Limited Martello Court Admiral Park St. Peter Port Guernsey GY1 3QJ	
Auditor	Ernst & Young LLP Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF	(appointed on 19 March 2010)
Administrator and Secretary	Elysium Fund Management Limited 2nd Floor No.1 Le Truchot St Peter Port Guernsey GY1 3JX	(appointed on 1 August 2010)
	Bordeaux Services (Guernsey) Limited Bordeaux Court Les Echelons St. Peter Port Guernsey GY1 6AW	(resigned on 1 August 2010)
Lawyers	Carey Olsen Carey House Les Banques St. Peter Port Guernsey GY1 4BZ	
Company Registration Number	47653	

**SPL REAL ESTATE 2 (RE2) IC LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

The Board

On 31 December 2009 three new directors were appointed to the Board of SPL Guernsey ICC Limited (the umbrella company for all of the SPL ICC Cells) (the "ICC"). By 28 January 2010, audited financial statements for the year ended 31 March 2009 for all Cells had been signed off by Peter Radford and Neal Meader, two of the Directors who had been in office for the period of those financial statements and who then resigned, leaving Bill Scott, Andrew Duquemin and I (the new Board) as continuing Directors. Christopher Harris joined the Board on 1 August 2010. Andrew Duquemin intends to retire from the Board on completion of the 31 March 2010 financial statements for all of the Cells in order to avoid any conflicts of interest, since his firm (Elysium Fund Management Limited) ("Elysium") is our new administrator. On behalf of the Board, I would like to thank Andrew for his diligent service as a Director and for his work as chairman of our Audit Committee in reviewing the financial reports of the Cells.

Investment Manager

Spearpoint Limited ("Spearpoint"), was appointed as the new Investment Manager for each Cell on 1 December 2009, replacing Arch Financial Products LLP.

Administrator

On 20 April 2010 the new Board accepted the resignation of the administrator of the Cells, Bordeaux Services (Guernsey) Limited, which had also provided two of the former Directors, Peter Radford and Neal Meader. That resignation was effective from 20 July 2010. Bill Scott and I subsequently interviewed six potential replacement firms and by 1 August 2010 we had transferred the administration of all the Cells to the most suitable firm, Elysium. From 1 August 2010, Elysium has been responsible for the administration of the Cells and their related SPVs.

	Directors	Investment Manager	Administrator
To 30 November 2009	R Addison, P Radford, N Meader	Arch Financial Products LLP	Bordeaux
From 1 December 2009	R Addison, P Radford, N Meader	Spearpoint Limited	Bordeaux
31 December 2009 to 28 January 2010	H G Aldous, W Scott, A Duquemin, P Radford, N Meader		
From 29 January 2010	HG Aldous, W Scott, A Duquemin		
From 1 August 2010	H G Aldous, W Scott, A Duquemin, C Harris		Elysium

Objectives

At EGMs held in January 2010, the objectives of all of the Cells, with the exception of Africa Invest IC Limited and Africa Protect IC Limited, were modified to be the realisation of their assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within five years. Realisations will be managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders.

**SPL REAL ESTATE 2 (RE2) IC LIMITED
CHAIRMAN'S STATEMENT (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

Objectives (continued)

The future of Africa Invest IC Limited and Africa Protect IC Limited were considered separately and the resolution of their affairs is reported in their separate filings.

The new Board's objectives have been to put in place rigorous management and administration, simplify structures, ensure that management and reporting are transparent, oversee a process by which current values are fair, that management is vigorous and that there is a process to achieve liquidity and ultimately distributions to Shareholders and to ensure good corporate governance. Given the eclectic nature, mix and illiquidity of the assets we think we are as well advanced in this as we can be.

Inherited structures clarified and simplified

The new Board of the ICC took over responsibility for a complex corporate structure with 24 Cells holding a diverse mix of assets, most of which are far from simple in their own right. Many of these assets were, and remain, illiquid. Some appear to be of poor quality and the new Board, together with its legal advisors, is reviewing the events surrounding the past selection of those assets. We will then consider what action would be in the best interests of Shareholders and we will keep Shareholders informed of that at appropriate stages.

The new Board inherited a complex structure of Cells and special purpose vehicles with cross holdings, multiple interests, separate administration of the special purpose vehicles and several layers of cost. Working with Spearpoint, the new Board's priorities have included simplifying the structure, consolidating administration, understanding some of the history, getting management reports and management reporting lines in place with a grip on assets, instituting proper processes of corporate governance and looking carefully at areas of potential conflicts of interest.

Restructuring

Together with Spearpoint, the new Board had to decide how best to simplify the structures, identify readily realisable assets and get all assets properly managed with a view to realisation at the best possible value commensurate with a reasonably early return of cash to Shareholders. Working with Spearpoint the new Board has placed three Cells into liquidation, those Cells having distributed most of their cash to their Shareholders where they remained in a position to do so, with a fourth to follow shortly. A further seven Cells have been delisted from the Channel Islands Stock Exchange ("CISX"). The Board has identified and prepared a further five Cells to be able to make tender offers to Shareholders and details on these offers have been released with the financial statements of the relevant Cells. Four of these five Cells also intend to delist from the CISX at that time.

The assets

A high proportion of the Cells' assets (in particular, the shipping, property, private equity and small hedge fund assets) are illiquid and may take some time to be realised in cash. With Spearpoint, the new Board has been trying to improve the liquidity of the portfolios, but the majority of the assets are of an illiquid nature and not readily realisable. A number of the assets are considered to be unlikely to participate in much market recovery in the short term.

There have recently been two audits of the assets of the Cells: the March 2009 financial statements, audited by Moore Stephens, were available by the end of January 2010 and the March 2010 financial statements, audited by Ernst & Young, come with this report. We are also aware of a further review, commissioned on behalf of the principal investors in the Cells, of the assets of the Cells at 31 December 2008 and we will be considering the findings of that work once it has been completed. Meanwhile the recent audit by Ernst & Young of the March 2010 financial statements reflects all the latest known information about the assets.

SPL REAL ESTATE 2 (RE2) IC LIMITED
CHAIRMAN'S STATEMENT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

We found that “front end” charges, made by the previous Investment Manager on the issue of shares, amounting to £6.4m across the ICC had been carried in the regular announcements of Cell net asset values (“NAV’s”) as if they were amortising assets. They are of no value and this approach is not in accordance with International Financial Reporting Standards so we wrote them off to bring the NAVs published on the CISX into line with the treatment already adopted in the financial statements of the Cells.

Steps to more reliable valuations

The objective of each of the continuing Cells (in other words, excluding those already in process of liquidation) is the realisation of assets within three to five years. Very few of the Cells’ assets are quoted on any active market and the newly constituted valuations committee (a committee of the Administrator), which accesses external independent evidence of valuation wherever available, reports its recommendations to the Board. The Directors consider these monthly reports and adopt a prudent view of valuation of assets in the knowledge of the intention to realise each asset as soon as is reasonably practical. That means that assets are carried at a current assessment of expected realisable values, taking into consideration that some may take a while to realise.

Nevertheless, in some asset groups we are still some way off wholly independent valuations of assets (for example there are many investments in relatively small hedge funds where the valuations are predominantly those made by the managers of those funds and the same will be true of much of the private equity holdings). With Spearpoint, the new Board has established more regular and independent reporting on such assets as shipping and property. The valuations committee now operates to an established and independent process. The new Board’s ability to penetrate very far into the majority of the hedge fund and private equity investments however remains limited.

Auditors

On 19 March 2010, the ICC and its Cells changed auditors from Moore Stephens (Guernsey) Limited to Ernst & Young LLP.

Past governance

Together with its legal advisors, the new Board is continuing to review the past governance of the ICC and its Cells. Questions have been, and are being, raised with the former managers, officers and advisors in this regard. We keep the Guernsey Financial Services Commission informed of our enquiries.

Performance under the new Manager

The audited asset values at 31 March 2010 largely reflect the asset values inherited by the current Investment Manager in December 2009. We doubt if there is any great embedded future value in most of the assets. The shift taken in January, with overwhelming shareholder support, was to get those assets into a realisable condition or position and convert them into cash to return to investors.

Some of the private equity investments, those that are managed by respected private equity houses, might improve in value over time, but in general we believe that it is in the best interests of Shareholders that the portfolios of the Cells are realised and cash returned to Shareholders. The Board is therefore discussing with the principal Shareholders a revised performance fee basis for the Investment Manager that will incentivise realisation and return of cash as long as that process does not undermine asset value. There will not be any “fire sale” of assets and all major transactions will continue to be approved by the Board.

The Board has been pleased with the vigour that Spearpoint has displayed in getting to grips with the diverse assets in the Cells and the determination that it has applied to helping the Board come to terms with the history of the ICC and its Cells.

SPL REAL ESTATE 2 (RE2) IC LIMITED
CHAIRMAN'S STATEMENT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

Realisation of assets and cash returned to investors

Progress continues to be made in realising liquidity from assets within the Cells, taking care to ensure that this is undertaken in a controlled way. There are various ways to return cash to Shareholders, and some structural changes have been needed for that. Initially, we have focused on share buybacks, which required a change in investment objective, shareholder approval and the lifting of suspensions from trading on the CISX, or the delisting of Cells from the CISX where a listing no longer made economic sense due to the fact that there was only one shareholder (the UK OEICS). Now that there is a new administrator in place, we intend to use further mechanisms, such as tender offers, in the case of Cells where large cash balances have been realised, which will return larger amounts closer to NAV. To date:

- China AME Energy (NR1) IC Limited has returned all cash to Shareholders and has been placed into liquidation;
- Arch Africa Private Markets Focus IC Limited has resolved to wind-up, has returned all cash to Shareholders and, on 17 September 2010, was placed into liquidation;
- The Shareholders of Africa Protect IC Limited overwhelmingly resolved to progress the sale of the Cell's main asset with a view to delist the Cell from the CISX in October 2010 and then place it into voluntary liquidation;
- Plans are underway to delist four more Cells that are mostly owned by the UK OEICs and to offer to buy out minority Shareholders close to NAV;
- A tender offer is being prepared for one Cell, which has substantial excess liquidity;
- Two further real estate SPVs applied for voluntary liquidation at the end of August, which will bring the total number of SPVs liquidated so far to seven;
- In addition to China AME Energy (NR1) IC Limited, a further nine Cells have been delisted, five of which are wholly-owned by the UK OEICs and have held off-market share buybacks, returning £7.7 million of liquidity to the UK OEICs;
- Eleven Cells have bought back shares via the CISX, returning £4.9 million of liquidity to non-UK OEIC investors and a further £4.5 million to the UK OEICs;
- Intra-ICC holdings amounting to £3.3 million have been unwound via on-market buybacks; and
- The total amount returned in the buybacks is £20.5 million, including intra-ICC unwinds.

