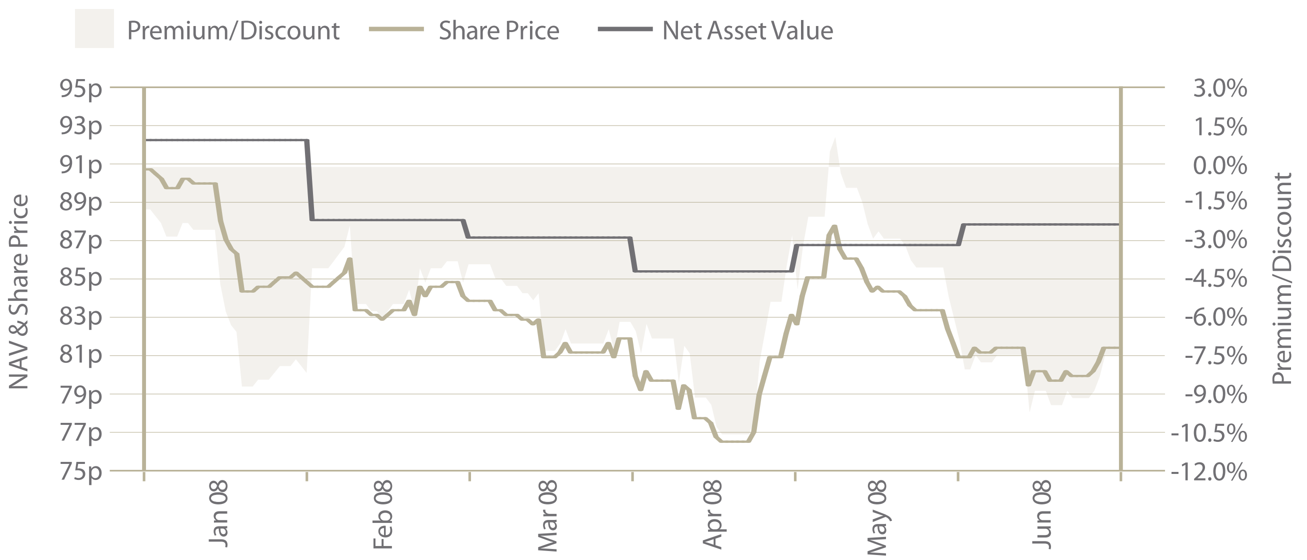
Saltus European Debt Strategies Limited
Interim Report 2008

SALTUS
EUROPEAN DEBT STRATEGIES

Contents

Financial Overview

Returns	1 January 2008 to 30 June 2008	14 May 2007 to 31 December 2007
Share Price at beginning of period	90.00p	100.00p
Share Price at end of period	81.25p	90.00p
Share Price return for the period	(9.72)%	(10.00)%
Net Asset Value at period end	86.98p	92.31p
Net Asset Value decrease in period	(5.77)%	(6.28)%
Basic and Diluted Loss per Ordinary Share	(6.03)p	(6.22)p
Total net assets	**£38.52m**	**£43.96m**
Total market capitalisation	**£35.98m**	**£42.86m**



Summary Information

Principal Activity

Saltus European Debt Strategies Limited ("the Company") is a Guernsey-registered closed-ended investment company authorised for raising funds by the issue of shares pursuant to the Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959 to 1989, as amended. The Company has a Chapter 14 listing on the London Stock Exchange. The shares commenced trading on 20 June 2007.

Investment Objective and Policy

The Company's investment objective is to produce annual returns in excess of 3-month Sterling LIBOR plus 7.5% over a rolling 5-year period, with annual standard deviation of under 5%.

The Company's investment policy is to invest in a portfolio of absolute return funds, which is expected to comprise mostly of debt-oriented hedge funds, but which may also include long-only debt funds and closed-ended limited partnerships with longer lock-ups.

Dividend Policy

The Board of Directors does not currently expect to declare any dividends or make any distributions to shareholders. This policy will, however, be subject to regular review by the Directors.

Asset Allocation by Hedge Fund Strategy

The estimated allocation to underlying hedge fund strategies as at 30 June 2008 was as follows:*

Direct	Wtg%
Multi-strategy Credit	30.2%
Distressed	22.2%
Multi-strategy Event Driven	13.9%
Leverage Loans	12.8%
Credit Trading	11.8%
Asset Backed Lending	6.1%
Special Situations	3.0%
Total	**100.0%**

Look-through	Wtg%
Distressed	27.4%
Special Situations	20.2%
High Yield Long/Short	15.3%
Leverage Loans	11.9%
Asset Backed Lending	9.6%
Credit Trading	9.0%
Merger Arbitrage	3.3%
Other	3.3%
Total	**100.0%**

The top table shows the allocation of the Company to the underlying managers by strategy type. The bottom table breaks down the multi-strategy managers by positions to give a look through of the underlying portfolio exposure of the Company.

