

FalcInvest Fund Management B.V.
Ede

Report on the annual accounts 2008

January 29, 2010

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Directors' report

The transformation of the financial services industry

The year 2008 has been one of the most extreme years in the history of the financial industry and in the history of the company. What started in 2007 as a housing and credit crisis in the US, culminated in the collapse of several leading financial institutions on Wall Street and worldwide salvaging operations to prevent the systemic collapse of a paralysed financial industry.

The impact of these events on the operations of the company and funds have been varied and severe. While performance at corporate as well as fund levels developed much in line with expectations in the first half of the year, the third quarter marked a distinct turnaround in fortune. This turnaround reached its zenith in October. Rapidly deteriorating market conditions as well as a global surge in demand for liquidity forced many of the underlying funds in which we invest to abruptly restrict the redemption of shares. Bank BNP Paribas, that provides our flagship fund with the necessary liquidity to optimise the management of its investments since 2004, judged that overall risk to the portfolio had increased to such extent that it ruled an immediate reduction of the loan. By the end of October, instructions to exit investments had been given indiscriminately. By year end, all but the most illiquid investments had been liquidated or were in the process thereof. A direct consequence of the bank's decision was that the fund was no longer able to deploy the credit line for the payment of redemptions. Subsequently, the board was forced to impose an immediate suspension of redemptions.

In evaluating the course of events of the third quarter, the directors concluded that both the short and long-term impact of these developments were potentially severe for investors as well the company. The directors further concluded that in order to ensure the company's ability to continue to act in the interests of all stakeholders a major reorganisation of the organisation was required. This reorganisation was initiated at short notice and was completed in July 2009. As a result, the number of FTE fell from 6 in 2007 to 5 by year end and have since fallen to 4.

Assets under management declined across most funds managed by the organisation. The new funds that were initiated at the beginning of 2008 failed to grow and reach critical mass due to the negative developments in the underlying investments.

The financial impact of the developments in the latter part of 2008 on the organisation has been significant. Losses were suffered. In the opinion of the directors, the reorganization has no effect on the ability of the organisation to continue its activities in accordance with regulatory requirements and service its clients in accordance with the respective service level agreements. Despite the negative result for 2008, the company never failed to meet its capital adequacy requirements during this reporting period.

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Outlook

In June 2009 the organisation managed to introduce two new investors who served the parent company by means of a capital injection of €100,000 and a short term loan. One of the investors became director, replacing Carl Fink, the founder and CEO of the parent company. Nevertheless, continuity in the near term was still endangered by the priority that is given to the repayment of the loan balance by the flagship fund. At the end of December 2009 the loan is paid down in full. This enables the payment of all accrued fees and expenses due to the organisation from the funds.

Considering the current market environment, it is uncertain when conditions will improve. Consolidation of the organisation's current activities resulted in operational losses in 2009 as well. To counteract that development, the directors are vigorously pursuing new business activities as well as strive to expand existing activities. Above this another capital injection amounting to €150,000 was established in the parent company during December 2009.

Following the reorganisation in 2008 and 2009 no significant changes in the number of FTE are foreseen. Also no major investments are foreseen.

Ede, January 29, 2010

Board of Directors

M.I.J. van Doorn RA

drs. M.H.M. Janssen

Ing. L.P.M.T. Strijbos

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Financial statements

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Consolidated balance sheet as per December 31, 2008

(after result appropriation)

	Notes	12.31.2008		12.31.2007		12.31.2008		12.31.2007	
		EUR		EUR		EUR		EUR	
Assets									
Fixed assets									
Tangible fixed assets:									
Other operating assets	1		6,654		17,393				
Financial fixed assets:									
Investments			10,582		347,633				
Current assets									
Receivables:									
Trade accounts receivable	2		-		25,244				
Other receivables			224,432		83,120				108,364
Cash	3		251,694		209,094				
			<u>493,362</u>		<u>682,484</u>				<u>493,362</u>
									<u>682,484</u>
Shareholders' equity and liabilities									
Group equity	4		381,953		461,648				
Short-term liabilities	5								
Accounts payable			24,734		22,496				
Group companies			6,846		103,450				
Taxes and social security charges			18,343		21,348				
Accrued liabilities			61,486		73,542	111,409			220,836