Spearpoint is ahead of its initial plan to generate liquidity within the Cells and we anticipate that more will be made available later in the year. The main constraint at the moment is not the cash within the Cells, but rather structural constraints that delay the release of that liquidity to investors. These structural constraints include:

- The need to hold cash to meet future commitments in private equity funds;
- The need to provide for working capital/escrow in real-asset operating businesses, such as shipping or property;
- Future operating expenses pending the protracted process of turning assets into cash;
- The obtaining of necessary shareholder permissions; and
- Solvency requirements.

We are in the process of dealing with those constraints. In order to return additional capital, some Cells will need to delist, for which shareholder approval will be sought at the forthcoming Extraordinary General Meetings. Minority Shareholders in these Cells will have the choice to exit near NAV before delisting occurs if they so wish. We are being careful to ensure that they are treated fairly. We will push through the remaining structural changes in the latter part of 2010, thus simplifying the structure, reducing costs and making possible further releases of liquidity.

SPL REAL ESTATE 2 (RE2) IC LIMITED
CHAIRMAN'S STATEMENT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

Re-establishing trading on the CISX

On 25 July 2009, the listing of all those Cells admitted to the Official List of the CISX was suspended. Trading was resumed for thirteen of those Cells on the CISX on 31 March 2010, one of which subsequently delisted on 23 July 2010. Of the remainder, six of the suspended Cells delisted from the CISX on 15 February 2010, and three on 27 April 2010, 28 June 2010 and 17 August 2010. Africa Protect IC Limited is the only Cell to remain suspended but, as mentioned above, its Shareholders have resolved to progress the sale of the Cell's main asset with a view to delist the Cell from the CISX in October 2010 and then place it into voluntary liquidation.

Results

The Fund reported a net loss for the year ended 31 March 2010 of £3,283,966 (2009: £14,775,373), representing a loss per share of 14.25p (2009: 61.34p). The NAV attributable to Participating Redeemable Preference Shares at 31 March 2010 was £5,500,874 (2009: £9,683,482), 27.61p per share (2009: 41.80p per share).

The Investment Manager's Report contains a summary of the performance of the investments and significant investment movements during the year.

Future policy and outlook

Your Board has three principal objectives:

The first is to monitor the management of the remaining assets to try to preserve value for the Shareholders and, in doing so, to assess the performance of the Investment Manager.

The second is to ensure that value from the assets is realised as cash and returned to Shareholders.

The third is to investigate any instances where we find that the ICC and its Cells have lost value through the actions of others and consider whether it is in Shareholders' interests to pursue such actions. The new Board will work in cooperation with the regulators in such matters.

H G Aldous

Chairman

30 September 2010

**SPL REAL ESTATE 2 (RE2) IC LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010**

The Directors of SPL Real Estate 2 (RE2) IC Limited (formerly Arch Real Estate 2 IC Limited) (the "Fund") are pleased to submit their report and audited financial statements for the year ended 31 March 2010.

THE FUND

The Fund is an incorporated cell of SPL Guernsey ICC Limited (formerly Arch Guernsey ICC Limited) (the "ICC"), a closed-ended incorporated cell company registered with limited liability in Guernsey on 21 December 2006 and authorised by the Guernsey Financial Services Commission under the Incorporated Cell Companies Ordinance, 2006. The Fund was registered with limited liability on 4 September 2007 and commenced operations 15 October 2007.

On 27 July 2009, the Directors suspended the listing of the Fund on the CISX pending the publication of the March 2009 net asset valuation. The March 2009 net asset value was published on 30 December 2009 and the listing was cancelled on 15 February 2010.

Pursuant to a Special resolution dated 28 January 2010, the Fund changed its name from Arch Real Estate 2 IC Limited to SPL Real Estate 2 (RE2) IC Limited effective on 9 February 2010.

The Fund is authorised to create three classes of Shares, designated Dollar Shares, Euro Shares and Sterling Shares, each of which is denominated in the specified currency and which rank pari passu to each other. Each Share Class would hold an undivided share in a single portfolio of assets held by the Fund but may have certain assets or liabilities attributable solely to the Share Class, such assets and liabilities to include, but not be limited to, forward foreign exchange agreements utilised by the Investment Manager for currency hedging purposes. At the date of these financial statements, only shares in the Sterling Class had been issued.

INVESTMENT OBJECTIVE

Following the resolution passed at the Extraordinary General Meeting ("EGM") held on 28 January 2010, the Investment Manager now manages the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within five years. Realisations are managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders.

Prior to the EGM held on 28 January 2010, the investment objective of the Fund was to provide Shareholders with capital appreciation over the medium to long-term through an economic exposure to a diverse range of investments opportunities selected by the Investment Manager.

RESULTS AND DIVIDENDS

The results for the year are shown on page 17.

The Fund did not pay any dividends during the year (2009: nil) and the Directors do not recommend the payment of a final dividend for the financial year (2009: nil).

NET ASSET VALUE PER PARTICIPATING REDEEMABLE PREFERENCE SHARE

At the financial reporting date, the net assets of the Fund attributable to Participating Redeemable Preference Shares ("Shares") were £5,500,874 (2009: £9,683,482) and the net asset value ("NAV") per Share was 27.61p (2009: 41.80p).

DIRECTORS

The Directors, all of whom are non-executive directors, are as listed on page 1. Robert Addison, who was appointed as a Director on incorporation of the Fund, resigned as a Director on 31 December 2009. Neal Meader and Peter Radford, who were appointed as Directors on incorporation of the Fund, resigned as Directors on 28 January 2010. Hugh Aldous, Andrew Duquemin and William Scott were appointed as Directors on 31 December 2009 and Christopher Harris was appointed as a Director on 1 August 2010.

SPL REAL ESTATE 2 (RE2) IC LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

DIRECTORS (continued)

During the year, business relationships existed between the Directors of the Fund and Related Parties to the Fund. These relationships are detailed in notes 5 and 6 to the financial statements.

At 31 March 2010 and at the date of signing this report, the Directors had no interests in the Shares of the Fund.

SUBSTANTIAL SHAREHOLDINGS

On 31 August 2010, the following interests in 10% or more of the issued Participating Redeemable Preference Shares had been notified to the Fund:

	<i>Number of Participating Redeemable Preference Shares</i>	<i>Percentage of share capital</i>
The Bank of New York (Nominees) Limited	12,240,360	80.72%
HSBC Global Custody Nominee (UK) Limited	2,924,398	19.28%

GOING CONCERN

After making reasonable enquiries, and assessing all data relating to the Fund's liquidity, the Directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Fund. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

FUTURE PROSPECTS

The Directors believe that the Fund's Investment Objective can be met in the stated five-year timeframe. Further details are given in the Investment Manager's Report.

LITIGATION

So far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Fund. The Fund has not commenced proceedings of any material importance.

Together with the legal advisors to the ICC and its Cells, the new Board is continuing to review the past governance of the ICC and its Cells (of which the Fund is one such Cell). Questions have and are being raised with the former managers, officers and advisors in this regard.

CORPORATE GOVERNANCE

As a Guernsey incorporated entity, the Fund is not required to comply with The Combined Code on Corporate Governance published by the Financial Reporting Council (the "2008 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and that the Fund complies with the Guidance on Corporate Governance in the Finance Sector in Guernsey, issued by the Guernsey Financial Services Commission. As a result, many of the principles set out in the 2008 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

Since the new Board has been appointed, the Fund has complied with the provisions of the Combined Code Principles of Good Governance and Code of Best Practice, except in the following aspects:

- A.1.3 The non-executive Directors have not met separately, without the Chairman present, to appraise the Chairman's performance. The Board decided that this was not appropriate given the nature of the Fund and that the current Directors were only appointed on 31 December 2009.
- A.3.3 The Chairman, Mr Aldous, is the senior non-executive Director. This is not in accordance with provision A3.3 of the 2008 FRC Code but is felt to be appropriate for the size and nature of the Fund.
- A.6.1 The Board did not undertake a formal appraisal of the Board, its committees or the individual Directors during the year. The Board decided that this was not appropriate given the nature of the Fund and that the current Directors were only appointed on 31 December 2009.
- B.2.1 The Board has neither established a remuneration committee nor a nomination committee as it does not have any executive directors and does not consider it to be appropriate for the size and composition of the Board.

SPL REAL ESTATE 2 (RE2) IC LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

BOARD RESPONSIBILITIES

The Board currently comprises four non-executive members, three of whom are independent non-executive Directors. Mr Duquemin ceased to be an independent Director on 1 July 2010 when Elysium, a company of which he is a director, was appointed administrator to certain of the ICC Cells. Mr Duquemin intends to resign as a Director of the Fund on completion of the audits of the Cells of the ICC for the year ended 31 March 2010. The Fund has no executive directors. As all the Directors are non-executive, the Chairman (Mr Aldous) is the senior non-executive Director.

The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Fund. Clear documented contractual arrangements are in place with these firms, which define the areas where the Board has delegated responsibility to them. Since the appointment of the new Directors, the Board has met monthly to review the Fund's investments and all other important issues to ensure control is maintained over the Fund's affairs.

Since all the Directors are non-executive, the Fund is not required to state how it applied B.1 to B.3 of the 2008 FRC Code on directors' remuneration. However, the fee that was paid to each Director during the year is shown in note 6 to the financial statements.

BOARD COMMITTEES

Since Mr Aldous, Mr Duquemin and Mr Scott's appointments to the Board on 31 December 2009, the Fund has used a number of committees to control its operations. Prior to 31 December 2009, the Fund did not have any committees, with all of the business being addressed by the Board.

Each committee has formal written terms of reference, which clearly define their responsibilities.

