

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**(formerly ARCH STRUCTURED FINANCE IC LIMITED)**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2010**

**SPL STRUCTURED FINANCE (PF4) IC LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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**SPL STRUCTURED FINANCE (PF4) IC LIMITED  
ADMINISTRATION**

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<b>Registered Office of the Company</b>	2nd Floor No.1 Le Truchot St. Peter Port Guernsey GY1 3JX	
<b>Directors of the Company</b>	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)
<b>Investment Manager</b>	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)
<b>Custodian and Bankers</b>	MeesPierson (C.I.) Limited Martello Court Admiral Park St. Peter Port Guernsey GY1 3QJ	
<b>Auditor</b>	Ernst & Young LLP Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF	(appointed on 19 March 2010)
<b>Administrator, Secretary and Listing Sponsor</b>	Elysium Fund Management Limited 2nd Floor No. 1 Le Truchot St Peter Port Guernsey GY1 3JX	(appointed on 1 July 2010)
	Bordeaux Services (Guernsey) Limited Bordeaux Court Les Echelons St. Peter Port Guernsey GY1 6AW	(resigned on 1 July 2010)
<b>Lawyers</b>	Carey Olsen Carey House Les Banques St. Peter Port Guernsey GY1 4BZ	
<b>Company Registration Number</b>	46590	

**SPL STRUCTURED FINANCE (PF4) IC LIMITED  
CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2010**

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**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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**CHAIRMAN'S STATEMENT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**CHAIRMAN'S STATEMENT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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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 (“NAVs”) 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 whatever 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 it 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. Because this is not necessarily “fair value” as defined in IFRS, which broadly requires the amount that would be realised from a sale at the year end date, these assets are described in the financial statements as carried at the lower of a deemed cost (the last reliable fair value) and the current assessment of expected realisable value. When it becomes possible to revert to “fair value” as defined in IFRS we will do so. Nevertheless it is important that readers understand that our assets will respond to the varied markets in which they trade, whereas the lower of deemed cost and recoverable amount or ‘cost less impairment’ by which they are described in the report and accounts suggests a set value.

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, though these are themselves subject to underlying audits). 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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**CHAIRMAN'S STATEMENT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**CHAIRMAN'S STATEMENT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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 £15,124,454 (2009: £16,691,199), representing a loss per share of 38.09p (2009: 43.76p). The NAV attributable to Participating Redeemable Preference Shares at 31 March 2010 was £13,637,772 (2009: £28,762,226), 34.35p per share (2009: 72.44p 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 STRUCTURED FINANCE (PF4) IC LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2010**

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The Directors of SPL Structured Finance (PF4) IC Limited (formerly Arch Structured Finance 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 15 March 2007 and listed on the Channel Islands Stock Exchange (the "CISX") on 30 March 2007.

On 27 July 2009, the Directors of the ICC 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 suspension was subsequently lifted on 31 March 2010.

Pursuant to a Special resolution dated 28 January 2010, the Fund changed its name from Arch Structured Finance IC Limited to SPL Structured Finance (PF4) 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 in private finance selected by the Investment Manager with a bias towards late stage structured finance and early-stage (venture) finance.

**RESULTS AND DIVIDENDS**

The results for the year are shown on page 19.

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 £13,637,772 (2009: £28,762,226) and the net asset value ("NAV") per Share was 34.35p (2009: 72.44p).

**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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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>
Bank of New York (Nominees) Limited	14,398,814	48.61%
HSBC Global Custody Nominee (UK) Limited	10,963,420	37.01%

**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 and under the CISX Rules, 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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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:

	<b>Board meetings</b>	<b>Audit Committee meetings</b>	<b>Risk Committee meetings</b>
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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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 of members of the Administrator meets at least once a month to agree and review valuation methodologies to ensure that valuations 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 13 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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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 note 4.

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 STRUCTURED FINANCE (PF4) IC LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**THE ADMINISTRATOR**

Bordeaux Services (Guernsey) Limited had been appointed as Administrator of the Fund pursuant to an Administration Agreement dated 21 March 2007 (the "Administration Agreement"). The Administrator had also been appointed to act as Secretary of the ICC and the Fund.

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

With effect from 1 July 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 21 March 2007.

Details of the fee 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 (Guernsey) Limited, 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 STRUCTURED FINANCE (PF4) IC LIMITED  
INVESTMENT MANAGER'S REPORT  
FOR THE YEAR ENDED 31 MARCH 2010**

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Spearpoint Limited ("Spearpoint") 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. Given the nature of the assets we inherited, and the history of the Fund, detailed comparisons of performance of certain assets and comments on the net asset value performance of the Fund, during the financial year, are not possible.