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Consolidated profit and loss account for 2008

	Notes	<u>2008</u>	<u>2007</u>
		EUR	EUR
Net turnover		542,806	841,963
Cost of sales		<u>39,292</u>	<u>79,530</u>
Total operating income		503,514	762,433
Salaries and wages	6	315,000	327,539
Social security charges	6	97,847	108,401
Depreciation of tangible fixed assets	7	39,873	41,979
Other operational expenses	8	<u>162,821</u>	<u>200,871</u>
Total operating expenses		<u>615,541</u>	<u>678,790</u>
Operating result		(112,027)	83,643
Financial income and expense	9	<u>12,408</u>	<u>25,522</u>
Result on ordinary activities before taxation		(99,619)	109,165
Tax on result from ordinary activities		<u>19,924</u>	<u>(27,514)</u>
Result after taxation		<u>(79,695)</u>	<u>81,651</u>

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Notes to the consolidated financial statements

General

The registered office of FalcInvest Fund Management B.V. is in Ede. The company operates from offices at Plesmanstraat 62, Veenendaal.

The main activity of the company and its group companies consists of fund management and related administrative services.

During 2008 the company was licensed by regulators in the Netherlands to act as fund manager.

Group structure

FalcInvest Fund Management B.V. is the holding company of a subsidiary company. An overview of the information required under Articles 379 and 414, Book 2 of the Netherlands Civil Code is given on page 17 of this Annual report.

The company is a part of the FalcInvest Group. The financial information of FalcInvest Fund Management B.V. and its subsidiary company is included in the consolidated financial statements of FalcInvest B.V.

Besides FalcInvest B.V. and in addition to the companies as stated under the financial fixed assets, the following parties are related to the legal entity:

- FalcInvest Asset Management B.V.
- FalcInvest Financial Services B.V.

The transactions with related parties concern charges by and to related parties in respect of wages, salaries, social security charges, depreciation and other operational expenses. Furthermore, there is an investment management agreement with FalcInvest Asset Management B.V. in respect of the sharing of management fees charged to unit trusts and a marketing agreement with FalcInvest Financial Services B.V.

Consolidation principles

Financial information relating to subsidiaries within the Group is included in the consolidated financial statements of FalcInvest Fund Management B.V. The consolidated financial statements have been prepared in accordance with the accounting principles regarding valuation and profit recognition of FalcInvest Fund Management B.V.

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Financial information relating to the group companies is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions.

The results of subsidiaries acquired during the year are consolidated from the acquisition date. At that date the assets, provisions and liabilities are valued at fair values. Goodwill paid is capitalized and amortized on the basis of the estimated economic lifetime. The results of subsidiaries sold during the year are consolidated up to the moment of sale.

The financial information relating to FalcInvest Fund Management B.V. is included in the consolidated financial statements. Accordingly, in accordance with Article 402, Book 2 of the Netherlands Civil Code, the company profit and loss account has been presented in abbreviated format.

General accounting principles

Valuation of assets and liabilities and determination of the result take place under the historical cost convention. Unless stated otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are stated at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses and risks originating before the end of the financial year are taken into account if they became known prior to the preparation of the financial statements.

Revenues from services are taken into account in proportion to the services rendered. The cost price of these services is allocated to the same period.

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

Conversion of foreign currencies

Receivables, liabilities and obligations denominated in foreign currencies are converted at the exchange rates prevailing at the balance sheet date.

Transactions in foreign currencies during the financial year are included in the financial statements at the exchange rates prevailing on the transaction dates. Resulting exchange differences are absorbed into the profit and loss account taking into account any results from hedge transactions.

Principles of valuation of assets and liabilities

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated economic lifetime and calculated as

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a fixed percentage of cost, taking into account any residual value. Depreciation is activated from the date an asset is deployed.