Audit Committee

The Audit Committee comprises all the Directors of the Fund and meets at least twice a year. Mr Duquemin is Chairman of the Audit Committee. It provides a forum through which the Fund's auditor reports to the Board.

Risk Committee

The Risk Committee comprises all the Directors of the Fund and meets at least once a year. Mr Scott is Chairman of the Risk Committee. The function of the Risk Committee is to monitor the level of various risks to which the Fund is exposed, including the risk of litigation and other legal actions.

BOARD MEETINGS

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. Directors' attendance at Board and committee meetings for the year ended 31 March 2010, by reference to the number of meetings held whilst each Board member was actually a Director, is set out in the following table:

	Board meetings	Audit Committee meetings	Risk Committee meetings
Hugh Aldous (<i>appointed on 31 December 2009</i>)	3/5	1/2	0/0
Andrew Duquemin (<i>appointed on 31 December 2009</i>)	4/5	2/2	0/0
William Scott (<i>appointed on 31 December 2009</i>)	4/5	2/2	0/0
Peter Radford (<i>resigned on 28 January 2010</i>)	23/24	n/a	n/a
Neal Meader (<i>resigned on 28 January 2010</i>)	20/24	n/a	n/a
Robert Addison (<i>resigned on 31 December 2009</i>)	18/23	n/a	n/a

DIALOGUE WITH SHAREHOLDERS

The Directors are always available to enter into dialogue with Shareholders. The Board also stays abreast of Shareholders' views via regular updates from the Investment Manager as to meetings it may have held with Shareholders.

SPL REAL ESTATE 2 (RE2) IC LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

INTERNAL CONTROL AND FINANCIAL REPORTING

The Board is responsible for establishing and maintaining the Fund's system of internal control. Internal control systems are designed to meet the particular needs of the Fund and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- The Administrator is responsible for the provision of administration and company secretarial duties;
- The duties of investment management, accounting and the custody of assets are segregated. The procedures are designed to complement one another;
- The Non-Executive Directors of the Fund clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts;
- The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis;
- On an ongoing basis, compliance reports are provided at each Board meeting by the Administrator; and
- A Valuation Committee, comprising members of the Administrator, meets at least once a month to agree and review valuation methodologies to ensure that valuations accurately reflect fair value and are calculated in accordance with the Fund's valuation and accounting policies and with International Financial Reporting Standards.

The Fund does not have an internal audit department. All of the Fund's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Fund to have an internal audit function.

The internal control systems are designed to meet the Fund's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

PAYMENT TO CREDITORS

Amounts due to suppliers and service providers are settled promptly within the terms of the payment, except in cases of dispute. The Fund does not have any trade creditors.

FINANCIAL RISK PROFILE

The Fund's financial instruments comprise investments, cash and various items such as payables and receivables that arise directly from the Fund's operations. The main purpose of these instruments is the investment of Shareholders' funds.

The main risks are market risk (comprising price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. Further details are given in note 14 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies (Guernsey) Law, 2008 as amended requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that year. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

SPL REAL ESTATE 2 (RE2) IC LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 as amended, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Fund's Principal Documents. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' STATEMENTS

The Directors make the following statements:-

- so far as they are aware, there is no relevant audit information of which the Fund's auditor is unaware;
- the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and established that the Fund's auditor is aware of that information; and
- The financial statements give a true and fair view of the financial position and results of the Fund and have been prepared in accordance with International Financial Reporting Standards, The Companies (Guernsey) Law, 2008 as amended and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

THE INVESTMENT MANAGER

Arch Financial Products LLP resigned as Investment Manager to the Fund and Spearpoint Limited (the "Investment Manager") was appointed in its place on 1 December 2009 pursuant to an Investment Management Agreement effective from that date (the "Management Agreement"), between the Investment Manager and the Fund.

Pursuant to an agreement reached in late 2009 between Arch Financial Products LLP, Spearpoint Limited and the old Board of Directors of the ICC and its Cells:

- Arch Financial Products LLP agreed to forgo outstanding investment management fees, then calculated to be worth approximately £3.4 million (across all of the Cells of the ICC), that were otherwise considered to be due to it;
- Spearpoint Limited agreed to take on the management of the ICC and its Cells for a take-on fee of £2.5 million; and
- The ICC and its Cells agreed to provide Arch Financial Products LLP with a limited release in relation to certain cross investment fees (which the ICC considered ought otherwise to be repaid to the Cells) then calculated to be worth approximately £1.0 million.

It now appears that there may have been an error in the calculation of the outstanding investment management fees and/or the cross investment fees. Together with the legal advisors to the ICC and its Cells, the new Board is continuing to investigate such potential errors and their implications (if any) for the ICC and its Cells.

Details of the fees payable to the Investment Manager are disclosed in notes 4 and 5.

The Directors believe that Spearpoint Limited has performed creditably since its appointment as Investment Manager on 1 December 2009. In the opinion of the Directors, it is in the interests of Shareholders as a whole to retain the services of Spearpoint Limited.

The Investment Manager's appointment may be terminated, after the expiry of a minimum period of one year, on six months' notice given by either party or immediately at any time by the Fund upon material breach of the Management Agreement by the Investment Manager, the insolvency, liquidation (save for the purpose of a previously approved winding up) or receivership of the Investment Manager or if the Investment Manager ceases to be qualified to act as such or, if for good and sufficient reason, the Fund is of the opinion that a change of manager is desirable in the interests of Shareholders and an Extraordinary Resolution is passed removing the Investment Manager.

SPL REAL ESTATE 2 (RE2) IC LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

THE ADMINISTRATOR

Bordeaux Services (Guernsey) Limited had been appointed as Administrator of the Fund pursuant to an Administration Agreement dated 14 September 2007 (the "Administration Agreement"). The Administrator had also been appointed to act as Secretary of the ICC and the Fund.

Details of the fees payable to the Administrator are disclosed in notes 4 and 5.

With effect from 1 August 2010, Bordeaux Services (Guernsey) Limited resigned as Administrator to the Fund and Elysium Fund Management Limited was appointed in its place.

CUSTODIAN

The Fund has appointed MeesPierson (C.I.) Limited as the Custodian of the Fund under the terms of a Custodian Agreement dated 14 September 2007.

Details of the fees payable to the Custodian are disclosed in note 4.

The appointment of the Custodian can be terminated by the Fund or the Custodian (subject to the appointment of a replacement) upon not less than 90 days' prior written notice or earlier upon default by either party.

STATUS OF TAXATION

The Income Tax Authority of Guernsey has granted the Fund exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and the income of the Fund may be distributed or accumulated without deduction of Guernsey income tax. Exemption under the above mentioned Ordinance entails payment by the Fund of an annual fee of £600 for each year in which the exemption is claimed. It should be noted, however, that interest and dividend income accruing from the Fund's investments may be subject to withholding tax in the country of origin.

The Fund has not suffered any withholding tax in the year on its direct investments, although withholding tax may have been suffered within certain investments held by the Fund.

AUDITOR

Ernst & Young LLP replaced the previous auditor, Moore Stephens, with effect from 19 March 2010. Ernst & Young LLP has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Fund's forthcoming Annual General Meeting.

On behalf of the Board

H G Aldous
Director

A Duquemin
Director

30 September 2010

**SPL REAL ESTATE 2 (RE2) IC LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE YEAR ENDED 31 MARCH 2010**

Spearpoint Limited was appointed to manage the Fund on 1 December 2009. We played no part in the management of the portfolio prior to this date. Neither were we involved in valuing the assets or creating the net asset value calculations.

In line with the change in investment objective for the Fund, approved by Shareholders at the EGM vote on 28 January 2010, we have focused on an orderly realisation of the assets of the Fund within the shortest period of time consistent with achieving reasonable prices. To be clear, this is categorically not a fire sale of assets.

The Fund is mainly invested in physical real estate holdings in the UK and Germany. The properties are held in dedicated investment companies to minimise tax and allow for easy disposal of parts of the portfolio as needed. The Fund owns 50% of each investment company and the other 50% is owned by SPL Real Estate 1 (RE1) IC Ltd ("RE1"). At year-end, the Fund and RE1 owned 14 investment companies. Of these, five companies invest in UK student, residential and commercial property, four hold German residential and commercial property, and five companies were in the process of closing, having sold the UK or German properties they had previously held.

The 25 UK properties represent the largest part of the portfolio, being valued at £11.9m at year-end. There is £7.2m of bank debt against these properties and so the net equity value was £4.7m, accounting for 65.2% of the Fund's exposure to property. The remaining 34.8% was exposure to 12 properties in Germany. These properties were valued at £13.1m at year-end with £10.6m of bank debt, giving a net equity value of £2.5m.

Of the 25 UK properties held at year-end, 13 were houses in various locations across London. These houses were in use as Houses in Multiple Occupation and were renovated in the past to accommodate multiple tenants, each letting rooms on separate tenancy agreements. There were 76 lettable rooms in the multi-let portfolio, with a total estimated rent roll of £550k per annum. Consistent with the Fund's changed investment objective, we are converting these properties into single-lets in preparation for sale. The conversion plan commenced in January 2010 and is expected to complete in September 2011. The plan is deliberately cautious, with the intention of minimising rental voids during the change in strategy. The phased plan allows the flexibility to sell individual properties as they complete the transition or else to hold and sell the remaining properties as a complete portfolio of single-let properties once the conversion is complete. The London multi-let properties were valued at £6.9m at year-end with £4.4m of bank debt at an average loan to value ratio of 3.5%. The net equity value of the 13 properties was £2.5m.

The UK student accommodation portfolio constitutes 11 properties in Exeter and Durham. The properties are managed under license on behalf of the Fund by a student accommodation provider. The properties were valued at £4.5m and had £2.8m of bank debt at an average loan to value ratio of 62.2%.

The final property in the UK portfolio is a commercial property based in West London. The property is a business park providing approximately 75 lettable serviced offices, storage areas and workshops. The business park was valued at £0.5m at year-end and carried no bank debt. The site presents a number of opportunities to protect and increase value but none are easily achievable. A new property manager was appointed after the year-end with a specific mandate to reduce voids and regularise existing tenancies and other aspects of the site. Our strategy is to give the new property manager 18 months to achieve this turnaround and then pursue a sale of the site.