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 largest exposure of the Fund is to Nautical Ventures which, excluding cash, represents approximately 51% of the assets of the Fund. The outcome here will, quite obviously, materially determine the performance of the Fund going forward. We have, therefore, committed to an extensive program of monitoring and report to the Board on a weekly basis in relation to progress on this asset. In the previous financial year this exposure was broken down into "funding notes" issued by Arch Treasury ("AT") and partly identified against different ships in the fleet (Arch AT Friendship Linked Note 31/5/09, for example, representing the "Friendship" vessel in the fleet) but to all intents and purposes each of these funding notes represented exposure to the same overall structure and operating risks.

Following our appointment the immediate task was to stabilise the overall structure, which was in dire financial difficulty, whilst at the same time bringing greater transparency and reducing the potential for conflicts of interest, thereby improving our overall position should we be forced to enforce against the structure. This restructuring involved writing off a proportion of the debt which Nautical Ventures was quite clearly never going to be in a position to repay, irrespective of any anticipated recovery in the shipping market, in return for certain commitments from the principals behind Nautical Ventures, who were willing to work with us in a constructive fashion. Quite simply, we had the choice of letting it go bust and facing a highly destructive enforcement or trying to work in partnership with them to restructure in the hope of providing some time to benefit from an anticipated recovery in the shipping market. We took the view that whilst we would not choose to be in this deal there was no immediate way out that did not destroy value, and that we had no real choice but to restructure which included running the risk of being accused of throwing good money after bad if the overall restructuring subsequently failed. Our overall plan has been to stabilise matters, get all vessels trading so that there will be cash flow to support the remaining loans outstanding, allow time for an anticipated increase in shipping rates to help heal the structure, and that with stability would come a platform for a future exit.

Although the overall structure remains fragile, and it is too early to claim success, evidence to-date suggests that a restructuring was the right option. All of the vessels are now available for trade which is a marked improvement on the position when we were appointed and, crucially, the Admiral, which is a bulk carrier, is finally out of the ship yard where it was undergoing a conversion which had been stalled due to a lack of cash flow. Now that all vessels are available for trade the performance of the structure will be more directly linked to the performance of the shipping market although certain features of the more elderly tankers in the fleet limit their trade to certain markets. Going forward rising shipping rates will have a positive impact on the structure but the nature of certain vessels within the fleet will limit the extent to which a recovery in shipping values will flow through to the value of the vessels which are the ultimate collateral.

We do not believe that Nautical Ventures will require any further cash support from the Fund. It is now a question of working with a stabilised Nautical Ventures to recover value for the Fund which will eventually be returned in the form of cash. In this respect we are not in the economic "double dip" camp. We believe that the economic recovery will continue, although at a modest rate, and that world trade will continue to expand having a consequently positive impact on shipping rates despite additional shipping capacity coming on stream. Clearly, if we are wrong in this assumption, the fragile Nautical Ventures structure will suffer greatly from any renewed downturn in shipping rates.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED  
INVESTMENT MANAGER'S REPORT (continued)  
FOR THE YEAR ENDED 31 MARCH 2010**

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In March 2010, the Fund sold its stake in Lonscale Holdings as part of an exit from the business by all of the Funds of SPL Guernsey. 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 in total (including holdings other than the Fund's) to the then minority shareholder of Lonscale Holdings 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 £0.3m of upfront and deferred consideration. If the Fund is paid in full, we expect to receive £2.2m over two years in total consideration for the sale.

Approximately 11% of the portfolio is invested into Noble Venture Finance II Fund ("NVFII") which is a fund specialising in providing debt to, and receiving equity rights in, venture stage companies across Europe. Combined with other Funds in the ICC we collectively control a significant proportion of the equity in NVFII and are the majority holders (68%). We have actively engaged with the board of NVFII and other shareholders to address concerns which we had in relation to the level of gearing within NVFII along with other features of the fund. Subsequent to the year-end we have agreed a package of changes with the board of NVFII which will, subject to regulatory and shareholder approval, result in a self managed realisation of the assets. In the meantime, the board of NVFII have sought to reduce debt within the structure which addresses our concern over excessive leverage.

Since the beginning of 2010 NVFII has cancelled £59m of debt leaving a junior debt facility of £8m and a senior debt facility of £8m. This reduces debt to, in our view, a more prudent level and, as part of a broader debt renegotiation with lending banks, NVFII has negotiated a waiver of a potential net tangible worth breach. The cost structure of NVFII has been reduced by over £1m per annum and further cost savings are possible as part of the agreed package of changes. The board of NVFII is now finalising a proposal to be put to shareholders to amend the fund's investment period so that it finishes now rather than in 2013. If the package of changes is approved by a shareholder vote the revised investment strategy would be to realise existing investments (debt, equity and warrant book) over the next 3 years in an orderly fashion. As the term of most loans in the fund is 3 years, the majority of the investments are expected to be realised naturally as companies repay loans. Once debt is fully repaid then cash flow will go to shareholders in NVFII, including this Fund.

