PSOLVE ALTERNATIVES PCC LIMITED

Interim Report and Unaudited Financial Statements
for the six months ended 30 June 2008

CONTENTS

INTRODUCTION

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of PSolve Alternatives PCC Limited (the "Company") in respect of its only cell, PSolve Niche Opportunities Fund (the "Cell"), is to target absolute returns of in excess of 15 per cent. per annum averaged over any five year period with low correlation to traditional equity benchmarks and an annualised volatility of less than 10 per cent.

The Shares issued are Sterling denominated but the underlying assets of the Cell are predominantly denominated in US Dollars (but may include other currencies). It is the intention of the Manager to hedge the currency exposure of the assets of the Cell accordingly.

The Manager uses a top-down macro economic analysis in order to select which hedge fund strategies to invest in or otherwise. There is a focus on newer strategies and smaller hedge funds, particularly those taking a specialist or niche approach. The Manager believes that such strategies and hedge funds may be able to generate better returns than very large or mainstream hedge funds.

Although the Company itself does not borrow except for short term or temporary purposes, the portfolio of the Cell is directly exposed to gearing to the extent that the investee funds are themselves geared.

The Directors do not expect the Company's income (net of expenses) to be significant and do not expect to declare any dividends.

The portfolio generally comprises of around 20 hedge funds.

Approximately 60 to 70 per cent. of the Cell is invested in around 10 lower risk core managers (typically targeting 10-15 per cent. returns per annum averaged over any five year period) and approximately 30 to 40 per cent. is invested in around 10 higher risk satellite managers (typically targeting returns in excess of 20 per cent. per annum averaged over any five year period).

INVESTMENT MANAGER

The Company has appointed PSolve Alternative Investments Limited, a division of PSigma Investments Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, as its Manager for the period ended 30 June 2008. With effect from 1 July 2008, the Company entered into a new investment management agreement, with substantially the same terms, to appoint Grenfell PAI Guernsey Limited as Manager of the Company. In addition, a sub-investment management agreement has been entered into to appoint Grenfell PAI Limited as sub-investment manager of the Company. Refer to page 16 for further details.

PERFORMANCE

Performance for the period 1 January 2008 to 30 June 2008:

The Company	period to 30 June 2008	year to 31 December 2007 (Audited)	period to 30 June 2007
Published NAV per share	-11.07%	+9.15%	+8.73
Share Price	-16.89%	+20.98%	+12.13

CHAIRMAN'S STATEMENT
for the six months ended 30 June 2008

In the first six months to 30 June 2008 the Cell's Net Asset Value (NAV) per share declined by -11.07%. Performance has been extremely disappointing given the write down of Focus Capital Investors Fund, which was fully documented in the Company's Financial Statements for the year ended 31 December 2007.

The NAV declined in the period under review falling from 110.10p at 1 January 2008 to 97.91p at 30 June 2008, which represented a decrease of -11.07%. Unfortunately the Cell's position in Focus Capital Investors Fund contributed to the negative returns in the first quarter of the year fully costing the fund 7.62% in February alone. The Cell's share price also fell for the period from 111.00p to 92.25p a decline of -16.89%. The Cell's share price as at 30 June was at a discount of 5.78% to NAV.

The Board further advises shareholders that all resolutions were duly passed at the Annual General Meeting of the Company held on 31 July 2008.

Outlook

As announced to the market on 31 July 2008, the Directors have now concluded their investigations concerning the Cell's strategic review and believe that the interest of shareholders would be best served by putting proposals to the shareholders of the Cell to liquidate the Cell and return cash (less the costs of the liquidation).

The Board further advised shareholders that the nature of the investments in the Cell's portfolio would result in shareholders receiving more than one payment of their cash entitlement over a period of time. Provided that the resolution to liquidate the Cell is approved by shareholders, it is expected that the first payment, representing a significant majority of the value of the portfolio, would be made in October 2008.