The German real estate portfolio is invested in 12 properties in Berlin, Radebul, Leipzig, Nurnberg and Furth. Most of these are residential apartment blocks, comprised mainly of residential units but in some cases also containing a few retail units or offices. Together, the properties are valued at £13.1m with £10.6m of bank debt. The average loan to value ratio of the German properties is 80.9%.

SPL REAL ESTATE 2 (RE2) IC LIMITED
INVESTMENT MANAGER'S REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2010

Eight of the properties are apartment blocks in Leipzig which together comprise 89 units all of which are residential units apart from a few retail units on the ground floor of the blocks. Together these properties were valued at £4.9m at the year-end. The Berlin property comprises 9 residential units and was valued at £1.0m at the year-end. The three remaining properties, one each in Nurnberg, Radebul and Furth are mixed-use properties, containing a combination of commercial, retail and residential tenants. Together the properties were valued at £7.2m at the year-end and £5.9m of bank debt, giving an average loan to value ratio of 82.6 %.

We intend to hold the German property portfolio for the time being with the expectation of receiving a better sale price in 12 to 18 months time. Offers to sell in advance of that date may be considered if the price is attractive.

The Fund also held equity stakes in five investment companies in the process of closing at the year-end. Together these companies held £1.1m of cash at 31 March, which has since been distributed to the Fund and RE1, and then to the shareholders of the Fund.

The Fund had two investments in Lasker Land Limited at the year-end. Lasker Land is a property manager specialising in the management of multi-let properties. Lasker Land was wholly owned by the Fund and RE1 at year-end but has since been sold for £120k. As a result of the sale the Fund realised a £40k uplift to the value of the holding at year-end. The Fund also held a £25k loan to Lasker Land, which was fully repaid prior to the sale of the business.

In March 2010, the Fund sold its stake in Lonscale Holdings as part of an exit from the business by all of the Cells of the ICC. The Fund's interest in Lonscale had been valued at zero prior to the sale because of the high levels of bank debt against the properties owned by Lonscale and the consistent operating losses generated by the business. The business was sold for £10.4m to the then minority shareholder of Lonscale in a deal featuring part up-front and part deferred consideration. The deferred consideration is conditional and is payable over a two year period following the date of the sale. The position is valued at zero in the accounts because of the conditional nature of the deferred consideration, however as at the date of writing this report (6 September 2010) the Fund has received £0.2m of upfront and deferred consideration. If the Fund is paid in full, we expect to receive £1.5m over two years in total consideration for the sale.

The Fund has four holdings in other Cells within the ICC valued at £0.1m at year-end, which represent 2.4% of the Fund's investment exposure. Our ability to realise assets from these holdings was dependent upon each of the underlying Cells introducing its own share buyback programme, which we could then sell into. In turn, this was dependent upon each of the underlying Cells either having its suspension lifted on the Channel Island Stock Exchange ("CISX"), to restore trading, or delisting from the CISX to facilitate off market transactions. Equally, the performance of the net asset value of the Fund was affected by the performance of these underlying holdings and changes to accounting policy, such as the write off of the deferred sales charges, which cost c.4.7% of the published monthly NAV. The change to accounting policy only affected the NAVs published monthly on the CISX and not the NAVs in the financial statements, in which the deferred sales charges had been written-off, in compliance with IFRS.

The assets of the Fund are illiquid, however, most should be realisable under the current exit strategy within two to three years, comfortably within the timeframe given by Shareholders for orderly realisation of assets.

Spearpoint Limited
6 September 2010

SPL REAL ESTATE 2 (RE2) IC LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPL REAL ESTATE 2 (RE2) IC LIMITED

We have audited the Fund's financial statements for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares, Statement of Cash Flows and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008 as amended, The Protection of Investors (Bailiwick of Guernsey) Law, 1987, and the Principal Documents. We also report to you if, in our opinion, the Fund has not kept proper accounting records, if the Fund's financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the Chairman's Statement, the Directors' Report, the Investment Manager's Report and the Portfolio Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**SPL REAL ESTATE 2 (RE2) IC LIMITED
INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF SPL REAL ESTATE 2 (RE2) IC LIMITED**

Opinion - disclaimer of audit opinion regarding the results of operations and unqualified opinion regarding financial position

With respect to the comparative figures for the year ended 31 March 2009 the audit evidence available to us was limited as we were not able to obtain adequate evidence in respect of the timing or magnitude of adjustments which may have been necessary to the prior period results and financial position, prior to our appointment as auditor of the Fund. The former directors of the Fund were no longer in office at the date of our appointment and the investment manager appointed to advise the Fund was replaced before our appointment. We were unable to obtain sufficient audit evidence regarding the comparative figures for the year ended 31 March 2009 and were unable to satisfy ourselves on these matters by performing other audit procedures.

Because of the significance of the above matter in relation to the results of the Company's operations for the year to 31 March 2010 we are not in a position to, and do not, express an opinion on the results of its operations or its cash flows for the year then ended.

In our opinion, the balance sheet gives a true and fair view, in accordance with International Financial Reporting Standards, of the financial position of the Fund as at 31 March 2010 and has been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

**Ernst & Young LLP
Guernsey, Channel Islands**

30 September 2010

SPL REAL ESTATE 2 (RE2) IC LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010	2009
		£	£
Income			
Bank interest		794	38,793
Investment income		1,143	1,271,547
Other income		-	(2,500)
Total income		1,937	1,307,840
Expenses			
Administration fees	4,5	9,097	25,500
Audit fees		58,886	27,616
Custodian fees	4	6,891	16,990
Directors' fees and expenses	6	1,981	357
Investment Manager's initial dealing charge	5	-	40,000
Investment management fees	4,5	174,873	438,428
Interest paid		-	98,128
Other operating expenses		27,953	71,526
Total expenses		279,681	718,545
Investment gains and losses			
Share of post tax losses of joint ventures accounted for under the equity method	10	(2,246,703)	-
Realised (loss)/gain from sale of investments	9	(6,172,721)	427,638
Movement in unrealised gain/(loss) on valuation of investments		5,308,038	(15,247,924)
Total investment loss		(3,111,386)	(14,820,286)
Net loss from operating activities before gains and losses on foreign currency exchange			
		(3,389,130)	(14,230,991)
Gain/(loss) on foreign currency exchange		105,164	(544,382)
Total comprehensive loss for the year attributable to holders of Participating Redeemable Preference Shares		(3,283,966)	(14,775,373)
Weighted average shares in existence during the year		23,048,955	24,085,994
Loss per Participating Redeemable Preference Share	8	(£0.1425)	(£0.6134)

All items in the above statement are derived from continuing operations.

There was no other comprehensive income in the year.

The accompanying notes on pages 21 – 38 form an integral part of these audited financial statements.

SPL REAL ESTATE 2 (RE2) IC LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Notes	2010	2009
		£	£
Assets			
Current assets			
Financial assets at fair value through profit or loss	9,11	191,454	9,113,133
Investments accounted for using the equity method	10	5,294,972	-
Other receivables and prepayments	12	2,702	261,927
Cash and cash equivalents		44,574	460,118
Total assets		5,533,702	9,835,178
Equity and liabilities			
Share capital – Management Shares	15	2	2
Participating Redeemable Preference Shares	15	23,569,358	24,468,000
Retained deficit	15	(18,068,484)	(14,784,518)
Total equity		5,500,876	9,683,484
Liabilities			
Current liabilities			
Net amounts due out on open forward foreign exchange contracts	14	-	44,357
Other payables	12	32,826	107,337
Total liabilities		32,826	151,694
Total equity and liabilities		5,533,702	9,835,178
Net Asset Value per Participating Redeemable Preference Share	16	£0.2761	£0.4180

These financial statements were approved by the Board and authorised for issue on 30 September 2010.

For and on behalf of
SPL REAL ESTATE 2 (RE2) IC LIMITED

H G Aldous
Director

A Duquemin
Director

The accompanying notes on pages 21 – 38 form an integral part of these audited financial statements.

SPL REAL ESTATE 2 (RE2) IC LIMITED
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF
PARTICIPATING REDEEMABLE PREFERENCE SHARES
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	<u>2010</u>	<u>2009</u>
		£	£
Net assets attributable to holders of Participating Redeemable Preference Shares at start of year		9,683,482	21,460,855
Issue of Participating Redeemable Preference Shares	15	-	4,000,000
Amounts payable on redemptions	15	(898,642)	(1,002,000)
Total comprehensive loss attributable to holders of Participating Redeemable Preference Shares	15	(3,283,966)	(14,775,373)
Net assets attributable to holders of Participating Redeemable Preference Shares at end of year		<u>5,500,874</u>	<u>9,683,482</u>

The accompanying notes on pages 21 – 38 form an integral part of these audited financial statements.

SPL REAL ESTATE 2 (RE2) IC LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010

	<u>2010</u>	<u>2009</u>
	£	£
Cash flows from operating activities		
Total comprehensive loss attributable to holders of Participating Redeemable Preference Shares	(3,283,966)	(14,775,373)
<i>Adjusted for:</i>		
Bank interest received	(794)	(38,793)
Decrease/(increase) in receivables	259,225	(31,802)
Decrease in payables	(74,511)	(314,602)
Share of post tax losses of joint ventures	2,975,137	-
Purchase of joint ventures	(1,415,156)	-
Sale proceeds from disposal of joint ventures	2,207,679	-
Realised loss/(profit) on sale of investments	6,172,721	(427,638)
Unrealised (profit)/loss on investments	(5,308,038)	15,247,925
Purchase of investments at fair value through profit or loss	(1,435,730)	(32,837,085)
Sale proceeds from disposal of investments at fair value through profit or loss	430,094	28,673,132
Net cash flows from/(used in) operating activities	526,661	(4,504,236)
Cash flows from financing activities		
Bank interest received	794	38,793
Proceeds from issue of Participating Redeemable Preference	-	4,000,000
Redemption of Participating Redeemable Preference Shares	(898,642)	(1,002,000)
Net cash (outflows)/inflows from financing activities	(897,848)	3,036,793
Net decrease in cash and cash equivalents	(371,187)	(1,467,443)
Effect of exchange rate changes during the year	(44,357)	(138,960)
Net movement in cash and cash equivalents	(415,544)	(1,606,403)
Cash and cash equivalents at start of year	460,118	2,066,521
Cash and cash equivalents at end of year	44,574	460,118

The accompanying notes on pages 21 – 38 form an integral part of these audited financial statements.