* Estimate by Saltus Partners LLP.

Summary Information

Analysis of Significant Investments

The ten largest direct holdings of the Company as at 30 June 2008 are set out in the table below.

Name of investment	Strategy	Market value £	% of Company's gross assets
MKM Longboat Multi-strategy Fund	Multi-strategy event driven	3,780,816	7.76%
Cognis I Fund	Multi-strategy credit	3,671,229	7.54%
Trafalgar Discovery Fund	Distressed	3,582,103	7.36%
Trafalgar Kahala Jet Fund	Asset backed lending	3,258,337	6.69%
ORN European Distressed Debt Fund	Distressed	3,226,980	6.63%
Aladdin Relative Value Credit Fund	Credit trading	3,117,940	6.40%
Ilex European Leverage Loan Fund	Leverage loans	2,905,743	5.97%
Ilex Credit Fund	Credit trading	2,804,312	5.76%
Taconic Opportunities Offshore Fund	Multi-strategy event driven	2,432,765	5.00%
Centaurus Kappa Fund	Multi-strategy credit	2,415,724	4.96%
Total		**31,195,949**	**64.07%**

Whilst it is generally considered best practice to disclose the full portfolio of an investment company, the composition of the Company's investment portfolio is subject to confidentiality undertakings given to the underlying investment managers. The Board believes that such disclosure could be disadvantageous to the Company and its shareholders, for instance by increasing competition for the limited capacity in underlying hedge funds, or diminishing a particular manager's willingness to accept an investment from the Company or the Investment Manager. Accordingly, in common with several other funds of hedge funds and in compliance with current UK Listing Rules, the Company intends to disclose only its ten largest investments.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the interim management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the fiscal year.

G. Baird
Chairman

C. Sherwell
Director

28 August 2008

Chairman’s Statement

I am pleased to present our shareholders with this set of interim condensed unaudited financial statements for Saltus European Debt Strategies Limited covering the period from 1 January 2008 to 30 June 2008.

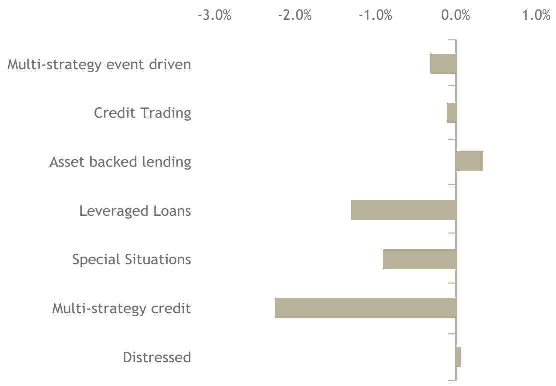
Performance Review

The Company’s shares returned a loss of 9.7% for the period 1 January 2008 to 30 June 2008. This loss arose as a result of a 5.8% reduction in the net asset value per share from 92.31p at the end of December 2007 to 86.98p at 30 June 2008, and a widening of the discount at which the shares trade from 2.5% to 6.6%. In the same period European high yield spreads widened by 100 bps, from 469 to 569 bps[1]. European leveraged loans fell 5.2% to 91.0[2]. European equities fell 15.6%[3], led down by financials which fell by 26.4% over the period.

The Board has been actively engaged in a share buyback programme to try to help reduce the share price discount to net asset value, and has so far acquired a total of 4,226,306 shares, including 3,341,000 shares during the six months ended 30 June 2008. These were acquired at an average price of 80.63p, representing a 5.5% discount to the minimum net asset value during the period. The Company currently holds 3,600,306 shares in Treasury, equivalent to 8.2% of the issued share capital.

Investment Review

The attribution between strategies was as follows:



With the exception of asset backed lending (+13.1%), which is not subject to market volatility, and credit trading strategies (+1.5%), which tend to be market neutral, all strategies suffered negative returns, given their long bias in a sharply falling market. Multi-strategy credit (-7.9%) and leveraged loan managers (-0.9%) were hardest hit due in both cases to their exposure to leveraged loans. Distressed managers (-2.6%) performed relatively well given high cash balances and a higher than usual level of hedging.

