

FalcInvest Fund Management B.V.
Ede

Report on the annual accounts 2009

April 28, 2010

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Directors' report

Getting back on track again

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 of €150,000. One of the investors is Leo Strijbos, who has over 20 years of experience in asset management and product development. Leo became director, replacing Carl Fink, the founder and CEO of the company. Above this another capital injection amounting to €150,000 was established during December 2009. At the same time the priority that is given to the repayment of the loan balance by the flagship fund resulted in a full pay down at the end of December 2009. This enables the payment of all accrued fees and expenses due to the organisation from the funds.

Consolidation of the organisation's current activities resulted nevertheless in operational losses in 2009 as well. This was mainly caused by the fact that assets under management declined across most funds because of appraisals and write downs of underlying investments.

The funds under management were able to sell the more liquid investments for fair prices. On the other hand, the remaining investments, of which a huge part is invested in asset backed strategies, faced losses because of lower valuations of the assets concerned. The mark-to-market valuation is influenced by the small number of transactions taking place, which transactions are often done out of the need for cash. At the same time this reflects values related to the prices of commodities or the productivity scale for which the assets are used.

Despite the economic environment the management is proud that it kept the chances for recovery of the investments alive, although the result in 2009 for most of the funds is disappointing.

Despite the negative result for 2009, the company never failed to meet its capital adequacy requirements during this reporting period.

Outlook

Considering the current market environment, it is still uncertain when conditions will improve. To counteract that development, the directors are vigorously pursuing new business activities as well as strive to expand existing activities. The focus of the management is on the launch of new funds with different risk exposures which will invest in trackers that at the same time guarantee a high grade of liquidity.

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

Veenendaal, April 28, 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, 2009

(after result appropriation)

	Notes	12.31.2009		12.31.2008		12.31.2009		12.31.2008	
		EUR		EUR		EUR		EUR	
Assets					Shareholders' equity and liabilities				
Fixed assets					Group equity				
Tangible fixed assets:	1					4	316,410		381,953
Other operating assets		127,156		6,654					
Financial fixed assets:						5	120,285		
Investments		7,833		10,582					
Current assets					Short-term liabilities				
Receivables:	2								
Trade accounts receivable		379,304		-			126,983		24,734
Other receivables		<u>72,637</u>	451,941	<u>224,432</u>	224,432		18,594		6,846
Cash	3		<u>161,344</u>		<u>251,694</u>		107,997		18,343
			<u>748,274</u>		<u>493,362</u>		<u>58,005</u>	311,579	<u>61,486</u>
									111,409
								<u>748,274</u>	<u>493,362</u>

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Consolidated profit and loss account for 2009

	Notes	2009	2008
		EUR	EUR
Net turnover		519,045	542,806
Cost		<u>38,933</u>	<u>39,292</u>
Total operating income		481,688	503,514
Salaries and wages	7	289,210	315,000
Social security charges	7	81,435	97,847
Depreciation of tangible fixed assets	8	30,369	39,873
Other operational expenses	9	<u>168,012</u>	<u>162,821</u>
Total operating expenses		<u>569,026</u>	<u>615,541</u>
Operating result		(87,338)	(112,027)
Financial income and expense	10	<u>5,409</u>	<u>12,408</u>
Result on ordinary activities before taxation		(81,929)	(99,619)
Tax on result from ordinary activities		<u>16,386</u>	<u>19,924</u>
Result after taxation		<u>(65,543)</u>	<u>(79,695)</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 2009 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.

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.

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 of 'FalcInvest B.V.'. 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.

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Notes to the specific items of the consolidated balance sheet

1) Tangible fixed assets

The movements in the tangible fixed assets are as follows:

	EUR
Book value as per January 1, 2009	6,654
Depreciation	(7,214)
Investments	<u>127,716</u>
Book value as per December 31, 2009	<u>127,156</u>
Accumulated depreciation as per December 31, 2009	52,334
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.

4) Group equity

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

5) Long term liabilities

Long term liabilities relate to lease obligations. Cars with a book value of EUR 125,000 are pledged as security for lease obligations up to an amount of EUR 149,000 at balance sheet date. The amount that is due for repayment within 12 months of the end of the financial year is not included in long-term liabilities, but under short-term liabilities. All long-term liabilities mature within five years.