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

1. GENERAL INFORMATION

SPL Real Estate 2 (RE2) IC Limited (formerly Arch Real Estate 2 IC Limited) (the "Fund") is an incorporated cell of SPL Guernsey ICC Limited (formerly Arch Guernsey ICC Limited) (the "ICC"), a closed-ended incorporated cell Company registered with limited liability and domiciled in Guernsey on 21 December 2006 and authorised by the Guernsey Financial Services Commission under the Incorporated Cell Companies Ordinance, 2006. The Fund was registered with limited liability on 4 September 2007 and commenced operations on 15 October 2007.

On 27 July 2009, the Directors suspended the listing of the Fund on the CISX pending the publication of the March 2009 net asset valuation. The March 2009 net asset value was published on 30 December 2009 and the listing was cancelled on 15 February 2010.

The Fund's registered office is at 2nd floor, No.1 Le Truchot, St Peter Port, Guernsey, GY1 3JX.

Following the passing of a resolution at the Extraordinary General Meeting ("EGM") held on 28 January 2010, the Investment Manager now manages the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within five years. Realisations are managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders.

Prior to the EGM, the investment objective of the Fund was to provide Shareholders with capital appreciation over the medium to long-term through an economic exposure to a diverse range of investments opportunities selected by the Investment Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of preparation

The audited financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of investments and assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and The Companies (Guernsey) Law, 2008 as amended and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

Standards and amendments to existing standards effective on 1 April 2009

IAS 1 (revised), 'Presentation of financial statements'.

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Income Statement and Statement of Comprehensive Income). Where entities restate or reclassify comparative information, they are required to present a restated Statement of Financial Position as at the beginning of the comparative period in addition to the current requirement to present financial statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (Revised) from 1 April 2009 and has elected to present a single Statement of Comprehensive Income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Fund's performance statement as the Fund has no elements of other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and amendments to existing standards effective on 1 April 2009 (continued)

IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'.

The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. The adoption of these amendments has not resulted in any change in the classification of the Fund's Participating Redeemable Preference Shares.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The amendment was part of the IASB's annual improvement project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset and financial liability that is part of a portfolio of financial instruments managed together with evidence of an actual pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption of this amendment did not have a significant impact on the Fund's financial statements.

IFRS 7 (amendments), 'Financial instruments: Disclosures'.

The IASB published amendments to IFRS 7 in March 2009. The amendments require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendments require disclosure of fair value measurements by reference to a three-level fair value measurement hierarchy. In addition, it is clarified that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount at which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities that are essential for the understanding of the timing of the cash flows. An entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk. The adoption of the amendments results in additional disclosures but does not have an impact on the Fund's financial position.

IFRS 8, 'Operating Segments'.

This standard is effective for accounting periods beginning on or after 1 January 2009, it requires disclosure of information about the Fund's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Fund. For management purposes, the Fund is organised into one business unit. The Fund determined that this operating segment was the same as the business segment previously identified under IAS 14, Segment Reporting.

Standards, amendments and interpretations effective on 1 April 2009 but not relevant

IAS 23 (amendment), 'Borrowing costs'

IAS 39 and IFRIC 9 (amendments), 'Embedded derivatives' (effective for all periods ending on or after 30 June 2009)

IAS 39 and IFRS 7 (amendments), 'Reclassification of financial assets'

IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements'

IFRIC 9 (amendment), 'Reassessment of Embedded Derivatives'

IFRIC 13, 'Customer Loyalty Programmes'

IFRIC 15, 'Agreements for construction of real estate'

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'

IFRIC 18, 'Transfer of Assets from Customers'

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRS

In May 2008, the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Fund:

IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations: Plan to sell the controlling interest in a subsidiary'

IFRS 7, 'Financial Instruments Disclosures: Presentation of finance costs'

IAS 1, 'Presentation of Financial Statements: Current/non-current classification of derivatives'

IAS 8, 'Accounting Policies, Change in Accounting Estimates and Errors: Status of implementation guidance'

IAS 10, 'Events after the Reporting Period: Dividends declared after the end of the reporting period'

IAS 16, 'Property, Plant and Equipment: Recoverable amount'

IAS 16, 'Property, Plant and Equipment: Sale of assets held for rental'

IAS 18, 'Revenue: Costs of originating loan'

IAS 19, 'Employee Benefits: Curtailments and negative past service costs'

IAS 19, 'Employee Benefits: Plan administration costs'

IAS 19, 'Employee Benefits: Replacement of the term "fall due"'

IAS 19, 'Employee Benefits: Guidance on contingent liability'

IAS 20, 'Accounting for Government Grants and Disclosures of Government Assistance: Government loans with a below-market rate of interest'

IAS 20, 'Accounting for Government Grants and Disclosures of Government Assistance: Consistency of terminology with other IFRS'

IAS 23, 'Borrowing Costs: Components of borrowing costs'

IAS 27, 'Consolidated and Separate Financial Statements: Measurement of subsidiary held for sale in separate financial statements'

IAS 28, 'Investment in Associates: Required disclosures when investments in associates are accounted for at fair value through profit or loss'

IAS 28, 'Investment in Associates: Impairment of investment in associate'

IAS 29, 'Financial Reporting in Hyperinflationary Economies: Description of measurement basis in financial statements'

IAS 29, 'Financial Reporting in Hyperinflationary Economies: Consistency of terminology with other IFRS'

IAS 31, 'Interest in Joint Ventures: Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss'

IAS 34, 'Interim Financial Reporting: Earnings per share disclosures in interim financial reporting'

IAS 36, 'Impairment of Assets: Disclosure of estimates used to determine recoverable amount'

IAS 38, 'Intangible Assets: Advertising and promotional activities'

IAS 38, 'Intangible Assets: Unit of production method of amortisation'

IAS 39, 'Financial Instruments: Recognition and Measurement: Reclassification of derivatives into or out of the classification of at fair value through profit or loss'

IAS 39, 'Financial Instruments: Recognition and Measurement: Designation and documentation of hedges at the segment level'

IAS 39, 'Financial Instruments: Recognition and Measurement: Applicable effective interest rate on cessation of fair value hedge accounting'

IAS 40, 'Investment Property: Property under construction or development for future use as investment property'

IAS 40, 'Investment Property: Consistency of terminology with IAS 8, investment property held under lease'

IAS 41, 'Agriculture: Discount rate for fair value calculations'

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRS (continued)

IAS 41, 'Agriculture: Additional biological transformations'

IAS 41, 'Agriculture: Examples of agricultural produce and products, point of sale costs'

In April 2009, the IASB issued a second omnibus of amendments to its standards and interpretations. The following amendment did not have any impact on the accounting policies, financial position or performance of the Fund:

IAS 18, 'Revenue: Determining whether an entity is acting as a principal or as an agent'

New standards and interpretations not applied

The IASB has issued/revised the following relevant standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)

IAS 1, 'Presentation of Financial Statements' (revised April 2009 and effective for annual periods beginning on or after 1 January 2010)

IAS 7, 'Statement of Cash flows' (revised April 2009 and effective for annual periods beginning on or after 1 January 2010)

IAS 17, 'Leases' (revised April 2009 and effective for annual periods beginning on or after 1 January 2010)

IAS 24, 'Related Party Disclosures' (revised November 2009 and effective for annual periods beginning on or after 1 January 2011)

IAS 27, 'Consolidated and Separate Financial Statements' (revised May 2008 and effective for annual periods beginning on or after 1 July 2009)

IAS 32, 'Financial Instruments: Presentation' (revised 2009 and effective for annual periods beginning on or after 1 February 2010)

IAS 36, 'Impairment of Assets' (revised April 2009 and effective for annual periods beginning on or after 1 January 2010)

IAS 38, 'Intangible Assets' (revised April 2009 and effective for annual periods beginning on or after 1 July 2009)

IAS 39, 'Financial Instruments: Recognition and Measurement' (revised July 2008 and effective for annual periods beginning on or after 1 July 2009)

IFRS 1, 'First time adoption of International Financial Reporting Standards' (revised July 2009 and January 2010 and effective for annual periods beginning on or after 1 July 2010)

IFRS 2, 'Share-based Payment' (revised April 2009 and July 2009 and effective for annual periods beginning on or after 1 January 2010)

IFRS 3, 'Business Combinations' (revised January 2008 and April 2009 and effective for annual periods beginning on or after 1 July 2009)

IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' (revised April 2009 and effective for annual periods beginning on or after 1 January 2010)

IFRS 8, 'Operating Segments' (revised April 2009 and effective for annual periods beginning on or after 1 January 2010)

IFRS 9, 'Financial Instruments – Classification and Measurement' (revised November 2009 and effective for annual periods beginning on or after 1 January 2013)

IFRIC 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective January 2011)

IFRIC 17, 'Distributions of Non-Cash Assets to Owners' (issued November 2008 and effective for annual periods beginning on or after 1 July 2009)

IFRIC 18, 'Transfers of Assets from Customers' (Transfers received on or after 1 July 2009)

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors have chosen not to early adopt the above standards and interpretations and they do not anticipate that they would have a material impact on the Fund's financial statements in the period of initial application.

Functional and Presentation Currency

The performance of the Fund is measured and reported to investors in Sterling. The Directors consider Sterling as the currency that most accurately represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Fund's functional and presentation currency.

Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities, such as financial assets at fair value through profit or loss, are recognised in the Statement of Comprehensive Income.

Forward foreign currency contracts are treated as derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently re-measured at their fair value. Fair value is determined by rates in active currency markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Preliminary Expenses

With effect from 1 October 2009, the preliminary costs that were being amortised over five years, for the purposes of calculating the published Net Asset Value ("NAV"), have been fully written off in the Statement of Comprehensive Income. Therefore, the treatment used for the calculation of the published NAV now accords with the accounting treatment adopted in the financial statements of the Fund under IFRS.