Further details of the liquidation proposals will be included in a circular to shareholders expected to be dispatched at the beginning of September 2008. The circular will comprise a notice of an Extraordinary General Meeting of the Company expected to be held by the end of September 2008. Shareholders will be asked to approve a resolution to wind up the Cell and to appoint liquidators.

Christopher P Spencer
August 2008

MANAGER'S REPORT
for the six months ended 30 June 2008

Market Overview

January witnessed very severe declines (versus November) driven by weak economic reports and continuing recession fears. At one point, US markets had fallen double digits. Fed intervention (0.75% surprise cut followed by a further 0.50% cut in the last week) helped to lift equities which still ended the month down between 5% and 10%. Elsewhere around the Globe, the extent of the market decline was even worse, with Europe down between 9% and 13%, while EMG fell between 15% and 20%. February was characterised by the very real prospect of low growth and inflation (the latter driven by energy and food). This brought about a significant increase in risk aversion as witnessed by further declines in bond yields and widening credit spreads. Not surprisingly, volatility remained high (in excess of 26%).

Central Banks are trying to step up their open market operations in order to encourage banks to start lending. This continues to meet with limited success. Markets were proving to be more benign through to the end of May compared to the latter part of 2007 and Q1 2008. However, June witnessed a steep jump in volatility as inflation, earnings and credit worries began to dominate headlines.

Three factors dominated markets throughout June, particularly in the fixed income sector: the ECB announced it would raise rates early July, Crude Oil prices surged towards US$144 per barrel and the Fed kept rates on hold. The S&P500 hit its low point in mid March and from its trough to the end of May it had had risen approximately +11.5%. However, it took quite a tumble during June, falling almost 9% (the Dow declined over 10%). Across the Globe, it was a similar story with declines of over 6% in Japan, almost 10% in Hong Kong, and 17% to 20% in India and China. Europe also witnessed steep falls of over 7% in the FTSE and almost 12% in the CAC40 (France).

Credit spreads narrowed during April and May following the significant spread widening witnessed during March, triggered by the risk of systemic financial failure following the rescue of Bear Stearns by JPMorgan and the Fed. However, during June, it widened as evidenced by both the CDX and iTraxx indices. Credit insurance has become very expensive again. Volatility reached elevated levels in March (the VIX reaching 35 mid month), then fell during April and May. Given the above, it is not surprising it spiked in June by 5% to 6% settling at around 18 to 19 – still well below the low to mid twenties level witnessed earlier in the year.

Fund Overview

For the period to 30th June 2008, the Fund was down 11.07%. We are disappointed with the performance of the Company and, as the commentary reveals below, the bulk of this draw down was suffered in February (circa 7.50%).

During January ‘08, we added our first Indian fund to strengthen the financing component of the book, specialising in distressed companies. Despite this, the market sell off was extremely severe and impacted all our net long managers as sector rotation continued from small cap to large cap names. Net Long managers suffered the most due to their small cap, growth bias. In this flight to quality, several managers suffered significant draw downs and this was the primary reason for the portfolio’s loss on the month. During February, the fund suffered a substantial draw down as its holding in Focus was written down 100%. We documented this in a Board report and subsequently in a factsheet to shareholders.

The Company entered March with the following portfolio:

- Financing: 23%
- Global Growth/Value: 22%
- Distressed: 6%
- Special Situations: 22%
- Contrarian: 34%
- Cash: -7% (overdraft facility)

MANAGER'S REPORT (continued)
for the six months ended 30 June 2008

Fund Overview (continued)

March was a difficult month for hedge funds in general: the HFR Strategic Fund of Funds Index, which most closely approximates to the Fund's mandate, was down -3.43%. In this context we were pleased with the Company's performance. The worst losses came from our Asian managers, in particular the small cap and activist managers, which was to be expected from their concentrated approach. These losses were mitigated by the excellent performance of the contrarian managers in the hedge overlay. In particular our long CDS manager who was up +10%, while our short credit managers and short equity manager also fared well.

