

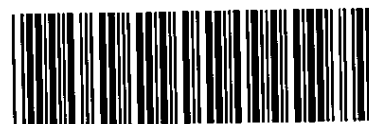
Picus Services Limited

Registered No 4792364

Report and Financial Statements

30 November 2007

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Picus Services Limited

Registered No 4792364

Directors

W T Healey
R J Hartmann

Secretary

Throgmorton Secretaries LLP
42 - 44 Portman Road
Reading
Berkshire
RG30 1EA

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Solicitors

Schulte Roth & Zabel International LLP
Heathcoat House
20 Savile Row
London
W1S 3PR

Registered Office

42 - 44 Portman Road
Reading
Berkshire
RG30 1EA

Directors' report

The directors of Picus Services Limited ("the company") present their report and the audited financial statements for the year ended 30 November 2007

Results and dividends

The company's loss for the year after taxation amounted to £118,654 (2006 Profit £87,751) No dividend is proposed and the result has been transferred to reserves Shareholders funds at 30 November 2007 were £621,578 (2006 - £740,232)

Principal activity and review of the business

The principal activity of the company is the provision of support services to Picus Capital Management LLP (the "LLP"), a limited liability partnership whose principal activity is the provision of investment management services Since the balance sheet date the funds managed by the LLP have suffered material redemptions The directors of the company and members of the LLP have plans to restructure the business and attract new investors such that it will continue as a going concern Notwithstanding this, as set out in note 1, the company will have sufficient financial resources to enable it to meet its liabilities as they fall due for a period of at least twelve months and the financial statements have been prepared under the going concern concept

Principal risks and uncertainties

The company's activities are closely linked to those of Picus Capital Management LLP and the risks and uncertainties relevant to both entities are that poor performance of the funds managed by the LLP, or market forces, will cause assets under management to fall through investor redemptions or falls in value to a level where they generate insufficient investment management fee income to sustain the entities

Directors

The directors of the company during the year were

W T Healey

R J Hartmann

Disclosure of Information

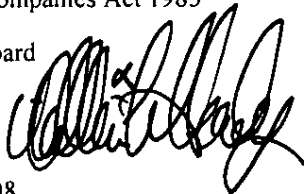
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obligated to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

The directors have elected to dispense with the requirement to appoint auditors annually in accordance with section 386 Companies Act 1985

On behalf of the board

W T Healey
Director



Date 31 March 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations. In preparing those 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Picus Services Limited

We have audited the company's financial statements for the year ended 30 November 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company'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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report

to the shareholders of Picus Services Limited (continued)

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.

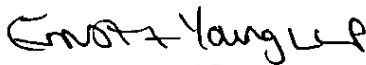
Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. Since the balance sheet date the funds, managed by the partnership, have suffered material redemption/termination callings by the individual investors. These conditions, along with the other matters explained in note 1 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Ernst & Young LLP

Registered auditor

London

31 March 2008

Profit and loss account

For the year ended 30 November 2007

	Notes	2007 £	2006 £
Turnover	2		
Service charges		317,635	353,287
Administrative expenses		(314,491)	(349,788)
Operating profit	5	3,144	3,499
Interest receivable and similar income	6	5	1
Profit on ordinary activities before taxation		3,149	3,500
Taxation on (loss) / profit on ordinary activities	7	(121,803)	84,251
(Loss) / Profit for the financial year		(118,654)	87,751

All amounts are in respect of continuing activities

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the (loss) /profit attributable to the shareholders of the company

The notes on pages 9 to 14 form part of these financial statements

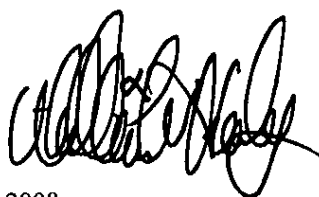
Balance sheet

As at 30 November 2007

	Notes	2007 £	2006 £
Fixed asset			
Tangible fixed assets	8	997	5,552
Investment	9	570,561	570,561
		<u>571,558</u>	<u>576,113</u>
Current assets			
Debtors	10	90,710	180,341
Cash at bank and in hand		14,636	3,731
		<u>105,346</u>	<u>184,072</u>
Creditors amounts falling due within one year	11	(55,326)	(19,953)
Net current assets		<u>50,020</u>	<u>164,119</u>
Total assets less liabilities		<u>621,578</u>	<u>740,232</u>
Capital and reserves			
Called up share capital	12	15	15
Share premium	13	1,173,985	1,173,985
Profit and loss account	13	(552,422)	(433,768)
Equity shareholders' funds	13	<u>621,578</u>	<u>740,232</u>