The Fund has a holding in Ark Royal, a fund investing primarily in life settlements and trade finance along with US & Energy-related Real Estate. Since the suspension of the fund and subsequent decision to unwind and return capital to investors, progress on the liquidation of assets has been poor. However, the underlying positions held are all in assets classes which have been slow to rebound post the credit crisis and this has contributed to the inertia. In order to try to provide some impetus to the investment manager and gain comfort that everything possible is being done to look after investor interest we have been in dialogue with the board and working to ensure it fulfils its fiduciary duty in providing transparency and governance. It is still unknown how long it will take for exits to be found from the underlying positions, however the investment manager continues to work to this end. We remain dissatisfied by certain elements of the fund.

Bond Capital Partners accounts for just over 8% of the assets of the Fund's investment portfolio and is a private equity fund that aims to generate returns by providing later stage structured finance for mid-market companies. The sector focus is in media, technology and services. The Fund's commitment to Bond Capital Partners has been fully drawn down and invested, however the fund has an eight year investment term which commenced in 2008. Accordingly, there is no opportunity to generate liquidity from this investment in the near-term.

SOLA is a fund investing in non-investment grade, floating rate, senior secured or unsecured loans, loan participations and other securities issued in public and private markets. After the suspension of the fund the Funds opted to move to the unwinding share class which had a mandate to unwind over 3 years from March 2009 with the intention of returning approximately one third of investor capital during each of these years. Phase one of this target was met in March 2010. Due to improved market conditions a further repayment was received ahead of schedule in June 2010.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED  
INVESTMENT MANAGER'S REPORT (continued)  
FOR THE YEAR ENDED 31 MARCH 2010**

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The Arch AT Santa Maria Linked 13% Loan Note represented almost 6% of the assets of the portfolio. In total the Funds within the ICC provided a loan to Santa Maria Lines Limited for €6,650,000, spread across a number of Funds through the "Arch Treasury" mechanism and represented by loan notes, which are guaranteed by G.Bros Maritime S.A. The original loan agreement was dated 7 April 2008 and was amended twice by the original investment manager to allow the borrower to restructure payments. The purpose of the loan was to fund the acquisition of a ROPAX ferry to be operated between Albania and Italy. On our appointment, it was clear that the borrower had been in continued default. We sought to negotiate some form of restructuring but found the borrower uncooperative in all respects and a notice of default was issued. The default was not remedied and a notice of demand was issued on the guarantor on 10 December 2009. No payments were made by either the borrower or guarantor. The Funds enforced the mortgage held over the vessel and a provisional order to arrest was obtained in Greece on 14 December 2009. In addition to the arrest of the vessel, lawyers also obtained court orders in the UK and Greece to freeze the accounts of the borrower. This occurred on 17 December 2009. In addition, the funds filed proceedings against G.Bros Maritime S.A. Lines Limited and Santa Maria in the High Court in London to establish the merits of the case. These proceedings were required in order to enforce the security in Greece (i.e. the mortgage).

A court appointed auction of the vessel was initiated by the crew (with the knowledge of Spearpoint) and was scheduled for 7 April 2010. The auction was postponed (at the request of Spearpoint) to 12 May 2010 to provide more time to arrange a buyer. No buyers were forthcoming and the Funds took possession of the vessel through the auction process. Prior to obtaining ownership of the vessel, Spearpoint had to negotiate with 12 lien holders that had registered claims against the vessel. Settlements were reached with 5 of those parties. A number of these liens represent priority shipping liens under maritime law which means that they rank ahead of the Funds first mortgage position and thereby diminish the value of the Funds collateral. The previous operator of the vessel had not, for example, paid crew for some time and the settlement of such claims are a direct hit to the value of the Funds position. In addition the previous operator had not paid insurance premiums and various amounts to suppliers.

In conjunction with enforcement proceedings on the vessel, we have managed several insurance claims made following damage suffered by the vessel and to date the Funds have received €322,988 in insurance proceeds. A further claim is outstanding for damages suffered to the main engine in 2008 together with a claim for damages suffered in 2009 both of which we continue to work on.

Following the securing of ownership of the vessel, we have been in discussions with several potential buyers but have not been able to conclude a deal. The vessel will be a cost to the Funds, in terms of a skeleton crew and port costs etc, until a buyer is found.

The ARCH AT The Cloud Linked Loan Note is a fully performing loan which is expected to be repaid in full shortly.