Many of our managers would classify the past twelve months as their annus horribilis. The credit strategies in which we invest are all fundamental in nature and tend to be either long-biased, or relative value– i.e. being long an under-priced security and at the same time short an over-priced one. The technical-driven selling over the past year firstly hurt long-biased managers for obvious reasons – particularly as most had migrated up the capital structure for safety prior to June 2007 given their concerns about the existence of a credit bubble and the resultant downside risks. This was in the expectation that junior debt would fall first and would fall faster. The opposite transpired, as the very rapid deleveraging of the financial sector caused higher quality credits to sell off more than junior debt, because the former was more likely to be held by, or destined for, those leveraged buyers whose credit facilities were being

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[1] Credit Suisse European High Yield Index

[2] S&P European Leveraged Loan Index

[3] MSCI Europe

Investment Review (continued)
pulled. At the same time relative value credit investors were hit by the same storm. Their strategy of being long good-quality/short bad-quality debt was also painful as the relative mis-pricings which they had identified and expected to profit from became even more anomalous and cost them money. Furthermore spread and return dispersions between sectors and individual credits narrowed, instead of widening.

Looking Forward
While market volatility and the general downward trend show little sign of abating for the present, we are starting to discern a focus on fundamental credit quality for the first time since the Company's debut. European markets have taken their cue from the US in terms of pricing, but hitherto without the company specific news flow to justify it. However, events are in the process of catching up.

The length of time it takes before we enter the nadir of the default cycle is likely to be a function of how bad it gets before then – a double edged sword. However, I am confident that the net result will be a positive one for our shareholders.

G. Baird, Chairman

28 August 2008

Independent Review Report
For the Period Ended 30 June 2008

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Income Statement, the Statement of Changes in Shareholders' Equity, Balance Sheet, Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Financial Reporting Standards, as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO Novus Limited
Chartered Accountants, Elizabeth House, St Peter Port, Guernsey

Date: 28 August 2008

Income Statement (unaudited)
For the six month period ended 30 June 2008

	Notes	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Net losses on fair value through profit or loss investments	10	(545,838)	(324,129)
Other gains and losses	5	(1,809,414)	(2,405,527)
		(2,355,252)	(2,729,656)
Income			
Other operating income	6	21,281	157,846
Expenses			
Management and performance fees	7	(196,299)	(252,408)
Other expenses	7	(220,750)	(159,957)
		(417,049)	(412,365)
Net expenses		(395,768)	(254,519)
Loss for the period		**(2,751,020)**	**(2,984,175)**
Basic and Diluted Loss per Ordinary Share	**9**	**(6.03p)**	**(6.22p)**
Weighted Average Number of Ordinary Shares outstanding	9	45,633,229	47,979,851

All items in the above statement derive from continuing operations.
All income is attributable to the Ordinary Shares of the Company.
The accompanying notes on pages 12 to 23 form an integral part of the condensed unaudited Financial Statements.

Statement of Changes in Shareholders' Equity (unaudited)
For the six month period ended 30 June 2008

	Notes	Share Capital £	Share Premium £	Distributable Reserve £	Accumulated Profits £	Total £
At 31 December 2007		**-**	**-**	**46,946,250**	**(2,984,175)**	**43,962,075**
Loss for the period		-	-	-	(2,751,020)	(2,751,020)
Total recognised income and expense for the period		-	-	-	(2,751,020)	(2,751,020)
Ordinary Shares cancelled during the period	14&15	-	-	(212,785)	-	(212,785)
Buy back of Ordinary Shares for Treasury	14&15	-	-	(2,480,971)	-	(2,480,971)
At 30 June 2008		**-**	**-**	**44,252,494**	**(5,735,195)**	**38,517,299**
At 14 May 2007		**-**	**-**	**-**	**-**	**-**
Loss for the period		-	-	-	(2,984,175)	(2,984,175)
Total recognised income and expense for the period		-	-	-	(2,984,175)	(2,984,175)
Issue of Ordinary Share Capital	14&15	-	48,000,000	-	-	48,000,000
Offering costs	15	-	(720,000)	-	-	(720,000)
Transfer to distributable reserve	15	-	(47,280,000)	47,280,000	-	-
Buy back of Ordinary Shares	15	-	-	(333,750)	-	(333,750)
At 31 December 2007		**-**	**-**	**46,946,250**	**(2,984,175)**	**43,962,075**

The accompanying notes on pages 12 to 23 form an integral part of the condensed unaudited Financial Statements.