The financial statements were approved by the board of directors on 31 March 2008 and authorised for issue on its behalf by

W T Healey
Director



Date 31 March 2008

The notes on pages 9 to 14 form part of these financial statements

Statement of cash flows

For the year ended 30 November 2007

	Notes	2007 £	2006 £
Net cash inflow / (outflow) from operating activities	14 (a)	12,335	(56,464)
Returns on investments and servicing of finance			
Interest received		5	1
Net cash outflow for capital expenditure	8	(1,435)	-
Increase / (decrease) in cash	14 (b)	10,905	(56,463)

Reconciliation of net cash flow to movement in net funds

		2007 £	2006 £
Increase / (Decrease) in cash in the year		10,905	(56,463)
Change in net funds resulting from cash flows	14 (b)	10,905	(56,463)
Net funds as at 1 December 2006		3,731	60,194
Net funds as at 30 November 2007		14,636	3,731

The notes on pages 9 to 14 form part of these financial statements

Notes to the financial statements

For the year ended 30 November 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. They are prepared on a going concern basis, which assumes that the company will continue in existence for the foreseeable future and to be able to meet its liabilities as they fall due.

Going concern

The Directors of Picus Services Limited (the "Company") have overseen the preparation of the financial statements of the Company on a "going concern" basis. The Directors have taken into account all information of which they are aware and feel a "going concern" basis continues to be appropriate considering the current financial wherewithal and future prospects for the Company. The Company derives the bulk of its revenues from providing advice, facilities, equipment and services to an affiliated company Picus Capital Management LLP (the "LLP"), whose main business is serving as "Investment Manager" for the Picus Venator Master Fund and its related feeder funds (together the "Funds"). These Funds have suffered volatile performance during 2007 and early 2008 from unprecedented turmoil in global credit markets and (after the balance sheet date) have received redemption notices from some Investors in the Funds (amounting to more than 50% of Fund assets under management). The Directors of the Company have taken prompt steps to anticipate and react to uncertainties faced by the Funds and the LLP by reducing the fixed overheads and variable operating costs of the Company. Moreover, the Company has also benefited from recent transactions (after the balance sheet date) which have substantially strengthened the capital base of the Company. As a result of these measures, the Directors believe that the Company has more than sufficient financial wherewithal to continue operating on a "going concern" basis for the foreseeable future, notwithstanding the uncertainties currently facing the Funds and the LLP. Moreover, the Directors have the ability to call on shareholders to inject further new capital into the Company if needed, though the Directors anticipate at this time that additional financial support will not be necessary.

Investments

Investments are held at cost less provision for any permanent diminution in value.

Fixed assets and depreciation

All fixed assets are recorded at cost, and then depreciated on a straight line basis over their useful economic lives at the following rates:

Computer equipment	-	over 3 years
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Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Notes to the financial statements

For the year ended 30 November 2007

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Any deferred tax asset or liability recognised is provided at the average rate of tax expected to apply when the asset or liability crystallises and is not discounted.

2. Turnover

Turnover comprises service charges made to Picus Capital Management LLP. Income is recognised on the accruals basis and is shown exclusive of Value Added Tax. All turnover is generated in the UK and derives from service charges.

3. Staff costs

	2007 £	2006 £
Wages and salaries	243,692	258,237
Social security costs	28,966	31,230
	<u>272,658</u>	<u>289,467</u>

The average monthly number of employees including the directors during the year was as follows

	2007	2006
Administration	<u>3</u>	<u>3</u>

4. Director's emoluments

There were no payments made to the directors during the year (2006: nil).

5. Operating profit

This is stated after charging

	2007 £	2006 £
Depreciation of tangible fixed assets	5,990	26,152
Auditors' remuneration - audit of the financial statements	7,500	7,500
	<u></u>	<u></u>

Notes to the financial statements

For the year ended 30 November 2007

6. Interest receivable and similar income

	2007	2006
	£	£
Bank interest receivable	5	1

7. Taxation

(a) Tax on profit / (loss) on ordinary activities

The tax charge is made up as follows

	2007	2006
	£	£
<i>Current tax</i>		
UK corporation tax at 30% - note 7 (b)	37,552	-
Deferred taxation	84,251	(84,251)
	<u>121,803</u>	<u>(84,251)</u>