April saw large rebounds in Equity markets despite worrying fundamental data. While our Special Situations and Global Growth/Value managers caught this bounce, our short biased managers gave back some of their positive returns and this meant that the Company finished up only +0.50%. However, there was good news in April, when we received back just over $450,000 of our investment in Focus. This had previously been written down to zero, and so provided a boost to performance in the month.

May was a more unsettled month for the markets than April. Estimated performance released on RNS to the market on June 20th was +0.13%. Marginal losses in the long book were counteracted by positive performance from the hedge overlay managers, in particular the financing managers in the US. During the period we have cut back many positions to raise cash and eliminate the overdraft and we have not added any new investments. At the end of the period the Company portfolio was as follows:

- Financing: 21%
- Global Growth/Value: 6%
- Distressed: 7%
- Special Situations: 21%
- Contrarian: 35%
- Cash: 10%

PSolve Alternative Investments
August 2008

DIRECTORS' INTERIM REPORT
for the period ended 30 June 2008

The Directors have pleasure in submitting the inerim report and unaudited financial statements for PSolve Alternatives PCC Limited (the "Company") for the period ended 30 June 2008.

The Company has one cell, PSolve Niche Opportunities Fund (the "Cell"), which commenced activities on 9 March 2006.

The Cell's ordinary shares are listed on the London Stock Exchange.

Responsibility Statement
We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Significant Events
In accordance with the Company's quarterly redemption facility, 871,382 Ordinary shares were redeemed during the period for a total value of £915,709.

Results
The results for the period are detailed on page 9.

The Directors do not recommend the payment of a dividend.

Capital Values
At 30 June 2008 the value of net assets available to shareholders was £17,608,865 (31 December 2007: £20,732,300) and the net asset value per share was £0.9791 (31 December 2007: £1.0995).

Directors and Directors' Interests
All of the Directors listed below, other than Mr Samuels, are independent of the Manager. Mr Samuels has an indirect interest in the Investment Management Agreement by reason of his employment by and remuneration from Punter Southall Group Limited, the parent company of PSigma Investments Limited.

Certain Directors had a beneficial interest in the Company by way of their investment in the ordinary shares of the Cell.

The details of these interests as at 30 June 2008 are as follows:

	Ordinary Shares
Christopher Paul Spencer	10,000
Rupert Onesimus Dorey	140,000
Jonathan James Gamble	8,000
James Anthony Angus Samuels	25,000

DIRECTORS' INTERIM REPORT (continued)
for the period ended 30 June 2008

Management Arrangements

The Company has an agreement with PSolve Alternative Investments for the provision of investment management services. Management fees as disclosed in note 4 are based on an annual amount of 1.5 per cent of the net asset value of the Company plus a performance fee. The Board has reviewed the performance of the investment manager in managing the portfolio. The Committee has also reviewed the appropriateness of the terms of the investment management agreement, in particular, the length of the notice period and the fees payable to the investment manager.

In the opinion of the Directors, the continuing appointment of the investment manager on the terms agreed is in the interest of shareholders as a whole. However, as noted in the Company's announcement on 31 July 2008, the Board have now concluded their investigations concerning the Cell's strategic review, details of which are included in the Chairman's Statement.

Rupert O Dorey	Chris Spencer
Director	Director

21 August 2008

TEN LARGEST INVESTMENTS
as at 30 June 2008

Name of investment	Strategy	Units	Book Cost £	Market Value £	% of Company's Net Assets
Claren Road Credit Fund Limited	Contrarian	2,587	1,495,788	1,683,686	9.56%
Island Drive Offshore Limited	Contrarian	25,976	1,411,041	1,467,288	8.33%
Forum Absolute Return Fund Limited	Contrarian	23,445	1,243,656	1,410,621	8.01%
Osmium Special Situations Fund Limited	Event Driven: Special Situations	1,658	1,161,340	1,306,768	7.42%
Wexford Offshore Credit Opportunities Fund Limited	Event Driven: Distressed	963	1,207,174	1,240,357	7.04%
Denholm Hall Russia Arbitrage Fund Limited	Financing	9,055	818,102	1,074,714	6.10%
Paulson Credit Opportunities Limited	Contrarian	2,343	260,611	1,071,799	6.09%
Enable Limited	Financing	1,162	869,676	932,658	5.30%
Ecofin Special Situations Utilities Fund Limited	Event Driven: Special Situations	13,000	711,257	841,632	4.78%
Eight Capital Offshore Fund Limited	Financing	1,263	907,784	808,077	4.59%
			10,086,429	11,837,600	67.22%