Balance Sheet (unaudited)
At 30 June 2008

	Notes	30 June 2008 (unaudited) £	31 December 2007 (audited) £
Non-current assets			
Investments at fair value through profit or loss	10	48,580,157	44,209,345
Current assets			
Prepayments		9,872	8,472
Other receivables		-	201,656
Forward currency deals awaiting settlement	18	109,451	337,935
Cash and cash equivalents	11	-	2,425,794
		119,323	2,973,857
Current liabilities			
Forward currency deals awaiting settlement	18	-	2,851,477
Accrued expenses	13	173,420	369,650
Bank overdraft	11	10,008,761	-
Total liabilities		10,182,181	3,221,127
Net current liabilities		**(10,062,858)**	**(247,270)**
Net assets		**38,517,299**	**43,962,075**
Equity attributable to equity shareholders			
Share capital	14	-	-
Share premium	15(a)	-	-
Other distributable reserves	15(b)	44,252,494	46,946,250
Accumulated losses		(5,735,195)	(2,984,175)
Total shareholders' equity		**38,517,299**	**43,962,075**
Net asset value per Ordinary Share	16	**86.98p**	**92.31p**

The condensed unaudited Financial Statements on pages 8 to 23 were approved by the Board of Directors and authorised for issue on 28 August 2008. They were signed on its behalf by:-

G. Baird
Chairman

C. Sherwell
Director

The accompanying notes on pages 12 to 23 form an integral part of the Financial Statements.

Cash Flow Statement (unaudited)
For the six month period ended 30 June 2008

	Notes	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Cash flows from operating activities			
Loss for the period		(2,751,020)	(2,984,175)
Decrease/(increase) in debtors		200,256	(210,128)
(Decrease)/increase in creditors		(196,230)	369,650
		(2,746,994)	(2,824,653)
Purchase of investments	10&17	(15,242,136)	(44,533,474)
Sales of investments	10&17	10,325,486	-
		(7,663,644)	(47,358,127)
Adjustment for:			
Unrealised losses on investments	10	212,419	324,129
Unrealised (gains)/losses on forward foreign exchange contracts	5&18	(2,622,993)	2,513,542
Realised loss on investments	10	333,419	-
Net cash outflow from operating activities		**(9,740,799)**	**(44,520,456)**
Cash flows from financing activities			
Issue of Shares	15(a)	-	48,000,000
Issue costs paid in respect of issue of Shares	15(a)	-	(720,000)
Buy back of Shares	15(b)	(2,693,756)	(333,750)
Net cash (outflow)/inflow from financing activities		**(2,693,756)**	**46,946,250**
Net increase in cash and cash equivalents		**(12,434,555)**	**2,425,794**
Cash and cash equivalents at beginning of period		**2,425,794**	**-**
Cash and cash equivalents at end of period	11&17	**(10,008,761)**	**2,425,794**

The accompanying notes on pages 12 to 23 form an integral part of the condensed unaudited Financial Statements.

Notes to the condensed unaudited Financial Statements
For the six month period ended 30 June 2008

1. General Information
Saltus European Debt Strategies Limited is a company incorporated in Guernsey on 14 May 2007. The Company's Share Capital consists of Ordinary Shares. The Ordinary Shares have a Chapter 14 listing on the London Stock Exchange and are traded through CREST.

The Company invests in a portfolio consisting primarily of absolute return funds, which is expected to comprise mostly debt-oriented hedge funds, but which may also include long-only debt funds and closed-ended limited partnerships with longer lock-ups. The Company's investment strategy is to provide annual returns in excess of 3-month Sterling LIBOR plus 7.5 per cent. over a rolling 5-year period, and annual standard deviation of under 5 per cent.

The financial information for the period 14 May 2007 to 31 December 2007 is derived from the financial statements delivered to the UK Listing Authority. The Auditors reported on these financial statements, their report was unqualified and did not contain a statement under Section 65 (3) of The Companies (Guernsey) Law, 1994 (subsequently replaced by the Companies (Guernsey) Law, 2008 as of 1 July 2008).

The Company was incorporated on 14 May 2007 and the comparative period shown in the financial statements is the first full financial period being from incorporation to 31 December 2007.

These condensed interim financial statements have been reviewed, not audited.

2. Significant Accounting Policies
Basis of Accounting
The condensed unaudited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the annual financial statements for the period ended 31 December 2007.

Standards and Interpretations in issue but not yet effective
At the date of authorisation of these interim condensed unaudited Financial Statements, the following Standards and Interpretations, which have not been applied in these interim condensed unaudited Financial Statements, were in issue but not yet effective:

IFRS 8 Operating Segments
IAS 1 Presentation of Financial Statements - revised and amended
IAS 23 Borrowing Costs - revised and amended

IFRS 8 comes into force for periods commencing on or after 1 January 2009. The directors anticipate that the adoption of IFRS 8 will not have a material impact on the Financial Statements of the Company since there is only one operational business segment.

The directors believe that other pronouncements, which are in issue but not yet operative or adopted by the Company, will not have a material impact on the interim condensed unaudited Financial Statements of the Company.

The directors believe that the Interim condensed unaudited Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which it relates and does not omit any manner or development of significance.