At the date of this report the Fund held approximately 1.5% of its assets in other Funds within the ICC. Our ability to realise liquidity from these holdings was dependent upon each of the underlying Funds introducing its own share buyback programme, which we could then sell into. In turn, this was dependent upon each of the underlying Funds 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. Subsequent to the year-end the holding of SPL China AME Energy (NR1) IC Limited returned all capital to shareholders and went into liquidation.

The Fund also has exposure to the Cru Investment Management Loan Notes 10% 2/2/09 which was secured against certain cash flows due to Cru from their role as distributor of certain products of the previous investment manager. Cru is now in liquidation and, as the principal creditor, we are working with the liquidator to recover what value we can although the final recovery is expected to be small in relation to the size of the original investment.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED  
INVESTMENT MANAGER'S REPORT (continued)  
FOR THE YEAR ENDED 31 MARCH 2010**

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As we have realised cash within the Fund we have sought to return this cash to Shareholders in line with the overall objectives. The easiest means to achieve this is to use a share buyback mechanism but we will, in due course, look at more structural methods which would facilitate a more rapid return of cash such as tender offers.

**Spearpoint Limited  
6 September 2010**

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF SPL STRUCTURED FINANCE (PF4) IC LIMITED**

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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 20. 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. 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 STRUCTURED FINANCE (PF4) IC LIMITED  
INDEPENDENT AUDITOR'S REPORT (continued)  
TO THE MEMBERS OF SPL STRUCTURED FINANCE (PF4) IC LIMITED**

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**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.

**Emphasis of matter – carrying value of investments**

In forming our opinion on the Fund's financial position at 31 March 2010, which is not qualified, we have considered the adequacy of the disclosure made in notes 2 and 10 to the financial statements concerning the uncertainties involved in estimating impairments for those investments where fair value can no longer be reliably measured. The matters explained in notes 2 and 10 to the financial statements indicate the existence of a material uncertainty about the carrying value of such investments. The amounts eventually recovered may differ from the carrying value but the difference cannot presently be determined.

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

**30 September 2010**

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	<b>2010</b>	2009
		<b>£</b>	£
<b>Income</b>			
Bank interest		-	173,084
Bond interest		<b>984,073</b>	2,188,875
Commissions income		<b>2,749</b>	-
<b>Total income</b>		<b>986,822</b>	2,361,959
<b>Expenses</b>			
Administration fees	4,5	<b>24,491</b>	50,216
Audit fees		<b>20,279</b>	17,908
Custodian fees	4	<b>15,319</b>	33,183
Directors' fees and expenses	6	<b>4,343</b>	911
Investment Manager's initial dealing charge	5	-	110,000
Investment Management fees	4,5	<b>287,607</b>	663,001
Investment interest		<b>526,027</b>	103,671
Other operating expenses		<b>13,222</b>	10,522
<b>Total expenses</b>		<b>891,288</b>	989,412
<b>Investment gains and losses</b>			
Realised (loss)/gain from sale of investments	9	<b>(27,317,964)</b>	5,363,521
Movement in unrealised gain/(loss) on investments		<b>12,058,779</b>	(19,121,090)
<b>Total investment loss</b>		<b>(15,259,185)</b>	(13,757,569)
<b>Net loss from operating activities before gains and losses on foreign currency exchange</b>			
		<b>(15,163,651)</b>	(12,385,022)
Gain/(loss) on foreign currency exchange		<b>39,197</b>	(4,306,177)
<b>Total comprehensive loss for the year attributable to holders of Participating Redeemable Preference Shares</b>		<b>(15,124,454)</b>	(16,691,199)
Weighted average shares in existence during the year		<b>39,704,597</b>	38,139,584
<b>Loss per Participating Redeemable Preference Share</b>	8	<b>(£0.3809)</b>	(£0.4376)

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 23 – 39 form an integral part of these audited financial statements.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2010**

	Notes	<b>2010</b>	2009
		£	£
<b>Assets</b>			
<b>Current assets</b>			
Financial assets	9,10	<b>11,926,483</b>	26,963,566
Other receivables and prepayments	11	<b>7,074</b>	533,677
Due from brokers		<b>76,883</b>	126,792
Cash and cash equivalents		<b>1,680,071</b>	1,484,844
<b>Total assets</b>		<b>13,690,511</b>	29,108,879
<b>Equity and liabilities</b>			
Share capital – Management Shares	15	<b>2</b>	2
Participating Redeemable Preference Shares	17	<b>43,581,230</b>	43,581,230
Retained deficit	17	<b>(29,943,458)</b>	(14,819,004)
<b>Total equity</b>		<b>13,637,774</b>	28,762,228
<b>Liabilities</b>			
<b>Current liabilities</b>			
Net amounts due out on open forward foreign exchange contracts	14	<b>-</b>	162,737
Other payables	12	<b>52,737</b>	183,914
<b>Total liabilities</b>		<b>52,737</b>	346,651
<b>Total equity and liabilities</b>		<b>13,690,511</b>	29,108,879
<b>Net Asset Value per Participating Redeemable Preference Share</b>	16	<b>£0.3435</b>	£0.7244