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 the subject of confidentiality provisions with the Investment Manager. The Board believes that such disclosure could be disadvantageous to the Company and its shareholders, for instance by increasing competition for the limited investment capacity in underlying hedge funds and hedge fund strategies. Accordingly, in common with several other funds of hedge funds, and, in compliance with current UK Listing Authority requirements, the Company intends to disclose only its ten largest investments.

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF PSOLVE ALTERNATIVES PCC LIMITED

Introduction

We have been engaged by PSolve Alternatives PCC Limited ("the Company") to review the set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Unaudited Income Statement, Unaudited Balance Sheet, the Unaudited Statement of Changes in Equity, the Unaudited Cashflow Statement and the related explanatory 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.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTRs") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

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 DTRs of the UK FSA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

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

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 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 IAS 34 and the DTRs of the UK FSA.

KPMG Channel Islands Limited
Guernsey
21 August 2008

UNAUDITED INCOME STATEMENT
for the six months ended 30 June 2008

	Note	30 June 2008 £	30 June 2007 £
Income			
Net realised loss on disposal of investments held at fair value	2(c)	(674,412)	(196,233)
Movement in unrealised (loss)/gain on investments held at fair value	2(c)	(1,483,166)	2,276,296
Net foreign exchange gains	2(d)	214,032	569,620
Interest income	2(e)	4,403	29,539
		(1,939,143)	2,679,222
Expenditure			
Management fees	4(a)	135,419	195,754
Performance fees	4(a)	-	172,182
Custodian fees	4(b)	9,000	9,816
Directors' fees and expenses	4(c)	27,312	48,484
Administration fees	4(d)	23,230	28,339
Audit fees		9,712	6,376
Brokerage fees		12,206	10,969
Interest and bank charges		24,627	5,255
Legal and professional fees		2,403	11,263
Listing fees		3,621	17,458
Miscellaneous expenses		18,730	3,315
Registrar and transfer agent fees		2,323	1,092
		268,583	510,303
(Loss)/profit for the period		(2,207,726)	2,168,919
Return per ordinary share		£(0.1228)	£0.0882

The Company has no other gains or losses other than the return for the period.
All items derive from continuing activities.

UNAUDITED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2008

	30 June 2008 £	30 June 2007 £
Opening balance	20,732,300	24,814,316
Redemption of shares	(915,709)	-
(Loss)/profit for the period	(2,207,726)	2,168,919
Closing balance	17,608,865	26,983,235

The notes on pages 12 to 15 form an integral part of the financial statements

UNAUDITED BALANCE SHEET
as at 30 June 2008

	Note	**30 June 2008** £	**31 December 2007** £
Non Current Assets			
Investments held at fair value	2(c)	15,335,880	20,479,472
Current Assets			
Cash and cash equivalents	2(f)	1,760,379	28,614
Debtors and prepayments		837,581	3,470,037
		2,597,960	3,498,651
Current Liabilities			
Bank overdraft	2(f)	-	(2,786,097)
Forward foreign currency contracts		(10,402)	(227,385)
Creditors and accrued expenses		(314,573)	(232,341)
		(324,975)	(3,245,823)
Net Current Assets		2,272,985	252,828
Net Assets		17,608,865	20,732,300
Equity			
Share capital	5(b)	-	-
Share premium		-	-
Special reserve		16,805,770	17,721,479
Other reserves		803,095	3,010,821
Net Assets Attributable to Equity Shareholders		17,608,865	20,732,300
Net Asset Value Per Ordinary Share *	6	£0.9791	£1.0995

*Based on the net asset value at the period end divided by the number of ordinary shares in issue of 17,984,057 (2007: 18,855,439).