2. Significant Accounting Policies (continued)

Accounting Convention

The interim condensed unaudited financial statements have been prepared under the historical cost or amortised cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. The preparation of interim condensed unaudited financial statements in conformity with International Financial Reporting Standards requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed unaudited financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The interim condensed unaudited financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and the currency in which capital is raised. The functional currency of the Company is also considered to be Pounds Sterling.

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment has been established, normally the ex-dividend date.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Expenses

All expenses are accounted for on an accruals basis and are presented as revenue items except for expenses that are incidental to the disposal of an investment which are deducted from the disposal proceeds.

Foreign Exchange

Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling at the balance sheet date (30 June 2008; £1: US$1.9908; and £1: €1.2651; 31 December 2007; £1: US$1.9827; and £1: €1.3598). Transactions in foreign currencies are translated at the rate of exchange ruling on the transaction date. Differences thus arising are dealt with in the Income Statement.

Investments

The Directors value all investments in funds at the net asset value of these funds as at the relevant valuation date as determined in accordance with the terms of the funds and as notified to the Company by the relevant fund manager or the relevant administrator. The valuation date of each fund may not always be coterminous with the valuation date of the Company and in such cases the valuation of the fund at the last valuation date is used.

The net asset values reported by the relevant fund managers and/or fund administrators and used by the Directors as at 30 June 2008 may be unaudited as at that date and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as at 30 June 2008.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

2. Significant Accounting Policies (continued)

Investments (continued)

Investments are classified as fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's key management personnel.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in units of unit trusts or shares in Open Ended Investment Companies ("OEICs") are valued at the closing price released by the relevant investment manager.

Gains and losses arising from changes in the fair value of investments classified as fair value through profit or loss are recognised in the Income Statement.

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

Other Receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and Cash Equivalents

Cash includes amounts held in interest bearing overnight accounts. Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

Derivative Financial Instruments

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Company uses forward foreign exchange contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The Company does not use hedge accounting and all gains or losses on forward foreign exchange contracts are taken to the Income Statement.

Forward Currency Contracts

A forward currency contract obligates the Company to receive or deliver a fixed quantity of foreign currency at a specified price on an agreed future date. These contracts are accounted for when any contract becomes binding and are valued in the Balance Sheet at the period end present value of the quoted forward price. Realised and unrealised gains and losses are included in the Income Statement.

Other Accruals and Payables

Other accruals and payables are not interest-bearing and are stated at their nominal value.

2. Significant Accounting Policies (continued)

Interest-bearing Loans and Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity are recorded at the proceeds received, net of issue costs.

Set-up Costs

The preliminary expenses of the Company directly attributable to the equity transaction and costs associated with the establishment of the Company that would otherwise have been avoided are taken to the Share Premium account.

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. Critical Accounting Judgements

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The most critical judgement, apart from those involving estimates (see below) that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements, is in respect of functional currency.

Functional currency

The Board of Directors considers Sterling the currency that most faithfully represents the economic environment in which the Company operates. Sterling is the currency in which the Company measures its performance and reports its results as well as the currency in which capital is raised.

Key sources of estimation uncertainty

The key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, relates to the fair value of investments at fair value through profit or loss.

3. Critical Accounting Judgements (continued)

Fair value of investments at fair value through profit or loss

As disclosed in note 1, the Company invests in debt oriented hedge funds. The investments are valued at the net asset value of that fund as at the relevant valuation date in accordance with the terms of the funds and as notified by the relevant fund manager/administrator. However the valuation date may be non-coterminous with the valuation date of the Company and hence in such cases the latest valuation is used.

4. Segment Information

The Company is organized into one main business segment, focusing on long term growth from investments.

In terms of the funds in which it invests, the Company operates in two main geographical areas being Europe and the United States. The underlying investments in the funds however, may be in other countries.

5. Other Gains and Losses

	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Designated at fair value through profit or loss:		
Net realised foreign exchange (losses)/gains on forward foreign exchange contracts and currency translations	(3,738,114)	104,881
Net unrealised foreign exchange gains/(losses) on forward foreign exchange contracts	2,622,993	(2,513,542)
Net unrealised (loss)/gain on currency translation	(694,293)	3,134
	(1,809,414)	**(2,405,527)**

6. Other Operating Income

	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Interest income on financial assets classified as loans and receivables	21,281	157,846

7. Expenses

	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Management fees	**196,299**	**252,408**
Other expenses:		
Directors' remuneration	36,250	45,784
Accounting, secretarial and administration fees	16,205	21,455
Auditors' remuneration for audit services	16,091	15,759
Custodian fees	9,815	12,620
Other expenses	142,389	64,339
	220,750	159,957
Total expenses	**417,049**	**412,365**

7. Expenses (continued)

The Company has no employees. The Directors are the only key management personnel of the Company. Their remuneration disclosed on the previous page is all in respect of short-term employee benefits.