Financial Assets at Fair Value through Profit or Loss

The Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Directors at fair value through profit or loss at inception. Financial assets held for trading are those acquired principally for the purposes of selling in the short-term.

All regular way purchases and sales of investments are recognised on trade date - the date on which the Fund commits to purchase or sell the investment.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

The Directors value all investments based upon the latest available information notified to the Fund by the fund manager or administrator of the funds held in the Fund's investment portfolio. The valuation date of such funds may not always be coterminous with the valuation date of the Fund and in such cases the valuation of the fund as at the last valuation date is used. The NAV reported by the fund manager or administrator may be unaudited and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as, in some cases, the notified NAVs are based upon estimates. The Directors may make adjustments to the notified NAVs where it is deemed appropriate to do so after considering the circumstances of the funds held. Further information can be found under 'Significant Estimates and Judgements' below. The Directors believe that any such valuations are reasonable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in bank.

Participating Redeemable Preference Shares

The Fund is closed-ended and therefore Shareholders will not be entitled to require the Fund to redeem their shares at any time. Accordingly the Participating Redeemable Preference Shares have been classified as equity in accordance with IAS 32 'Financial Instruments: Presentation'.

Segmental Reporting

The Directors are of the opinion that the Fund is engaged in a single business segment, being investment in private finance.

Financial Assets and Liabilities

The financial assets and liabilities of the Fund are defined as investments, cash and cash equivalents, other receivables and payables and gain/loss on forward foreign currency contracts. The currency exposure of the Fund's net financial assets is disclosed in note 13.

Significant Estimates and Judgements

The Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fair value of unlisted financial instruments

The Fund holds stocks that are not listed on recognised exchanges. The Directors make judgements as to the fair value of these investments using valuation techniques in accordance with International Private Equity and Venture Capital Valuation Guidelines and based on estimates supplied by the administrators of the underlying investments.

Income and Expenses

Bank interest and investment interest are recognised on a time-proportionate basis using the effective interest rate method.

Expenses are recognised on an accruals basis.

Interests in Joint Ventures

The Fund has a number of contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities.

Where the joint venture is established through an interest in a company, partnership or other entity (a jointly controlled entity) the Fund recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the Statement of Financial Position at cost plus post-acquisition changes in the Fund's share of its net assets, less distributions received and less any impairment in value of individual investments. The Statement of Comprehensive Income reflects the share of the jointly controlled entity's results after tax. Where there has been a change recognised in other comprehensive income of the jointly controlled entity, the Fund recognises its share of any such changes as other comprehensive income in the Statement of Comprehensive Income.

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in Joint Ventures (continued)

Any goodwill arising on the acquisition of a jointly controlled entity, representing the excess of the cost of the investment compared to the Fund's share of the net fair value of the entity's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the jointly controlled entity and is not amortised. To the extent that the net fair value of the entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Fund's share of the entity's profit or loss in the period in which the investment is acquired.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Fund. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Fund; to take account of fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made in the Fund's financial statements to eliminate the Fund's share of unrealised gains and losses on transactions between the Fund and its jointly controlled entities. The Fund ceases to use the equity method on the date from which it no longer has joint control over, or significant influence in, the joint venture.

Where the Fund collaborates with other entities in jointly controlled operations, the expenses that the Fund incurs and its share of the revenue earned is recognised in the Statement of Comprehensive Income. Assets controlled by the Fund and the liabilities incurred by it are recognised in the Statement of Financial Position.

Where the Fund has contractual relationships to share assets with other entities (jointly controlled assets) the Fund's share of related revenues, expenses, assets and liabilities are recognised in the financial statements and classified therein according to their nature.

3. TAXATION

The Income Tax Authority of Guernsey has granted the Fund exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and the income of the Fund may be distributed or accumulated without deduction of Guernsey income tax. Exemption under the above mentioned Ordinance entails payment by the Fund of an annual fee of £600 for each year in which the exemption is claimed. It should be noted, however, that interest and dividend income accruing from the Fund's investments may be subject to withholding tax in the country of origin.

The Fund has not suffered any withholding tax in the year on its direct investments, although withholding tax may have been suffered within certain investments held by the Fund.

4. MATERIAL AGREEMENTS

The Fund is responsible for the continuing fees of the Administrator, the Custodian and the Investment Manager in accordance with the Administration and Custodian Agreements dated 14 September 2007 and the Investment Management Agreement dated 1 December 2009.

Administration Fees

Until its resignation on 1 August 2010 the Administrator was entitled to receive a fee calculated by reference to the NAV of the ICC according to the following schedule and subject to a minimum fee for the ICC of £40,000 per annum, pro rated by reference to the Fund's NAV:

<u>Net Asset Value Range</u>	<u>Relevant % of NAV</u>
£0 million < £50 million	0.16%
£50 million < £100 million	0.13%
>£100 million	0.11%

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

4. MATERIAL AGREEMENTS (continued)

Custodian Fees

Pursuant to the provisions of the Custodian Agreement, MeesPierson (C.I.) Limited is entitled to receive 0.075% per annum of the NAV of the Fund, subject to a minimum annual fee of £6,000. In the year ended 31 March 2010 the custodian fee was £6,891 (31 March 2009: £16,990) with a custodian fee payable at 31 March 2010 of £1,500 (31 March 2009: £2,561).

Investment Management Fees

The Investment Manager is entitled to receive an investment management fee of 1.5% per annum of the Gross Asset Value of the Fund, calculated and accrued monthly and paid monthly in arrears. Since its appointment on 1 December 2009, the investment management fee due to Spearpoint Limited in the year ended 31 March 2010 was £174,873 (31 March 2009: £nil) of which £19,996 was payable at 31 March 2010 (31 March 2009: £nil).

The Investment Manager is also entitled to receive a performance fee equal to 30% of the amount by which the NAV of the Fund exceeds the greater of (i) the highest NAV per share by reference to which a performance fee has previously been paid to Spearpoint Limited; and (ii) the higher of (a) the prevailing NAV of the Fund as at 30 November 2009 and (b) the average NAV of the Fund as calculated in the period from March 2009 to November 2009 (inclusive). In the year ended 31 March 2010 performance fees due to Spearpoint Limited were £nil (31 March 2009: £nil) of which £nil was payable at 31 March 2010 (31 March 2009: £nil).

The terms of the former Investment Management Agreement are shown in note 5.

5. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. During the year, business relationships existed between Directors of the Fund and other parties to the Fund.

Investment Management Fees

In addition to the investment management and performance fees due to Spearpoint Limited, since its appointment on 1 December 2009 (see note 4), certain fees were payable during the year to the former Investment Manager, Arch Financial Products LLP.

Robert Addison, who was a Director of the Fund during the year until his resignation on 31 December 2009, is a partner in the former Investment Manager. The Fund was responsible for the continuing fees of the former Investment Manager in accordance with an Investment Management Agreement dated 8 October 2007.

The former Investment Manager was entitled to receive an investment management fee during the year ended 31 March 2010, up to its resignation on 1 December 2009, of 2% per annum of the NAV of the Fund. In the year ended 31 March 2010, investment management fees totalling £nil (31 March 2009: £438,428) were due to Arch Financial Products LLP. As at 31 March 2010, the investment management fee payable was £nil (31 March 2009: £69,546).

The former Investment Manager deducted an initial dealing charge of 2% in respect of subscriptions into the Fund. During the year ended 31 March 2010 these initial dealing charges amounted to £nil (31 March 2009: £40,000).

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

5. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

Investment Management Fees (continued)

The former Investment Manager was also entitled to receive a performance fee during the year ended 31 March 2010 at 20% of the amount by which the NAV of the Fund exceeded the greater of (i) the highest NAV per share by reference to which a performance fee had previously been paid or (ii) £1.00, provided, however that the performance fee may only have been charged to the extent it did not reduce the rate of return achieved by the Fund for such year below the cumulative hurdle rate. The cumulative hurdle rate was 7% per annum. In the year ended 31 March 2010, performance fees totalling £nil (31 March 2009: £nil) were due to Arch Financial Products LLP. As at 31 March 2010, the performance fee payable was £nil (31 March 2009: £nil).

Pursuant to an agreement reached in late 2009 between Arch Financial Products LLP, Spearpoint Limited and the old Board of Directors of the ICC and its Cells:

- Arch Financial Products LLP agreed to forgo outstanding investment management fees, then calculated to be worth approximately £3.4 million (across all of the Cells of the ICC), that were otherwise considered to be due to it;
- Spearpoint Limited agreed to take on the management of the ICC and its Cells for a take-on fee of £2.5 million; and
- The ICC and its Cells agreed to provide Arch Financial Products LLP with a limited release in relation to certain cross investment fees (which the ICC considered ought otherwise to be repaid to the Cells) then calculated to be worth approximately £1.0 million.

It now appears that there may have been an error in the calculation of the outstanding investment management fees and/or the cross investment fees. Together with the legal advisors to the ICC and its Cells, the new Board is continuing to investigate such potential errors and their implications (if any) for the ICC and its Cells.

Administration Fees

Neal Meader and Peter Radford, who were Directors of the Fund during the year until their resignations on 28 January 2010, are directors of Bordeaux Services (Guernsey) Limited, the former Administrator.

In the year ended 31 March 2010 administration fees totalling £9,097 (31 March 2009: £25,500) were due to Bordeaux Services (Guernsey) Limited. As at 31 March 2010 the administration fee payable was £1,631 (31 March 2009: £4,137).

6. DIRECTORS' FEES

The Fund's former Directors, Robert Addison, Neal Meader and Peter Radford were each entitled to receive an annual Director's fee of £5,000 for the ICC and its Cells which was pro rated by reference to the Fund's NAV. Robert Addison had agreed to waive his fee.

The new Directors, Hugh Aldous, Andrew Duquemin, William Scott and Christopher Harris are each entitled to receive an annual Director's fee of £80,000 for the ICC and its Cells. In addition, Hugh Aldous is entitled to receive £25,000 as Chairman and Andrew Duquemin and William Scott are entitled to receive £15,000 each as Chairman of the Audit Committee and the Risk Committee respectively. All such fees shall be pro rated by reference to the Fund's NAV. Directors' fees for the year ended 31 March 2010 were £1,981 (31 March 2009: £357) with Directors' fees payable at 31 March 2010 of £nil (31 March 2009: £93).