The notes on pages 12 to 15 form an integral part of the financial statements

UNAUDITED CASHFLOW STATEMENT
for the six months ended 30 June 2008

	30 June 2008 £	30 June 2007 £
Net cash outflow from operating activities	(429,803)	(263,076)
Investing activities		
Purchase of investments	236,310	(3,250,066)
Sale of investments	5,630,015	4,187,317
Realised gains from forward foreign currency contracts	278,985	689,227
Net cash inflow from investing activities	6,145,310	1,626,478
Net cash inflow before financing	5,715,507	1,363,402
Financing activities		
Redemption of shares	(915,709)	-
Net cash outflow from financing activities	(915,709)	-
Net increase in cash and cash equivalents	4,799,798	1,363,402
Exchange movements	(281,936)	(225,127)
Movement in cash and cash equivalents during the period	4,517,862	1,138,275
Cash and cash equivalents at beginning of the period	(2,757,483)	909,541
Cash and cash equivalents at end of the period	1,760,379	2,047,816

Reconciliation of (loss)/profit for period to net cash outflow

	30 June 2008 £	30 June 2007 £
Net (loss)/profit before taxation	(2,207,726)	2,168,919
Losses/(gains) on investments held at fair value	2,157,578	(2,080,063)
Exchange gains	(214,032)	(569,620)
(Increase)/decrease in debtors and accrued income	(12,063)	38,206
(Decrease)/increase in creditors	(153,560)	179,482
	(429,803)	(263,076)
Cash flows from operating activities include		
Interest received	3,161	28,719
Interest paid	(27,401)	(208)

The notes on pages 12 to 15 form an integral part of the financial statements

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
for the six months ended 30 June 2008

1. THE COMPANY

PSolve Alternatives PCC Limited (the "Company") is a closed-ended protected cell company pursuant to The Protected Cell Companies Ordinance 1997, as amended. The Company was incorporated in Guernsey on 30 November 2005.

The Company has one cell, PSolve Niche Opportunities Fund (the "Cell"). The Cell's ordinary shares are listed on the London Stock Exchange.

The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a Cell comprise assets represented by the proceeds of Cell share capital, reserves and any other assets attributable to that Cell. Where a liability arises from a transaction in respect of a particular Cell, the cellular assets attributable to that Cell shall be liable and the liability shall not be a liability of assets attributable to any other Cell or of the non-cellular assets unless the Company has entered into a recourse agreement.

2. ACCOUNTING POLICIES

a) Statement of compliance

The interim financial statements for the half year ended 30 June 2008 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and the Disclosures and Transparency Rules ("DTRs") of the UK's Financial Services Authority.

The interim financial statements do not include all of the information required for full financial statements, and should be read in conjunction with the financial statements for the Company as at and for the year ended 31 December 2007. The financial statements of the Company as at and for the year ended 31 December 2007 were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The particular accounting policies adopted are described below.

b) Basis of preparation

The financial statements are presented in Sterling (£). They are prepared on a historical cost basis, except for the measurement at fair value of investments and derivatives (forward foreign currency contracts). The interim financial statements of the Company have been prepared on a going concern basis, as it is the opinion of the Directors that preparing the interim financial statements on a break-up basis would not lead to a material difference in the figures presented.

c) Investments

Classification

In accordance with International Accounting Standard No. 39 "Financial Instruments: Recognition and Measurement" the Company designated all of its investments as fair value through profit or loss. The investments of the Company are principally in unlisted open-ended investment funds.

Recognition

The Company recognises financial assets and financial liabilties on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recognised.

Measurement

Financial instruments are measured initially at fair value being the transaction price. Subsequent to initial recognition, all instruments classified as fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Income Statement.