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

For and on behalf of  
**SPL STRUCTURED FINANCE (PF4) IC LIMITED**

**H G Aldous**  
**Director**

**A Duquemin**  
**Director**

The accompanying notes on pages 23 – 39 form an integral part of these audited financial statements.

**SPL STRUCTURED FINANCE (PF4) 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>
		£	£
<b>Net assets attributable to holders of Participating Redeemable Preference Shares at start of year</b>		<b>28,762,226</b>	39,953,425
Issue of Participating Redeemable Preference Shares	15	-	5,500,000
Total comprehensive loss attributable to holders of Participating Redeemable Preference Shares	15	<b>(15,124,454)</b>	(16,691,199)
<b>Net assets attributable to holders of Participating Redeemable Preference Shares at end of year</b>		<b><u>13,637,772</u></b>	<u>28,762,226</u>

The accompanying notes on pages 23 – 39 form an integral part of these audited financial statements.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<u>2010</u>	<u>2009</u>
	£	£
<b>Cash flows from operating activities</b>		
Total comprehensive loss attributable to holders of Participating Redeemable Preference Shares	<b>(15,124,454)</b>	(16,691,199)
<i>Adjusted for:</i>		
Bank interest received	-	(173,084)
Decrease/(increase) in receivables	<b>526,603</b>	(159,898)
Decrease/(increase) in amount due from brokers	<b>49,909</b>	(126,792)
Decrease in payables	<b>(131,177)</b>	(178,035)
Realised loss/(profit) on sale of investments	<b>27,317,964</b>	(5,363,521)
Unrealised (profit)/loss on investments	<b>(12,058,779)</b>	19,121,090
Purchase of investments	<b>(53,606,226)</b>	(44,666,785)
Sale proceeds from disposal of investments	<b>53,384,124</b>	35,467,407
<b>Net cash flows from/(used in) operating activities</b>	<b><u>357,964</u></b>	<u>(12,770,817)</u>
<b>Cash flows from financing activities</b>		
Bank interest received	-	173,084
Proceeds from issue of Participating Redeemable Preference Shares	-	5,500,000
<b>Net cash inflows from financing activities</b>	<b><u>-</u></b>	<u>5,673,084</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>357,964</u></b>	<u>(7,097,733)</u>
Effect of exchange rate changes during the year	<b>(162,737)</b>	(353,764)
<b>Net movement in cash and cash equivalents</b>	<b><u>195,227</u></b>	<u>(7,451,497)</u>
Cash and cash equivalents at start of year	<b>1,484,844</b>	8,936,341
<b>Cash and cash equivalents at end of year</b>	<b><u>1,680,071</u></b>	<u>1,484,844</u>

The accompanying notes on pages 23 – 39 form an integral part of these audited financial statements.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**1. GENERAL INFORMATION**

SPL Structured Finance (PF4) IC Limited (formerly Arch Structured Finance 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 15 March 2007 and commenced operations on 23 March 2007. The Fund's shares were listed on the Channel Islands Stock Exchange on 30 March 2007.

On 27 July 2009, the Directors of the ICC 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 suspension was subsequently lifted on 31 March 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 term through an economic exposure to a diverse range of investments in private finance selected by the Investment Manager with a bias towards late stage structured finance and early-stage (venture) finance.

**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 (where applicable) and in accordance with International Financial Reporting Standards ("IFRS") 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'

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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**

The Fund classifies its investments at fair value through profit or loss when fair value can be reliably measured. The Directors consider that fair values can be reliably measured when it would be possible to redeem an investment at either the published net asset value or, if this is not available, the latest estimate of net asset value from the administrator or manager of the investment.

When it is no longer possible to redeem an investment at its net asset value, whether due to suspension of redemptions, liquidation or otherwise, the Directors consider whether net asset value is a reliable estimate of fair value. In circumstances where it is not, the investment is included in the financial statements at the most recent net asset value at which it could have been redeemed. This amount is deemed to be a new cost for the investment. The Directors review such cost for subsequent impairments, and reduce the carrying value accordingly.

Impairment arises if subsequent published or estimated net asset values are lower than deemed cost or other information becomes available that indicates that the Fund will not be able to recover the carrying value of the investment. Impairments and reversals thereof on investments are included in the Statement of Comprehensive Income.