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

6. DIRECTORS' FEES (continued)

The Directors' fees allocated to the Fund during the year were as follows:

	2010	2009
	£	£
Hugh Aldous	613	-
Andrew Duquemin	554	-
William Scott	554	-
Peter Radford	130	179
Neal Meader	130	178
Robert Addison	-	-
	1,981	357

In addition to the above, Andrew Duquemin and William Scott were each paid £194 in respect of their time spent prior to their appointment as Directors.

No bonus or pension contributions were paid or payable on behalf of the Directors. None of the Directors have any interests in the share capital of the Fund.

The Directors are also entitled to be reimbursed for reasonable travel and accommodation expenses incurred by them in connection with their attendance at meetings in relation to the ICC and the Fund.

7. DIVIDENDS PAID

No interim dividends were paid in respect of the year ended 31 March 2010 (2009: nil). The Directors do not propose the payment of a final dividend (2009: nil).

8. LOSS PER PARTICIPATING REDEEMABLE PREFERENCE SHARE

Basic and diluted

The loss per Participating Redeemable Preference Share ("Share") is based on the net loss of £3,283,966 (2009: loss of £14,775,373) and on a weighted average number of Shares in issue throughout the year of 23,048,955 (2009: 24,085,994).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	£	£
Investments		
Cost at start of year	23,740,840	19,149,249
Reclassification of certain investments previously designated at fair value through profit or loss as investments accounted for using the equity method	(15,851,242)	-
Purchases	1,435,730	32,837,085
Disposals	(430,094)	(28,673,132)
Realised (losses)/gains on disposals	(6,172,721)	427,638
Cost at end of year	2,722,513	23,740,840
Unrealised loss on valuation of investments	(2,531,059)	(14,627,707)
Fair value of investments at end of year	191,454	9,113,133

During the year, certain of the Fund's investments previously designated at fair value through profit or loss were reclassified as investments accounted for using the equity method in accordance with IAS 31: Interests in Joint Ventures.

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

All of the investments accounted for using the equity method relate to investments in joint ventures. Details of the investments in which the Fund held 20% or more of the nominal value of any class of share capital at 31 March 2010 are as follows:

Name of Company	Proportion of voting rights		Country of incorporation
	Holding	held	
Nice Investment (Germany) LLP	Ordinary shares	50%	United Kingdom
Financial Ventures Limited	Ordinary shares	50%	Guernsey
Savile AD1 Limited	Ordinary shares	50%	Guernsey
Savile AD2 Limited	Ordinary shares	50%	Guernsey
Savile AD4 Limited	Ordinary shares	50%	Guernsey
Savile AD7 Limited	Ordinary shares	50%	Guernsey
Savile AD8 Limited	Ordinary shares	50%	Guernsey
Savile AD10 Limited	Ordinary shares	50%	Guernsey
Savile ANG1 Limited	Ordinary shares	50%	Guernsey
Savile APG1 Limited	Ordinary shares	50%	Guernsey
Savile APG3 Limited	Ordinary shares	50%	Guernsey
Savile Durham 1 Limited	Ordinary shares	50%	Guernsey
Savile Exeter 1 Limited	Ordinary shares	50%	Guernsey
Savile LD1 Limited	Ordinary shares	50%	Guernsey
Savile ML1 Limited	Ordinary shares	50%	Guernsey
Savile SL1 Limited	Ordinary shares	50%	Guernsey

The nature of business for all of the above entities is property investment.

At 31 March 2010 the share of the joint ventures' statements of financial position was as follows:

	2010
	£
Non-current assets	12,399,601
Current assets	2,460,951
Share of gross assets	14,860,552
Current liabilities	604,508
Non-current liabilities	8,961,072
Share of gross liabilities	9,565,580
Share of net assets	5,294,972

At 31 March 2010 the joint ventures had no contingent liabilities.

The Fund's share of the joint ventures' losses for the year ended 31 March 2010 was £2,246,703.

	2010
	£
Revenue	1,298,452
Operating expenses	(611,710)
Administrative expenses	(444,962)
Profit on revaluation of properties and interest rate swaps	5,637
Finance costs	(2,494,120)
Profit before tax	(2,246,703)
Tax expense	-
Profit for the year	(2,246,703)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 March 2010:

	2010			Total
	Level 1	Level 2	Level 3	
	£	£	£	£
<i>Financial assets designated at fair value through profit or loss</i>				
Managed funds	-	-	191,454	191,454
	-	-	191,454	191,454

There have been no transfers between Levels during the year ended 31 March 2010.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The Fund invests in managed funds which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. Transactions in the shares of such funds do not occur on a regular basis. Investments in those funds are valued based on the NAV per share published by the administrator of those funds. Such NAV is adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors. Depending on the fair value level of an underlying fund's assets and liabilities and on the adjustments needed to the NAV per share published by that fund, the Fund classifies the fair value of that investment as either Level 2 or Level 3.

12. OTHER RECEIVABLES AND PREPAYMENTS

	2010	2009
	£	£
Loan note interest receivable	1,525	260,326
Other receivables	1,177	1,601
	2,702	261,927

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

13. OTHER PAYABLES

	<u>2010</u>	<u>2009</u>
	£	£
Investment management fees	19,966	69,546
Administration fees	1,631	4,137
Custodian fees	1,500	2,561
Audit fees	9,359	24,000
Directors' fees	-	93
Other payables	370	7,000
	<u>32,826</u>	<u>107,337</u>

14. FINANCIAL RISK MANAGEMENT

The Fund is exposed to a number of financial risks, including market risk (which includes price risk, currency risk and interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds. Risk management procedures are in place to minimise the Fund's exposure to these financial risks in order to create and protect shareholder value.

Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Fund.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

Market Risk

(i) Price Risk

Price risk exposure arises from the uncertainty about future prices of financial instruments held. It represents the potential loss that the Fund may suffer through holding market positions in the face of price movements. All investments present a risk of loss of capital. The price risk for the Fund has been amplified as its investments are illiquid. Although the Investment Manager has not been able to fully mitigate the price risk, as the investment portfolio is in realisation, the investments are managed with a view to being sold as and when a fair price can be achieved.

At 31 March 2010, if market prices had moved by 5% with all other variables remaining constant, the change in net assets attributable to holders of Participating Redeemable Preference Shares for the year would amount to approximately +/- £265,909 (31 March 2009: +/- £455,657). The maximum price risk resulting from financial instruments is equal to the fair value of the financial instruments.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Fund's functional currency.

The Fund monitors its exposure to foreign exchange rates and adopts hedging techniques as required to minimise these exposures.

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

14. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign Currency Risk (continued)

As at 31 March 2010 a proportion of the net financial assets/(liabilities) (defined in note 2) of the Fund are denominated in currencies other than Sterling as follows:

	<u>2010</u>	<u>2009</u>
	£	£
Sterling	4,445,276	9,085,688
US Dollars	21,781	-
Euro	1,033,819	597,794
Net financial assets attributable to holders of Participating Redeemable Preference Shares	<u>5,500,876</u>	<u>9,683,482</u>

The Fund's currency exposures to Euro and US Dollars, noted above, are shown after taking into account the effect of currency hedging. The Fund has engaged in currency hedging to reduce its exposure to fluctuations in the foreign exchange rate of Sterling to both Euro and US Dollars. Please refer to note 14 for further details of the Fund's currency hedging arrangements. The hedging arrangements are not an effective hedge as defined by IAS 39.

At 31 March 2010, if exchange rates of both Euro and US Dollars had strengthened/weakened by 5% against Sterling with all other variables remaining constant, the increase/(decrease) in net assets attributable to holders of Participating Redeemable Preference Shares for the year would amount to approximately (£50,267)/£55,558 (31 March 2009: £28,466/£31,463).

(iii) Interest Rate Risk

The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and cash flow. Bonds, cash and cash equivalents are the only interest bearing financial instruments.

The Investment Manager manages the Fund's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and its own views as to likely moves in interest rates.

	31 March 2010			
	<u>Fixed interest</u>	<u>Variable interest</u>	<u>Non interest bearing</u>	<u>Total</u>
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss	-	-	191,454	191,454
Other receivables	-	-	2,702	2,702
Cash and cash equivalents	-	44,574	-	44,574
Total Assets	<u>-</u>	<u>44,574</u>	<u>194,156</u>	<u>238,730</u>
Liabilities				
Other payables	-	-	32,826	32,826
Total Liabilities	<u>-</u>	<u>-</u>	<u>32,826</u>	<u>32,826</u>
Total interest sensitivity gap	<u>-</u>	<u>44,574</u>	<u>161,330</u>	<u>205,904</u>

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

14. FINANCIAL RISK MANAGEMENT (continued)

(iii) Interest Rate Risk (continued)

	31 March 2009			Total £
	Fixed interest £	Variable interest £	Non interest bearing £	
Assets				
Financial assets at fair value through profit or loss	9,062,633	-	50,500	9,113,133
Other receivables	-	-	261,927	261,927
Cash and cash equivalents	-	460,118	-	460,118
Total Assets	9,062,633	460,118	312,427	9,835,178
Liabilities				
Net amounts due out on open forward foreign exchange contracts	-	-	44,357	44,357
Other payables	-	-	107,337	107,337
Total Liabilities	-	-	151,694	151,694
Total interest sensitivity gap	9,062,633	460,118	160,733	9,683,484

At 31 March 2010, if interest rates had moved by 50 basis points on variable interest rate balances with all other variables remaining constant, the change in net assets attributable to holders of Participating Redeemable Preference Shares for the year would have amounted to approximately +/-£222 (31 March 2009: +/- £2,300), arising entirely from cash and cash equivalents.

Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. The investments of the Fund are determined by the Investment Manager in accordance with the criteria set out in the Fund's scheme particulars. Impairment provisions are provided for losses that have been incurred by the financial reporting date, if any. The Fund's maximum credit exposure is limited to the carrying amount of financial assets recognised at the financial reporting date which amounted to £5,533,702 (31 March 2009: £9,835,178).