Fair value measurement principles

Investments in underlying hedge funds are valued on the basis of the latest net asset value per unit or share, which represents the fair value, quoted by the administrator or manager of the fund in question as at the close of business on the relevant Valuation Point. These values may be unaudited or themselves be estimates.

To the extent that such information is not available in a timely manner, the net asset values will be published based on estimated values of the underlying hedge funds and on the basis of the information available to the Administrator or the Manager using valuation techniques appropriate to those investments. The Directors believe that the net asset values represent the best estimate of trading price in an arms length transaction and therefore represent fair value. In instances where other valuation techniques are used, the Directors have no reason to believe that the valuations used are unreasonable.

Realised and unrealised gains and losses

Realised gains and losses on investments are calculated by reference to the net proceeds received on disposal and the average cost attributable to those investments. Unrealised gains and losses are calculated by reference to the average cost attributable to those investments. All realised and unrealised gains and losses are included in the Income Statement.

Realised and unrealised gains or losses on forward foreign currency contracts are recognised in the Income Statement.

Derecognition

An investment is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Investments that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2008

2. ACCOUNTING POLICIES (continued)

d) Foreign currency translation

Functional and presentation currency

Transactions are recorded in the Company's accounting records in Sterling (the "functional currency"). The use of Sterling as the functional currency reflects the fact that the Company's authorised share capital is denominated in Sterling and the Company's investor base is seeking an investment return in Sterling.

The Company has adopted Sterling as its presentation currency. As the Company's functional and presentation currencies are both in Sterling, translation issues only arise when converting foreign currency transactions and balances.

Transactions and balances

Foreign currency assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling using the exchange rates ruling at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

The fair value of open forward foreign currency contracts at the period end is calculated as the difference between the contract price and fair value based upon reported market prices of the underlying variables. Any unrealised gains and losses arising therefrom are included in the Balance Sheet.

e) Income

Interest income is accounted for on an accruals basis. Equity investment income is accrued on an ex-dividend basis. Where withholding tax is charged, the income is shown gross of any withholding tax paid.

f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash, deposits with banks and bank overdrafts are stated at their principal amount.

g) Expenses

Expenses are accounted for on an accruals basis.

3. TAXATION

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.

4. SIGNIFICANT AGREEMENTS AND RELATED PARTIES

a) The Manager

The Manager is entitled to a management fee, payable monthly in arrears, of 1.5 per cent. per annum calculated on the Net Asset Value of the Company. For the period ended 30 June 2008, total management fees were £135,419 (2007: £195,754) of which £44,248 (2007: £101,975) is due and payable as at that date.

The Manager is also entitled to a performance fee payable by reference to the increase in adjusted NAV per share over the course of the period, only if the performance hurdle test is met and the high watermark exceeded.

The performance hurdle is that the adjusted NAV per share at the end of the relevant performance period exceeds an amount equal to 105 per cent. of the adjusted NAV per share at the start of the performance period. If the performance hurdle is met and the high watermark exceeded, the performance fee will be an amount equal to 10 per cent. of the increase in the adjusted NAV per share in excess of the performance hurdle multiplied by the time weighted average of the total number of ordinary shares in issue. For the period ended 30 June 2008, total performance fees were nil (2007: £172,182) and thus nil fees (2007: £172,182) were due and payable as at that date.

The Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

For the period up to 30 June 2008, either party may terminate the Management Agreement at any time on not less than 12 months' notice in writing. Termination shall be without prejudice to the completion of any transactions already initiated and shall be without any penalty or other additional payment save that the Company shall be obliged to pay the accrued contractual fees and charges due to the Manager and any reasonable expenses of the Manager in terminating the agreement. However, with effect from 1 July 2008 the Company entered into a new Management Agreement to appoint Grenfell PAI Guernsey Limited as Manager of the Company (see page 16). Under these terms either party may terminate the new Management Agreement at any time on not less than one month notice in writing.