The Directors identify fair values and impairments to carrying values based upon the latest information available 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 reporting date of the Fund and, in such cases, fair value adjustments and impairments or impairment reversals are based on the most recent valuation date of the funds. The net asset values 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 net asset values are based on estimates. The Directors may make adjustments to the notified net asset values 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' in note 10.

**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 set out in note 10:

**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.

**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.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**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 21 March 2007 and the Investment Management Agreement dated 30 November 2009.

**Administration Fees**

Until its resignation on 1 July 2010 the previous Administrator (Bordeaux Services (Guernsey) Limited) 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%

**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 £15,319 (31 March 2009: £33,183) with a custodian fee payable at 31 March 2010 of £2,539 (31 March 2009: £7,881).

**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 £287,607 (31 March 2009: £nil) of which £33,966 was payable at 31 March 2010 (31 March 2009: £nil).

The Investment Manager is also entitled to receive a performance fee equal to 10% 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 Company 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 21 March 2007.

**5. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**

**Investment Management Fees (continued)**

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 1.5% per annum of the NAV of the Fund. In the year ended 31 March 2010, investment management fees totalling £nil (31 March 2009: £663,001) were due to Arch Financial Products LLP. As at 31 March 2010, the management fee payable was £nil (31 March 2009: £153,182).

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: £110,000).

The former Investment Manager was also entitled to receive a performance fee during the year ended 31 March 2010 at 10% 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 the three month LIBOR of the currency of the share class plus 4% set on the final business day of the previous performance period. 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 £24,491 (31 March 2009: £50,216) were due to Bordeaux Services (Guernsey) Limited. As at 31 March 2010 the administration fee payable was £2,774 (31 March 2009: £12,268).

**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 prorated by reference to the Fund's NAV. Robert Addison had agreed to waive his fee.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**6. DIRECTORS' FEES (continued)**

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 £4,343 (31 March 2009: £911) with Directors' fees payable at 31 March 2010 of £nil (31 March 2009: £223).

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

	<b>2010</b>	2009
	£	£
Hugh Aldous	<b>1,303</b>	-
Andrew Duquemin	<b>1,179</b>	-
William Scott	<b>1,179</b>	-
Peter Radford	<b>341</b>	455
Neal Meader	<b>341</b>	456
Robert Addison	-	-
	<b>4,343</b>	911

In addition to the above, Andrew Duquemin and William Scott were each paid £173 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 (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 comprehensive loss of £15,124,454 (2009: loss of £16,691,199) and on a weighted average number of Shares in issue throughout the year of 39,704,597 (2009: 38,139,584).

**9. FINANCIAL ASSETS**

	<b>2010</b>	2009
	£	£
<b>Investments</b>		
Cost at start of year	<b>44,210,113</b>	29,647,214
Purchases	<b>53,606,226</b>	44,666,785
Disposals	<b>(53,384,124)</b>	(35,467,407)
Realised (losses)/gains on disposals	<b>(27,317,964)</b>	5,363,521
<b>Cost at end of year</b>	<b>17,114,251</b>	44,210,113
Unrealised loss on investments	<b>(5,187,768)</b>	(17,246,547)
<b>Investments at end of year</b>	<b>11,926,483</b>	26,963,566

Prior to the re-classification of investments from "fair value through profit or loss" to "cost less impairment", all of the investments would have been classified as Level 3 under IFRS 7's fair value hierarchy.

**10. SIGNIFICANT ESTIMATES AND JUDGEMENTS**

The preparation of financial statements involves the use of estimates and judgements. The principal estimates and judgements in the Fund's financial statements involve the classification of investments between those that are measured at fair value and those that are measured at deemed cost less impairment and the estimation of impairment for those that are measured at deemed cost less impairment. There is no active market for such investments and fair value cannot be reliably measured. Consequently the estimation of impairment and carrying value involves judgement. The Directors use the most recent net asset value including those post year end as a basis for assessing impairment. They also consider the underlying assets of the Fund's investments including the extent to which they are fair valued. These assessments are often based on unaudited information as financial statements for the Fund's investments are not generally available at the time of completion of the Fund's own financial statements and material information about the assets and liabilities of the Fund's investments may not have come to light at the time. Equally, changes in market conditions generally and in relation to specific investments may cause recoverable amounts to be different to those estimated by the Directors. These conditions give rise to material uncertainty about the recoverable amounts of the Fund's investments.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**11. OTHER RECEIVABLES AND PREPAYMENTS**

	<b>2010</b>	2009
	£	£
Bond interest	<b>3,933</b>	531,441
Other receivables	<b>3,141</b>	2,236
	<b>7,074</b>	533,677