No amounts were paid to the auditors during the period in respect of non-audit services.

Management and Performance fees

The Company is responsible for the fees of the Manager in accordance with the Investment Management Agreement between the Company and the Manager dated 6 June 2007.

For the services performed under the Investment Management Agreement, the Company pays the Manager a management fee per month equal to 1/12 of 1% of total assets, calculated and payable monthly in arrears.

The Manager compensates the Sub-Manager for its services to the Company under the terms of the Sub- Management Agreement.

In addition to the management fee, subject to a hurdle rate of the mean monthly LIBOR plus 2 per cent., the Manager will be entitled to a performance fee equivalent to 10 per cent. of the amount by which the net asset value attributable to the shares at the end of each accounting period exceeds the greater of the initial net asset value and the greatest period end net asset value for any previous calculation period. The fee is calculated in respect of each period of 12 months ending on 31 December. No performance fee was payable in respect of this period (31 December 2007: £nil).

The Investment Management Agreement may be terminated by either party giving to the other not less than 12 months' written notice except that the agreement may not be terminated prior to 30 June 2010.

Administration fees

With effect from 6 June 2007, Butterfield Fund Services (Guernsey) Limited was appointed as Administrator to the Company. The Company is responsible for the continuing fees of the Administrator in accordance with the Administration Agreement made between the Company and the Administrator dated 6 June 2007.

In respect of the services provided under the Administration Agreement, the Company pays the Administrator a fee which shall not exceed 0.085% per annum of the net asset value of the Company, subject to a minimum annual payment of £10,000. In addition, the Administrator is entitled to receive fees for any extraordinary duties performed to be charged on a time spent basis. The Administration Agreement is terminable by either side on three months' notice.

Custodian fees

With effect from 6 June 2007, Bank Julius Baer & Co Limited was appointed as Custodian to the Company. The Company is responsible for the continuing fees of the Custodian in accordance with the Custodian Agreement made between the Company and the Custodian dated 6 June 2007.

In respect of the services provided under the Custodian Agreement, the Company pays the Custodian a quarterly fee at the rate of 0.05% of the net asset value of the Company per annum subject to a minimum fee of £3,325 per quarter. The Custodian Agreement is terminable by either side on three months' notice. The Custodian does not have any decision making discretion relating to the investment of the assets of the Company.

Notes to the condensed unaudited Financial Statements
For the six month period ended 30 June 2008

8. Tax Status
The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600.

With effect from 1 January 2008 the corporate tax regime in Guernsey changed. However, the Company is entitled to retain exempt status.

9. Basic and Diluted Earnings per Share
Basic and diluted earnings per Share are calculated by dividing net income available by the weighted average number of Ordinary Shares outstanding during the period.

	Number of Ordinary Shares	
	30 June 2008 (unaudited)	31 December 2007 (audited)
Weighted average number of Ordinary Shares outstanding	**45,633,229**	**47,979,851**

10. Investments

	30 June 2008 (unaudited) £	31 December 2007 (audited) £
Fair value through profit or loss investments		
Opening fair value as at beginning of period	44,209,345	-
Purchases at cost	15,242,136	44,533,474
Sales - proceeds	(10,325,486)	-
- realised losses on sales	(333,419)	-
Unrealised losses on investments	(212,419)	(324,129)
Closing fair value at end of period	**48,580,157**	**44,209,345**

11. Cash and Cash Equivalents

	30 June 2008 (unaudited) £	31 December 2007 (audited) £
Cash at bank as at beginning of period	2,425,794	-
Net movement in the period	(12,434,555)	2,425,794
(Overdraft)/Cash at bank as at end of period	**(10,008,761)**	**2,425,794**

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

Notes to the condensed unaudited Financial Statements
For the six month period ended 30 June 2008

12. Current Assets and Liabilities

The Directors consider that the carrying amount of other receivables approximates to their fair value.

13. Accrued Expenses

	30 June 2008 (unaudited) £	31 December 2007 (audited) £
Management fee	32,655	252,408
Administration fee	2,776	21,455
Set up costs	-	20,000
Directors' remuneration	18,125	18,125
Auditors' remuneration	15,000	15,759
Printing costs	17,900	15,696
Custodian fee	1,633	12,620
Sundry expenses	77,845	5,707
Advisers fee	5,000	5,132
Registrar fee	2,486	2,748
	173,420	**369,650**

14. Share Capital

Authorised Capital

The Company has the power to issue an unlimited number of shares of no par value which may be issued as Ordinary Shares or C Shares or otherwise and which may be denominated in Sterling, Euros, US Dollars or any other currency.