b) Custodian fees

For its services rendered under the Custodian Agreement, the Custodian, HSBC Custody Services (Guernsey) Limited is entitled to a fee of 0.075 per cent. per annum on the Net Asset Value up to £50 million and 0.06 per cent. per annum of the Net Asset Value on any amount by which the Net Asset Value exceeds £50 million, subject to a minimum monthly fee of £1,500, plus a transaction charge of £150 for each transaction. For the period ended 30 June 2008, total custodian fees were £9,000 (2007: £9,816) of which £3,000 (2007: £3,323) is due and payable as at that date.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2008

4. SIGNIFICANT AGREEMENTS AND RELATED PARTIES (continued)

c) Directors' fees and expenses

Each Director will be paid a fee of £15,000 per annum (£25,000 for the Chairman). Mr Samuels has agreed to waive his fee until further notice. Additional payments may also be made in respect of subsequent Cells established in the Company.

d) Administration fees

The Company's Administrator, HSBC Securities Services (Guernsey) Limited is entitled to a fee of 0.1 per cent. per annum on the Net Asset Value up to £50 million and 0.075 per cent. per annum of the Net Asset Value on any amount which exceeds £50 million, subject to a minimum monthly fee of £3,000, payable monthly in arrears and from which it may, at its discretion, pay fees to any affiliate of the Administrator to which it may have delegated any of its functions. Preparation of interim and annual financial statements are based on time spent, subject to a minimum fee of £3,000 per annum. The provision of corporate secretarial services are also based on time spent, subject to a minimum fee of £3,000 per annum. The Administrator and any of its delegates will also be entitled to reimbursement of certain expenses incurred by it in connection with their duties. For the period ended 30 June 2008, total administration fees were £23,230 (2007: £28,339) of which £10,498 (2007: £7,480) is due and payable as at that date.

5. SHARE CAPITAL

a) Authorised

	30 June 2008	31 December 2007
100 Management Shares of no par value	-	-
Unlimited ordinary shares of no par value	-	-
	-	-

The principal rights attaching to the classes of shares are as follows:-

Management Shares

The Management Shares do not carry any right to dividends. On a winding-up, the Management Shares are entitled, after payment of all creditors of the Company only to be repaid an amount paid up on the Management Shares and all other remaining assets in the Company which are not otherwise attributable to any Cell of the Company. The holder or holders of Management Shares are entitled to attend and vote at general meetings of the Company.

Ordinary Shares in respect of the Cell

The holders of Ordinary Shares have the right to receive in proportion to their holdings all the revenue profits of the Cell attributable to the Ordinary Shares as a class available for distribution and determined to be distributed by way of interim and/or final dividend at such times as the Directors may determine. On a winding up of the Cell, after paying all the debts attributable to and satisfying all the liabilities of the Cell, holders of the Ordinary Shares shall be entitled to receive by way of capital any surplus assets of the Cell attributable to the Ordinary Shares as a class in proportion to their holdings. The holders of the Ordinary Shares are only entitled to participate in the assets of the Cell attributable to the Ordinary Shares as a class and have no entitlement to participate in the distribution of any assets attributable to any other Cell. The voting rights attributable to the Ordinary Shares are to attend and vote at general meetings of the Company and at any separate general meeting of the holders of the Ordinary Shares.

The Directors do not expect the Company's income (net of expenses) to be significant and do not expect to declare any dividends.

Each holder of Ordinary Shares may, unless the Directors otherwise resolve, request the redemption of up to 25 per cent. of the Ordinary Shares comprised in its holding of Ordinary Shares in the event that, in the preceding quarter, the Ordinary Shares have traded at a discount of more than 3 per cent. to their Net Asset Value on each of the three Net Asset Value Calculation Dates in that quarter.