(b) Factors affecting the current tax charge for the year

The corporation tax assessed on the profit on ordinary activities for the year is lower than the standard companies rate of tax of 30% (2006 30%) The differences are explained below

	2007	2006
	£	£
Profit on ordinary activities before taxation	<u>3,149</u>	<u>3,500</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	945	1,050
Expenses not deductible for tax purposes	-	63
Timing differences	91,721	47,563
Utilisation of losses brought forward from earlier years	(46,199)	(48,676)
Marginal relief	(8,915)	-
UK corporation tax at 30% - note 7 (a)	<u>37,552</u>	<u>-</u>

(c) Deferred taxation

The deferred tax asset included in the balance sheet is as follows

Accelerated capital allowances	-	1,666
Unrelieved losses recognised in the year	-	(46,199)
Other timing differences	-	(39,718)
Deferred tax asset at 30 November	<u>-</u>	<u>(84,251)</u>

Notes to the financial statements

For the year ended 30 November 2007

8. Tangible fixed assets

	<i>Computer and office equipment</i> £	<i>Total</i> £
Cost		
At 1 December 2006	82,702	82,702
Additions	1,435	1,435
At 30 November 2007	84,137	84,137
Depreciation		
At 1 December 2006	77,150	77,150
Charge for the year	5,990	5,990
At 30 November 2007	83,140	83,140
Net Book value		
At 30 November 2007	997	997
At 1 December 2006	5,552	5,552

9. Fixed asset investment

	<i>Unlisted investments</i> £	<i>Total</i> £
At 1 December 2006	570,561	570,561
Provision for diminution made in the year	-	-
At 30 November 2007	570,561	570,561

The unlisted investment represents capital contributions made to Picus Capital Management LLP ("the Partnership"), and is stated at cost less provision for permanent diminution in value. Consolidated accounts are not prepared as, under the terms of the Partnership Agreement dated 31 March 2004, the Partnership is controlled by parties other than the company and is not a subsidiary.

10. Debtors

	2007 £	2006 £
Rent deposits	20,880	19,510
Amounts due from Picus Capital Management LLP	59,783	73,813
VAT recoverable	10,047	643
Prepayments	-	2,124
Deferred taxation	-	84,251
	90,710	180,341
The rent deposit is due after more than one year		

Notes to the financial statements

For the year ended 30 November 2007

11. Creditors: amounts falling due within one year

	2007	2006
	£	£
Sundry creditors	555	1,728
Corporation tax	37,552	-
Accruals	17,219	18,225
	<u>55,326</u>	<u>19,953</u>

12. Called up share capital

	<i>Authorised</i>	<i>Issued and fully paid</i>	<i>Authorised</i>	<i>Issued and fully paid</i>
	2007	2007	2006	2006
	No	No	No	No
Ordinary shares of £1 each	1,000	15	1,000	15

13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 1 December 2006	15	1,173,985	(433,768)	740,232
Loss for the year	-	-	(118,654)	(118,654)
At 30 November 2007	<u>15</u>	<u>1,173,985</u>	<u>(552,422)</u>	<u>621,578</u>

14. Notes to statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2007	2006
	£	£
Operating profit	3,144	3,499
Depreciation charge	5,990	26,152
Decrease in debtors	5,380	(75,281)
Decrease in creditors	(2,179)	(10,834)
Net cash inflow / (outflow) from operating activities	<u>12,335</u>	<u>(56,464)</u>

Notes to the financial statements

For the year ended 30 November 2007

14. Notes to statement of cash flows (continued)

(b) Analysis

	<i>At 30 November 2006 £</i>	<i>Cash flow £</i>	<i>At 30 November 2007 £</i>
Cash in hand	3,731	10,905	14,636

15 Related party transactions

Picus Services Limited is a designated member of Picus Capital Management LLP ("the Partnership"), a limited liability partnership registered in England and Wales

During the year, the company provided services to the value of £317,635 (2006 £353,287) to the Partnership and received appropriations of £Nil (2006 £Nil) At the year end £59,783 was due from the Partnership (2006 £73,813)

16. Parent undertaking and controlling party

The company's immediate parent undertaking is Picus (Cayman) Limited, a company incorporated in the Cayman Islands In the directors' opinion, the ultimate controlling party is W T Healey

17. Other financial commitments

At 30 November 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and Buildings 2007 £</i>	<i>2006 £</i>
<i>Operating leases which expire</i>		
Within one year	125,280	117,060