Financial fixed assets

Where significant influence is exercised on business and operating policies, shareholdings in group companies are valued under the net asset value method, whereby the same accounting principles are applied as those applied by FalcInvest Fund Management B.V.

Shareholdings in group companies that have a negative equity are valued at nil. If the company fully or partly guarantees the liabilities of a group company, the company's share in the losses or payment of obligations of the group company has been provided for, primarily by means of a deduction from the receivables from the group company with the balance under 'Provisions'.

Investments are valued at market value as mentioned on the statement delivered by the manager and administrator of the investment. This statement is based on their information of the current value of the assets concerned.

Receivables

Receivables are included at face value, less any provision for non-collectability. Such provisions are determined by individual assessment of the receivables.

Provisions

The company has a defined benefit plan as well as a defined contribution plan for the pensions. In accordance with Dutch GAAP for small companies, the defined benefit plan has been treated as a defined contribution plan. Commitments are recognised in the profit and loss account in the period to which they relate.

Principles for the valuation of the result

Net turnover

Net turnover represents the fees charged in respect of fund management services.

Cost of sales

Cost of sales represent direct costs relating to the fund management activities of the Company, such as custodian costs, audit fees and regulatory fees.

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Taxation

Corporation tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the profit and loss account and profit calculated for taxation purposes and taking into account that deferred tax assets are not valued if and insofar as their realization is not probable. The company forms part of the fiscal unity for corporation tax purposes. Corporation tax is calculated as if the company is separately liable for tax. Any deferred tax is accounted for in the accounts of the holding company of the fiscal unity.

Notes to the specific items of the consolidated balance sheet

1) Tangible fixed assets

The movements in the tangible fixed assets are as follows:

	<u>EUR</u>
Book value as per January 1, 2008	17,393
Depreciation	<u>(10,739)</u>
Book value as per December 31, 2008	<u>6,654</u>
Accumulated depreciation as per December 31, 2008	<u>89,370</u>
Depreciation percentages	<u>20-33 1/3</u>

2) Receivables

All receivables and prepaid costs are presented under current assets. The receivables include crystallized redemptions from a unit trust of EUR 211,718. This fund invested in a fund which is in suspension since October 2008 as a result of the credit crisis. Therefore it is possible that this amount will not be received within one year. All the other receivables mature within one year.

3) Cash

Cash balances are not fully disposable. The cash balances are subject to a netting agreement and part of a credit arrangement for the FalcInvest B.V.-group. As of December 31, 2008 an amount of €62,479 is still available as credit facility for the FalcInvest B.V.-group.

4) Group equity

Reference is made to the note to Shareholders' equity in the company financial statements.

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5) Liabilities

All short-term liabilities mature within one year.

Contingent assets and liabilities

FalcInvest Fund Management B.V. is part of the fiscal unity FalcInvest B.V. and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity.

FalcInvest Fund Management B.V. takes part in a credit arrangement for FalcInvest B.V. and for that reason it is jointly and severally liable for the liabilities of the FalcInvest Group to the bank. Under this arrangement any receivables from the bank are pledged to the bank.

Notes to the specific items of the consolidated profit and loss account

6) Wages, salaries and social security charges

Wages, salaries and social security charges also include amounts charged by and to other group companies.

Social security charges include an amount of EUR 40,665 in respect of pension costs (2007: EUR 36,279).

The average number of employees during 2008 covering fund management activities including investor registration was 5 (2007: 6).

7) Depreciation

Depreciation includes an amount of EUR 29,134 charged by other group companies.

8) Other operational expenses

	2008	2007
	EUR	EUR
Other personnel expenses	16,904	45,447
Office rent, rates and taxes	48,958	69,412
Sales expenses	510	1,059
Car and travelling expenses	19,650	21,221
General expenses	76,799	63,732
	<u>162,821</u>	<u>200,871</u>

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9) Financial income and expense

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Financial income	16,563	34,076
Financial expense	<u>(4,155)</u>	<u>(8,554)</u>
	<u>12,408</u>	<u>25,522</u>

Financial expense includes €3,211 (2007: €6,793) in respect of interest related to group companies.