**12. OTHER PAYABLES**

	<b>2010</b>	2009
	£	£
Investment management fees	<b>33,966</b>	153,182
Administration fees	<b>2,774</b>	12,268
Custodian fees	<b>2,539</b>	7,881
Audit fees	<b>13,458</b>	6,800
Directors' fees	-	223
Other payables	-	3,560
	<b>52,737</b>	183,914

**13. FINANCIAL RISK MANAGEMENT**

The Fund is exposed to a number of financial risks, including market risk (which includes price risk, foreign 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.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**13. FINANCIAL RISK MANAGEMENT (continued)**

**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 +/- £596,324 (31 March 2009: +/- £1,348,178). The maximum price risk resulting from financial instruments is equal to the carrying 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.

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:

	<b>2010</b>	2009
	£	£
Sterling	<b>3,837,133</b>	21,165,952
US Dollars	<b>3,575,818</b>	3,589,796
Euro	<b>6,224,821</b>	4,006,478
<b>Net financial assets attributable to holders of Participating Redeemable Preference Shares</b>	<b><u>13,637,772</u></b>	<u>28,762,226</u>

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**13. FINANCIAL RISK MANAGEMENT (continued)**

**(ii) Foreign Currency Risk (continued)**

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 exchanges 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 £515,823/(£466,697) (31 March 2009: £399,804/(£361,727)).

**(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**

	<b>Fixed interest</b>	<b>Variable interest</b>	<b>Non interest bearing</b>	<b>Total</b>
<b>Assets</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Financial assets	6,936,145	-	4,990,338	11,926,483
Other receivables	-	-	7,074	7,074
Due from brokers	-	-	76,883	76,883
Cash and cash equivalents	-	1,680,071	-	1,680,071
<b>Total Assets</b>	<b>6,936,145</b>	<b>1,680,071</b>	<b>5,074,295</b>	<b>13,690,511</b>
<b>Liabilities</b>				
Other payables	-	-	52,737	52,737
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>52,737</b>	<b>52,737</b>
<b>Total interest sensitivity gap</b>	<b>6,936,145</b>	<b>1,680,071</b>	<b>5,021,558</b>	<b>13,637,774</b>

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**13. FINANCIAL RISK MANAGEMENT (continued)**

**(iii) Interest Rate Risk (continued)**

31 March 2009

	Fixed interest	Variable interest	Non interest bearing	Total
	£	£	£	£
<b>Assets</b>				
Financial assets at fair value through profit or loss	16,701,690	-	10,261,876	26,963,566
Other receivables	-	-	533,677	533,677
Due from brokers	-	-	126,792	126,792
Cash and cash equivalents	-	1,484,844	-	1,484,844
<b>Total Assets</b>	<b>16,701,690</b>	<b>1,484,844</b>	<b>10,922,345</b>	<b>29,108,879</b>
<b>Liabilities</b>				
Net amounts due out on open forward foreign exchange contracts	-	-	162,737	162,737
Other payables	-	-	183,914	183,914
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>346,651</b>	<b>346,651</b>
<b>Total interest sensitivity gap</b>	<b>16,701,690</b>	<b>1,484,844</b>	<b>10,575,694</b>	<b>28,762,228</b>

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 +/-£8,400 (31 March 2009: +/- £7,424), 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 £13,690,511 (31 March 2009: £29,108,879).

**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 since the ratio of cash and cash equivalents to unmatched liabilities was >31:1 (31 March 2009: >4:1).

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**14. 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:

<b>Purchase Currency</b>	<b>Contractual Amount</b>	<b>Sale Currency</b>	<b>Contractual Amount</b>	<b>Maturity Date</b>	<b>Unrealised Loss</b>
					<b>£</b>
GBP	3,000,000	USD	2,103,639	15 May 2009	9,304
GBP	1,300,000	EUR	1,163,022	15 May 2009	(39,491)
GBP	4,200,000	EUR	3,752,490	15 May 2009	(132,550)
					(162,737)

The above forward currency contracts are for the purposes of currency hedging.

**15. SHARE CAPITAL**

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

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:

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

*(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.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**15. SHARE CAPITAL (continued)**

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.