Issued Capital

	Number of Shares	£
30 June 2008		
Ordinary Shares of no par value at 1 January 2007	47,625,000	-
Ordinary Shares issued during the period	-	-
Ordinary Shares cancelled during the period	(251,000)	-
Ordinary Shares transferred to Treasury during the period	(3,090,000)	-
Ordinary Shares of no par value at 30 June 2008	**44,284,000**	**-**
31 December 2007		
Ordinary Shares issued during the period	48,000,000	-
Ordinary Shares cancelled during the period	(375,000)	-
Ordinary Shares of no par value at 31 December 2007	**47,625,000**	**-**

The rights attaching to the Ordinary Shares are as follows:

Ordinary shareholders have one vote at a meeting of the Company for each share held. The Ordinary shareholders are entitled to receive all dividends declared out of the assets attributable to their respective share class. Upon winding up, the holders of Ordinary shares are entitled to receive a pro rata portion of the capital attributable to their respective share class according to their holdings of shares.

14. Share Capital (continued)

Issued Capital (continued)

Upon incorporation, 2 Ordinary Shares of no par value each were issued. Following the launch of the Company on the London Stock Exchange the Company had issued a total of 48,000,000 Ordinary Shares of no par value.

Further Issues of Shares

The Company's Articles of Association provide the Directors with wide powers to issue further shares (of one or more currency classes and whether as C shares or ordinary shares) on a non-pre-emptive basis and without seeking further shareholder approval.

Buy Back of Ordinary Shares and Authority to Buy Back Shares

The Company has authority to repurchase up to 14.99 per cent. of its issued share capital. The Directors intend to seek annual renewal of this authority from shareholders.

The Company acquired some of its own Ordinary Shares for cancellation during the period as follows:

Date	Number of Shares acquired	Price per Share
16 January 2008	50,000	86.500p
21 January 2008	50,000	84.400p
22 January 2008	31,000	83.500p
29 January 2008	20,000	85.000p
30 January 2008	20,000	84.750p
31 January 2008	80,000	84.375p
	251,000	

The Company acquired some of its own Ordinary Shares to be held as treasury shares during the period as follows:

Date	Number of Shares Acquired	Price per Share
11 February 2008	170,000	82.588p
12 February 2008	700,000	80.143p
18 February 2008	120,000	82.000p
29 February 2008	50,000	83.500p
11 March 2008	585,000	82.000p
14 March 2008	30,000	82.000p
17 March 2008	150,000	80.083p
18 March 2008	163,000	80.654p
20 March 2008	185,000	80.900p
26 March 2008	107,500	80.870p
28 March 2008	68,000	81.036p
18 April 2008	325,000	75.850p
24 April 2008	246,500	78.585p
12 June 2008	150,000	80.000p
13 June 2008	40,000	79.000p
	3,090,000	

Notes to the condensed unaudited Financial Statements
For the six month period ended 30 June 2008

15. Reserves
a) Share Premium Account

	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Share Premium Account as at beginning of period	-	-
Ordinary Shares issued during the period	-	48,000,000
Costs relating to the issue of Ordinary Shares	-	(720,000)
Transfer to distributable reserve	-	(47,280,000)
Share Premium Account as at end of period	**-**	**-**

b) Distributable Reserve

	1 January 2008 to 30 June 2008 (unaudited) £	14 May 2007 to 31 December 2007 (audited) £
Distributable Reserve as at beginning of period	46,946,250	-
Ordinary Shares cancelled during the period	(212,785)	47,280,000
Buyback of Ordinary Shares during the period	-	(333,750)
Buyback of Ordinary Shares for Treasury during the period	(2,480,971)	-
Distributable Reserve as at end of period	**44,252,494**	**46,946,250**

16. Net Asset Value per Ordinary Share
The net asset value per Ordinary Share of 86.98p (31 December 2007: 92.31p) is based on the net assets at the period end of £38,517,299 (31 December 2007: £43,962,075) and on 44,284,000 (31 December 2007: 47,625,000) Ordinary Shares, being the number of Ordinary Shares in issue at the period end.

17. Notes to the Cash Flow Statement
Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. The cash flows arising from these activities are shown in the Cash Flow Statement.

Cash and cash equivalents (which are presented as a single class on the face of the Balance Sheet) comprise cash at bank.