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Fund is closed-ended and therefore is not exposed to the risk of redemptions by investors. The principal liquidity risk is contained in unmatched liabilities. In the opinion of the Directors, the current liquidity risk at 31 March 2010 was high (2009: low) since the ratio of cash and cash equivalents to unmatched liabilities was > 1.36:1 (31 March 2009: >3:1).

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

15. FORWARD CURRENCY CONTRACTS

As at 31 March 2010, there were no outstanding forward currency contracts.

As at 31 March 2009, outstanding forward currency contracts were held as set out below:

Purchase Currency	Contractual Amount	Sale Currency	Contractual Amount	Maturity Date	Unrealised Loss
					£
GBP	1,504,837	EUR	1,670,000	15 April 2009	(39,969)
GBP	180,619	EUR	200,000	15 April 2009	(4,388)
					<u>(44,357)</u>

The above forward currency contracts were held for the purposes of currency hedging.

16. SHARE CAPITAL

	2010	2009
	£	£
Authorised Share Capital		
2 Management Shares of £1 each	2	2
Unlimited unclassified Shares of no par value that may be issued as Participating Redeemable Preference Shares	-	-
	<u>2</u>	<u>2</u>

The principal rights attaching to the shares are as follows:

(i) *Management Shares:*

The Management Shares exist to comply with The Companies (Guernsey) Law, 2008 as amended, which requires that the Participating Redeemable Preference Shares have preference over another class of capital in order to be redeemable. The Management Shares can only be issued at par and are owned by the Investment Manager.

The Management Shares confer upon the holders thereof the right in a winding-up to the repayment of the amount paid up on the Management Shares but confer no further or other right to participate in the profits or assets of the Fund. Accordingly, Management Shares will not entitle the holders thereof to receive any dividends nor do they carry any voting rights whilst Participating Redeemable Preference Shares are in issue.

The issued Management Shares are as follows:

	2010	2010	2009	2009
	No.	£	No.	£
At end of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

(ii) *Participating Redeemable Preference Shares:*

In a winding-up, the holders of Participating Redeemable Preference Shares have the right to receive surplus assets available for distribution after repayment of the nominal amounts paid up on the Management Shares.

The Participating Redeemable Preference Shares confer the right to dividends. At General Meetings, on a poll, every holder is entitled to one vote in respect of each Participating Redeemable Preference Share held.

The Fund is authorised to create three classes of Participating Redeemable Preference Shares, designated Dollar Shares, Euro Shares and Sterling Shares, each of which is denominated in the specified currency and which rank pari passu to each other. Each Share Class would hold an undivided share in a single portfolio of assets held by the Fund but may have certain assets or liabilities attributable solely to the Share Class, such assets and liabilities to include, but not be limited to, forward foreign exchange agreements utilised by the Investment Manager for currency hedging purposes. At 31 March 2010, only shares in the Sterling Class had been issued.

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

16. SHARE CAPITAL (continued)

The issued Participating Redeemable Preference Shares (£ Class) are as follows:

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	No.	£	No.	£
At start of year	23,164,460	9,683,482	21,087,739	21,460,855
Issued	-	-	3,746,721	4,000,000
Redeemed	(3,243,025)	(898,642)	(1,670,000)	(1,002,000)
Loss attributable to holders of Participating Redeemable Preference Shares	-	(3,283,966)	-	(14,775,373)
At end of year	<u>19,921,435</u>	<u>5,500,874</u>	<u>23,164,460</u>	<u>9,683,482</u>

17. NET ASSET VALUE PER PARTICIPATING REDEEMABLE PREFERENCE SHARE

The net asset value per Participating Redeemable Preference Share Class (“NAV per Share”) is calculated based on the net assets attributable to holders of each Participating Redeemable Preference Share Class (“NAV”) at the financial reporting date divided by the year end number of shares in issue in that Participating Redeemable Preference Share Class.

With effect from 1 October 2009, the preliminary expenses that were being amortised over five years, for the purposes of calculating the published NAV, have been written off in full. This treatment accords with the accounting treatment adopted in the financial statements of the Fund under IFRS. The table below shows the NAV per Share, by Share Class, and reconciles the difference between the financial statements NAV per Share Class compared to the published NAV per Share Class:

£ Class	<u>2010</u>	<u>2009</u>
	£	£
NAV	5,500,874	9,683,482
No. of shares in issue	19,921,435	23,164,460
Financial Statements NAV per Share	0.2761	0.4180
Add back: write off of formation expenses, initial charge and revaluation of investments	-	4,307,852
Published NAV per Share	<u>0.2761</u>	<u>0.6040</u>

18. CAPITAL RISK MANAGEMENT

The Fund's capital risk management objectives are to ensure that the Fund is able to continue as a going concern, and to maximise the income and return on capital to holders of Participating Redeemable Preference Shares. The Fund is not subject to any externally imposed capital requirements.

The Fund is closed-ended and the Participating Redeemable Preference Shares are not redeemable at the instance of Shareholders. The table below shows the capital structure as at 31 March 2010.

Year ended 31 March 2010	Brought forward	Issues/ increase	Redemptions/ Decrease	Carried forward
	£	£	£	£
Participating Redeemable Preference Shares	24,468,000	-	(898,642)	23,569,358
Management Shares	2	-	-	2
Distributable reserves	(14,784,518)	-	(3,283,966)	(18,068,484)
	<u>9,683,484</u>	<u>-</u>	<u>(4,182,608)</u>	<u>5,500,876</u>

SPL REAL ESTATE 2 (RE2) IC LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

18. CAPITAL RISK MANAGEMENT (continued)

Year ended 31 March 2009	Brought forward	Issues/ increase	Redemptions/ Decrease	Carried forward
	£	£	£	£
Participating Redeemable Preference Shares	21,470,000	4,000,000	(1,002,000)	24,468,000
Management Shares	2	-	-	2
Distributable reserves	(9,145)	-	(14,775,373)	(14,784,518)
	<u>21,460,857</u>	<u>4,000,000</u>	<u>(15,777,373)</u>	<u>9,683,484</u>

The capital structure shows that the investment objective of the Fund is being met entirely out of equity, as the Fund is not leveraged.

19. SEGMENTAL INFORMATION

For management purposes, the Fund is organised into one main operating segment, which invests in equity securities and debt instruments. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial results of the Fund as a whole.

20. CONTINGENT LIABILITIES

At 31 March 2010 there were no contingent liabilities (2009: nil).

21. EVENTS AFTER THE FINANCIAL REPORTING DATE

With effect from 1 August 2010, Bordeaux Services (Guernsey) Limited resigned as Administrator to the Fund and Elysium Fund Management Limited was appointed in its place.

SPL REAL ESTATE 2 (RE2) IC LIMITED
PORTFOLIO STATEMENT
AS AT 31 MARCH 2010

Description	2010	
	Fair Value	% of Portfolio Value
	£	
Arch Private Finance	44,664	(102.68)
Lasker Land Ltd	40,000	0.73
SPL Private Finance (PF1)	32,637	0.59
Lasker Land Loan Note	25,001	0.46
SPL China AME Energy (NR1)	21,781	0.40
SPL Finance Opportunities (PF3)	19,723	0.36
SPL Structured Finance (PF4)	7,648	0.14
		-
	191,454	3.49
		-
Joint ventures accounted for using the equity method	5,294,972	96.51
		-
	5,486,426	100.00

SPL REAL ESTATE 2 (RE2) IC LIMITED
PORTFOLIO STATEMENT
AS AT 31 MARCH 2010

Description	2009	
	Fair Value	% of Portfolio Value
	£	
Durham1 Funding Note 7% 15/01/13	1,242,853	13.62
Savile ML1 Funding Note 12% 15/01/13	644,309	7.07
Savile ANG1 Funding Note 12% 15/01/13 EUR	595,295	6.53
Savile AD7 Funding Note 7% 15/01/13	602,500	6.61
Savile ANG1 Funding Note 6% 15/01/13 EUR	466,924	5.12
Savile AD4 Funding Note 7% 15/01/13	465,001	5.10
Savile AD8 Funding Note 7% 15/01/13	464,601	5.10
Savile AD5 Funding Note 7% 15/01/13	370,500	4.07
Savile SL1 Funding Note 7% 15/01/13	366,001	4.02
Savile AD6 Funding Note 7% 15/01/13	337,001	3.70
Greenwood Funding Note 7% 15/01/13	331,501	3.64
Savile AD3 Funding Note 7% 15/01/13	316,082	3.47
Exeter1 Funding Note 7% 15/01/13	312,001	3.42
Savile APG1 Funding Note 12% 15/01/13 EUR	277,527	3.05
Durham1 Funding Note 12% 15/01/13	258,500	2.84
Greenwood Funding Note 12% 15/01/13	225,000	2.47
Savile APG3 Funding Note 12% 15/01/13 EUR	161,892	1.78
Savile AD2 Funding Note 12% 15/01/13	157,266	1.73
Savile AD1 Funding Note 7% 15/01/13	167,001	1.83
Savile AD3 Funding Note 12% 15/01/13	157,000	1.72
Savile AD4 Funding Note 12% 15/01/13	150,000	1.65
Savile SL1 Funding Note 12% 15/01/13	148,000	1.62
Savile AD7 Funding Note 12% 15/01/13	125,001	1.37
Savile ANG1 Funding Note 7% 15/01/13 GBP	123,000	1.35
Savile AD8 Funding Note 12% 15/01/13	108,900	1.19
Savile APG3 Funding Note 6% 15/01/13 EUR	92,509	1.02
Savile AD1 Funding Note 12% 15/01/13	89,500	0.98
Savile AD5 Funding Note 12% 15/01/13	79,001	0.87
Savile AD6 Funding Note 12% 15/01/13	71,000	0.78
Exeter1 Funding Note 12% 15/01/13	69,500	0.76
Lasker Land Loan Note	50,000	0.55
Savile APG1 Funding Note 7% 15/01/13	21,000	0.23
Savile APG3 Funding Note 7% 15/01/13 GBP	20,000	0.22
Savile AD2 Funding Note 7% 15/01/13	20,000	0.22
Savile AD10 (Via AT1) SPV Funding Note 7% 15/01/13	13,966	0.15
Savile APG2 Funding Note 7% 15/01/13	12,500	0.14
Lasker Land Ltd	500	0.01
Savile LD1 Limited	1	-
	9,113,133	100.00