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

	<u>2010</u>	<u>2010</u>	2009	2009
	No.	£	No.	£
At start of year	<b>39,704,597</b>	<b>28,762,226</b>	35,206,724	39,953,425
Issued	-	-	4,497,873	5,500,000
Loss attributable to holders of Participating Redeemable Preference Shares	-	<b>(15,124,454)</b>	-	(16,691,199)
At end of year	<u><b>39,704,597</b></u>	<u><b>13,637,772</b></u>	<u>39,704,597</u>	<u>28,762,226</u>

**16. 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:

<b>£ Class</b>	<u>2010</u>	<u>2009</u>
	£	£
NAV	<b>13,637,772</b>	28,762,226
No. of shares in issue	<b>39,704,597</b>	39,704,597
<b>Financial Statements NAV per Share</b>	<b>0.3435</b>	0.7244
Add back: write off of formation expenses, initial charge and revaluation of	-	3,113,355
<b>Published NAV per Share</b>	<u><b>0.3435</b></u>	<u>0.8028</u>

**17. 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.

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**17. CAPITAL RISK MANAGEMENT (continued)**

The Fund is closed-ended and the Participating Redeemable Preference Shares are not redeemable at the instance of Shareholders but are listed on the CISX where they may be bought or sold on a matched bargain basis through the Fund's appointed market maker. The table below shows the capital structure as at 31 March 2010.

<b>Year ended 31 March 2010</b>	<b>Brought forward</b>	<b>Issues/ increase</b>	<b>Redemptions/ decrease</b>	<b>Carried forward</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Participating Redeemable Preference Shares	<b>43,581,230</b>	-	-	<b>43,581,230</b>
Management Shares	<b>2</b>	-	-	<b>2</b>
Distributable reserves	<b>(14,819,004)</b>	-	<b>(15,124,454)</b>	<b>(29,943,458)</b>
	<b>28,762,228</b>	-	<b>(15,124,454)</b>	<b>13,637,774</b>

  

<b>Year ended 31 March 2009</b>	<b>Brought forward</b>	<b>Issues/ increase</b>	<b>Redemptions/ decrease</b>	<b>Carried forward</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Participating Redeemable Preference Shares	38,081,230	5,500,000	-	43,581,230
Management Shares	2	-	-	2
Distributable reserves	1,872,195	-	(16,691,199)	(14,819,004)
	<b>39,953,427</b>	<b>5,500,000</b>	<b>(16,691,199)</b>	<b>28,762,228</b>

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

**18. 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.

**19. CONTINGENT LIABILITIES**

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

**20. EVENTS AFTER THE FINANCIAL REPORTING DATE**

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

**SPL STRUCTURED FINANCE (PF4) IC LIMITED**  
**PORTFOLIO STATEMENT**  
**AS AT 31 MARCH 2010**

Description	2010	
	£	% of Portfolio Value
Arch AT Nautical Ventures O/D Facility 0% Note	5,526,083	46.33
Bond Capital Partners 1 Limited C Shares	999,388	8.38
Arch AT Santa Maria Linked 13% Loan Note	688,012	5.77
Noble Venture Finance II	1,393,760	11.69
Arch AT Nautical Ventures O/D Facility 5% Note	500,801	4.20
Cru Investment Mgmt Ltd Loan Note 10%	87,354	0.73
Arch AT The Cloud Linked Loan Note	439,977	3.69
Arch AT Nautical Ventures O/D Facility B 6% Note	133,895	1.12
Arch Private Finance (PF2) IC Limited	68,834	0.58
SPL Private Finance (PF1) IC Limited	50,299	0.42
SPL China AME Energy (NR1) IC Limited	33,568	0.28
SPL Finance Opportunities (PF3) IC Limited	30,395	0.25
Ark Royal Fund (Offshore) Ltd Class B, Series 1	1,267,226	10.63
SOLA 1, Class L3, Series E Initial	706,891	5.93
	<b>11,926,483</b>	<b>100.00</b>

Description	2009	
	£	% of Portfolio Value
Arch AT Asset Backed Note (IP1003) 21/10/12	3,567,553	13.23
Arch AT Friendship Linked Note 31/05/09	4,121,695	15.29
Arch AT Asset Backed Note (IP1006) 31/10/08	2,734,827	10.14
Arch AT Asset Backed Note (IP1004) 30/04/2013 12%	4,369,282	16.20
Arch AT Thelema Linked Note 07/03/09	1,798,251	6.67
Arch AT Asset Backed Note (IP1001) 21/08/12	1,268,941	4.71
Arch AT Asset Backed Note (IP1007) 15/12/08	1,190,260	4.41
Bond Capital Partners 1 Limited C shares	2,237,718	8.30
Arch AT Santa Maria Linked 13% Loan Note	1,024,179	3.80
Noble Venture Finance II	1,591,840	5.90
Arch AT The Cloud Linked Loan Note	1,010,588	3.75
Cru Investment Mgmt Ltd Loan Note 10% 02/02/2009	379,284	1.41
Ark Royal Fund (Offshore) Ltd Class B, Series 1	1,538,902	5.71
SOLA 1, Class E Initial Series	130,246	0.48
	<b>26,963,566</b>	<b>100.00</b>