18. Commitments and Contingent Liabilities
The following forward foreign exchange contracts have been traded through the Custodian:

30 June 2008 Maturity Date	Sales	Purchases	Unrealised Profit/(loss) £
30 September 2008	€(37,000,000)	€(37,000,000)	93,553
	£(29,313,536)	£(29,407,089)	
30 September 2008	US$(29,000,000)	US$(29,000,000)	15,898
	£(14,666,531)	£(14,682,429)	
			109,451

(Forward rate for 30 September 2008 £1: €1.2622)

(Forward rate for 30 September 2008: £1:US$1.9773)

18. Commitments and Contingent Liabilities (continued)

31 December 2007 Maturity Date	Sales	Purchases	Unrealised Profit/(Loss) £
3 March 2008	€900,000	€900,000	10,038
	£663,438	£653,400	
30 June 2008	€(48,400,000)	€(48,400,000)	(2,737,517)
	£(35,795,759)	£(33,058,242)	
30 June 2008	€8,000,000	€8,000,000	287,054
	£5,916,654	£5,629,600	
3 March 2008	US$(3,500,000)	US$(3,500,000)	(66,652)
	£(1,768,159)	£(1,701,507)	
3 March 2008	US$1,100,000	US$1,100,000	1,132
	£555,707	£554,575	
30 June 2008	US$(33,200,000)	US$(33,200,000)	(47,307)
	£(16,835,333)	£(16,788,026)	
30 June 2008	US$3,000,000	US$3,000,000	39,710
	£1,521,265	£1,481,555	
			(2,513,542)

(Forward rate for 3 March 2008 £1: €1.3566, and 30 June 2008 £1: €1.3519)

(Forward rate for 3 March 2008 £1: US$1.9794, and 30 June 2008 £1: US$1.9720)

The Company has no other financial commitments as at 30 June 2008 or 31 December 2007.

The Company has no contingent liabilities at the balance sheet date.

19. Related Party Transactions

Saltus (Channel Islands) Limited (the "Manager"), Saltus Partners LLP (the "Sub-Manager") and the Directors are regarded as related parties. The only related party transactions are described below:

The fees and expenses payable to the Manager are explained in Note 7. The management fee balance due at the end of the period was £32,655 (31 December 2007: £252,408). There was no performance fee balance due at the period end (31 December 2007: £nil).

There were no direct transactions with the Sub-Manager during the period.

The basic fee payable to each independent non-executive director is at a rate of £15,000 per annum, except for the Chairman who receives £25,000 per annum and Mr C. Sherwell who receives an additional £2,500 per annum for being Chairman of the Audit Committee (period to 31 December 2007: additional £2,500 received).

Mr J Macintosh is a director of the Manager and a partner of the Sub-Manager and as such he has waived his right to remuneration as a director of the Company.

20. Bank Facilities
On 6 June 2007 the Company entered into a multi-purpose multi-currency revolving overdraft, loan and foreign exchange credit facility with Bank Julius Baer & Co Limited (the "Bank"). The Bank agreed to provide the Company with a loan facility in the aggregate principal amount of up to the lower of £11,000,000 or 15% of the Company's monthly net asset value. On 6 December 2007 the aggregate principal amount of the facility was increased to the lower of £30,000,000 or 40% of the Company's monthly net asset value. On 27 May 2008 the Bank agreed to a temporary increase in the facility amount to the lower of £30,000,000 and 44% of the Company's gross asset value up to 31 July 2008, and the lower of £30,000,000 and 32% of the Company's gross asset value up to September 2008 whereafter it reverts to the terms of the 6 December 2007 amount. This facility is secured by a charge over all of the Company's underlying assets and is in accordance with the conditions of the security interest agreement dated 6 June 2007 between the Company, the Bank and the Custodian. The interest rate chargeable is the Bank's floating lending rate plus a margin of 1 per cent. per annum payable quarterly in arrears. At 30 June 2008 the Company had drawn down £10,008,761 of this facility (31 December 2007: £nil).

21. Post Balance Sheet Events
In the period to 31 July 2008 the Company repurchased 510,306 Ordinary Shares that are currently being held in Treasury at a weighted average price of 79.5 pence per Share.

22. Reconciliation of Accounting NAV and Published NAV per Share

	Net Asset Value 30 June 2008 (unaudited) £	NAV per Share 30 June 2008 (unaudited) £	Net Asset Value 31 December 2007 (audited) £	NAV per Share 31 December 2007 (audited) £
Published Net Asset Value	38,517,299	0.8698	43,934,715	0.9225
Adjustments to expense accruals	-	-	27,360	0.0006
Net Asset Value	**38,517,299**	**0.8698**	**43,962,075**	**0.9231**

Saltus European Debt Strategies Limited
Management and Administration

Directors
G. Baird (Chairman) *
R. Dorey *
J. Macintosh +
W. Scott *
C. Sherwell *

* Independent Non-Executive Directors
+ Representative of the Manager and Sub-Manager

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