At an Extraordinary General Meeting of the Company on 15 January 2007, discount control measures available to the Board were enhanced by the resolutions passed to renew the Company's authority to buyback shares of up to 14.99% of its ordinary share capital and an amendment to the Articles of Association which now allow the Company to repurchase shares into Treasury.

b) Issued

	30 June 2008		31 December 2007	
Ordinary Shares	**Number of Shares**	**Share Capital**	**Number of Shares**	**Share Capital**
		£		**£**
Opening balance	18,855,439	-	24,600,900	-
Shares redeemed	(871,382)	-	(5,610,461)	-
Shares repurchased	-	-	(135,000)	-
Total shares in issue of no par value	17,984,057	-	18,855,439	-
Shares held as Treasury Shares	135,000	-	135,000	-
Closing balance	18,119,057	-	18,990,439	-

In accordance with the Company's quarterly redemption facility, 871,382 Ordinary shares were redeemed during the period for a total value of £915,709.

The Company does not have any externally imposed capital requirements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2008

6. RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NET ASSET VALUE

	30 June 2008 Total	Per Participating Redeemable Preference Share	31 December 2007 Total	Per Participating Redeemable Preference Share
	£	£	£	£
Published Net Asset Value	17,608,865	0.9791	20,759,874	1.1010
Adjustment for:				
Performance fee accrual	-	-	(17,579)	(0.0010)
Investment valuation difference	-	-	(9,995)	(0.0005)
	17,608,865	0.9791	20,732,300	1.0995

7. POST BALANCE SHEET EVENT

As announced to the market on 31 July 2008, the Directors have now concluded their investigations concerning the Cell’s strategic review and believe that the interest of shareholders would be best served by putting proposals to the shareholders of the Cell to liquidate the Cell and return cash to shareholders (less the costs of the liquidation). Subject to regulatory approval, the proposals will be put to shareholders for approval at an extraordinary general meeting to be held by the end of September 2008.

ADMINISTRATION

DIRECTORS
Christopher P Spencer (Chairman)
Rupert O Dorey
Jonathan J Gamble
James A A Samuels

MANAGER*
Grenfell PAI Guernsey Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 3NA
Channel Islands

Sub-Investment Manager:
Grenfell PAI Limited
126 Jermyn Street
London SW1Y 4UJ

FINANCIAL ADVISER AND BROKER
Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

SOLICITORS TO THE COMPANY
(as to English Law)
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

ADVOCATES TO THE COMPANY
(as to Guernsey Law)
Ozannes
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP
Channel Islands

ADMINISTRATOR, SECRETARY AND REGISTERED OFFICE OF THE COMPANY
HSBC Securities Services (Guernsey) Limited
Arnold House
P.O. Box 208
St. Julian's Avenue
St. Peter Port
Guernsey GY1 3NF
Channel Islands

AUDITOR
KPMG Channel Islands Limited
Chartered Accountants
P.O. Box 20
20 New Street
St. Peter Port
Guernsey GY1 4AN
Channel Islands

CUSTODIAN
HSBC Custody Services (Guernsey) Limited
Arnold House
P.O. Box 208
St. Julian's Avenue
St. Peter Port
Guernsey GY1 3NF
Channel Islands

REGISTRAR, TRANSFER AGENT, PAYING AGENT AND RECEIVING AGENT
Anson Registrars Limited
P.O. Box 426
Anson Place
Mill Court
La Charroterie
St Peter Port
Guernsey GY1 3WX
Channel Islands

UK TRANSFER AGENT
Anson Administration (UK) Limited
3500 Parkway
Whiteley
Fareham
Hampshire PO15 7AL

*With effect from 1 July 2008 the Company has entered into a new investment management agreement to appoint Grenfell PAI Guernsey Limited as Manager of the Company, substantially on the same terms as those under which the Company's previous manager, Psigma Investments Limited acting through its division, Psolve Alternative Investments Limited, was appointed. Additionally, a sub-investment management agreement has been entered into to appoint Grenfell PAI Limited as sub-investment manager of the Company.

There will be a continuing management of the Company by the same managers and staff. There will be no change in the basis of calculation of investment management fees. However, a reduced termination notice period of one month now applies, rather than the period of twelve months as per the investment management agreement previously held with PSolve Alternative Investments Limited.