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6) Short term 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

7) 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 34,437 in respect of pension costs (2008: EUR 40,665).

The average number of employees during 2009 covering fund management activities including investor registration was 4 (2008: 5).

8) Depreciation

Depreciation includes an amount of EUR 23,155 charged by other group companies.

9) Other operational expenses

	2009	2008
	EUR	EUR
Other personnel expenses	7,351	16,904
Office rent, rates and taxes	65,315	48,958
Sales expenses	269	510
Car and travelling expenses	20,420	19,650
General expenses	74,657	76,799
	<u>168,012</u>	<u>162,821</u>

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10) Financial income and expense

	<u>2009</u>	<u>2008</u>
	EUR	EUR
Financial income	9,952	16,563
Financial expense	<u>(4,543)</u>	<u>(4,155)</u>
	<u>5,409</u>	<u>12,408</u>

Financial expense includes €23 (2008: €3,211) in respect of interest related to group companies.

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Company balance sheet as per December 31, 2009

(after result appropriation)

	Notes	12.31.2009		12.31.2008	
		EUR		EUR	
Assets					
Fixed assets					
Tangible fixed assets:					
Other operating assets		127,156		6,654	
Financial fixed assets:	1				
Shareholdings in group companies		p.m.		p.m.	
Investments		<u>7,833</u>	7,833	<u>10,582</u>	10,582
Current assets					
Receivables:					
Trade accounts receivable		379,304		-	
Other receivables		<u>72,637</u>	451,941	<u>224,432</u>	224,432
Cash		161,344		251,694	
		<u>748,274</u>		<u>493,362</u>	

	Notes	12.31.2009		12.31.2008	
		EUR		EUR	
Shareholders' equity and liabilities					
Shareholders' equity					
	2				
Issued and paid-up capital		342,000		342,000	
Other reserves		<u>(25,590)</u>	316,410	<u>39,953</u>	381,953
Long-term liabilities					
			120,285		-
Short-term liabilities					
Accounts payable		126,983		24,734	
Group companies		18,594		6,846	
Taxes and social security charges		107,997		18,343	
Accrued liabilities		<u>58,005</u>	311,579	<u>61,486</u>	111,409
			<u>748,274</u>		<u>493,362</u>

Company profit and loss account 2009

	<u>2009</u>	<u>2008</u>
	EUR	EUR
Share in result of shareholdings after taxation	-	-
Other income and expense after taxation	<u>(65,543)</u>	<u>(79,695)</u>
Result after taxation	<u><u>(65,543)</u></u>	<u><u>(79,695)</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, 2009	(99,121)
Result participations	<u>-</u>
Book value as per December 31, 2009	<u>(99,121)</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>2009</u>	<u>2008</u>
	EUR	EUR
Balance as per January 1	39,953	119,648
Dividend	-	-
Proposed appropriation of the result	<u>(65,543)</u>	<u>(79,695)</u>
Balance as per December 31	<u><u>(25,590)</u></u>	<u><u>39,953</u></u>

Signing of the financial statements

Ede, April 28, 2010

Board of Directors:

M.I.J. van Doorn RA

drs. M.H.M. Janssen

Ing. L.P.M.T. Strijbos

Additional information

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 2008

The annual report 2008 was adopted by the general meeting of shareholders on January 29, 2010. Subsequent to this meeting the shareholders determined to transfer the result to Other reserves.

Proposed result appropriation for the financial year 2009

The board of directors proposes to deduct the negative result for the financial year 2009, amounting to EUR 65,543 from the 'Other reserves'. In anticipation of the decision by the general meeting of shareholders, the financial statements reflect this proposal.

To the General Meeting of Shareholders of FalcInvest Fund Management B.V.

Auditors' report

Report on the company financial statements

We have audited the accompanying financial statements 2009 of FalcInvest Fund Management B.V., Veenendaal, which comprise the consolidated and the company balance sheet as at December 31, 2009, the consolidated and the 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 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, 2009, 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 Director's report is consistent with the financial statements as required by 2:391 sub 4 of The Netherlands Civil Code.

April 28, 2010

KPMG ACCOUNTANTS N.V.

M.A. Huiskers RA