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Company balance sheet as per December 31, 2008

(after result appropriation)

	Notes	12.31.2008	12.31.2007	
		EUR	EUR	
Assets				
Fixed assets				
Tangible fixed assets:				
Other operating assets		6,654	17,393	
Financial fixed assets:	1			
Shareholdings in group companies		p.m.	p.m.	
Investments		<u>10,582</u>	<u>347,633</u>	347,633
Current assets				
Receivables:				
Trade accounts receivable		-	25,244	
Other receivables		<u>224,432</u>	<u>83,120</u>	108,364
Cash		251,694	209,094	
		<u>493,362</u>	<u>682,484</u>	

	Notes	12.31.2008	12.31.2007	
		EUR	EUR	
Shareholders' equity and liabilities				
Shareholders' equity				
	2			
Issued and paid-up capital		342,000	342,000	
Other reserves		<u>39,953</u>	<u>119,648</u>	461,648
Short-term liabilities				
Accounts payable		24,734	22,496	
Group companies		6,846	103,450	
Taxes and social security charges		18,343	21,348	
Accrued liabilities		<u>61,486</u>	<u>73,542</u>	220,836
		<u>493,362</u>	<u>682,484</u>	

Company profit and loss account 2008

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Share in result of shareholdings after taxation	-	-
Other income and expense after taxation	<u>(79,695)</u>	<u>81,651</u>
Result after taxation	<u><u>(79,695)</u></u>	<u><u>81,651</u></u>

Notes to the company financial statements

General accounting principles

Where appropriate, reference should be made to the notes to the consolidated financial statements, which give details about the applicable accounting principles.

In accordance with article 402 Book 2 of the Netherlands Civil Code the company profit and loss account is presented in abbreviated format.

Notes to the specific items of the balance sheet

1) Financial fixed assets

Participations in group companies:

	<u>EUR</u>
Book value as per January 1, 2008	(99,121)
Result participations	<u>-</u>
Book value as per December 31, 2008	<u><u>(99,121)</u></u>

The negative amount of the participations is deducted from the receivables on participation of the participation concerned.

The shareholding in group companies concerns the following participation, which has been consolidated:

	<u>Proportion in issued share capital</u> %	<u>Registered office</u>
NIV Trust B.V.	100	Breda

2) Shareholders' equity

Issued and paid-up capital:

The total of issued and paid-up capital of EUR 342,000 did not change during the year.

Other reserves:

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Balance as per January 1	119,648	187,997
Dividend	-	(150,000)
Proposed appropriation of the result	<u>(79,695)</u>	<u>81,651</u>
Balance as per December 31	<u><u>39,953</u></u>	<u><u>119,648</u></u>

Signing of the financial statements

Ede, January 29, 2010

Board of Directors:

M.I.J. van Doorn RA

drs. M.H.M. Janssen

Ing. L.P.M.T. Strijbos

Additional information

Auditors' report

Reference is made to the auditors' report as included hereinafter.

Statutory rules concerning result appropriation

The board of directors will determine what portion of the result for a financial year will be added to the other reserves. The balance is at the disposal of the general meeting of shareholders.

Appropriation of result for the financial year 2007

The annual report 2007 was adopted by the general meeting of shareholders on May 9, 2008. Subsequent to this meeting the shareholders determined to transfer the result to Other reserves.

Proposed result appropriation for the financial year 2008

The board of directors proposes to deduct the negative result for the financial year 2008, amounting to EUR 79,695 from the 'Other reserves'. In anticipation of the decision by the general meeting of shareholders, the financial statements reflect this proposal.

To the board of directors of
FalInvest Fund Management B.V.
Ede

Date
January 29, 2010

From
A.J. Kernkamp

Reference
3100092362/0902

Report on the financial statements

We have audited the accompanying financial statements 2008 of FalInvest Fund Management B.V., Ede, which comprise the consolidated and company balance sheet as at December 31, 2008, the consolidated and company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

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reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of FalcInvest Fund Management B.V. as at December 31, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

was signed:
A.J. Kernkamp