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BASSO ASSOCIATES UK LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2007

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COMPANIES HOUSE

Basso Associates UK Limited

Directors

H Fischer
S Avis

Secretary

Jordan Company Secretaries Limited

Auditors

Moore Stephens LLP
St Paul's House, Warwick Lane, London, EC4M 7BP

Registered Office

20-22 Bedford Row, London WC1R 4JS

Registered Number

5195355

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31st December 2007

Principal Business Activities, Risks and Uncertainties

The Company is a private company limited by shares organized under the laws of England and Wales. The Company is a wholly-owned subsidiary of Basso Capital Management, L P ("BCM"), a US Delaware limited partnership that is an investment adviser registered with the US Securities and Exchange Commission ("SEC").

The Company is authorized and regulated by the Financial Services Authority to carry on regulated activities under the Financial Services and Markets Act 2000 of the U.K., such authorization having been granted on December 16, 2005.

The Company acts as sub-advisor to BCM, which is the investment manager for various Basso funds identified in the Form ADV I on file with the SEC (the "Funds"). In its capacity as sub-advisor to BCM, the Company provides investment recommendations and advice and due diligence and research services to BCM, pursuant to the terms of an Amended and Restated Sub-Advisory and Management Agreement dated as of November 1, 2007 (the "Sub-Advisory Agreement"). The Company is subject to the risk that regulatory and other changes (including changes affecting the taxation of the Company) could impact the manner in which the Company currently operates.

The Company bears all costs and expenses incurred by it in connection with the provision of services under the Sub-Advisory Agreement. The Company receives compensation from BCM in the form of an annual fee in an amount equal to (i) the costs and expenses referred to in the preceding sentence, plus (ii) 10% of the amount referred to in clause (i) of this sentence or such additional amounts as the Company and BCM may mutually agree from time to time.

The Company is dependent on the support of and fees paid by BCM, as its parent and as the counterparty to the Sub-Advisory Agreement. BCM receives management and performance based compensation from the Funds. In the event of a material adverse effect on the financial condition of BCM, it is likely that the financial condition of the Company would be materially and adversely affected. However, the Company currently does not anticipate any material changes to its business or results in 2008.

Basso Associates UK Limited

Report of the Directors (Continued)

Results and Dividends

The annual results of the company and the financial position at 31st December 2007 are shown in the attached audited financial statements

The directors have not recommended the payment by the company of a dividend for the 2007 financial year

Directors' Interests

The Directors did not have a beneficial interest, as defined by the Companies Act 1985

The interests of one of the directors can be found within the parent company's financial statements

Auditors

On 8th September 2004, the company passed a written resolution to dispense with the following obligations

- to lay accounts and reports before general meetings
- to hold Annual General Meetings, and
- to appoint auditors annually

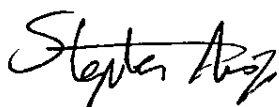
Each of the persons who are directors at the time when this report is approved has confirmed that

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

By Order of the Board on 29th April 2008

S AVIS

Director



Basso Associates UK Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on a 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 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 Shareholders of Basso Associates UK Limited

We have audited the financial statements of Basso Associates UK Limited for the year ended 31st December 2007 which are set out pages 5 to 13. 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 auditor's 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 financial statements in accordance with applicable law and United Kingdom 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.

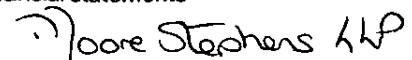
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31st December 2007 and of its profit 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.

St Paul's House
Warwick Lane
LONDON EC4M 7BP


Moore Stephens LLP
Registered Auditors
Chartered Accountants

30 April 2008

Basso Associates UK Limited

Profit and Loss Account
For the year ended 31st December 2007

	<u>Note</u>	<u>2007</u>	<u>2006</u>
		£	£
Turnover	2	982,986	1,365,862
Administrative expenses		(893,622)	(1,241,693)
Operating Profit	3	89,364	124,169
Other interest receivable and similar income		188	-
Profit on Ordinary Activities before Taxation		89,552	124,169
Tax on profit on ordinary activities	5	(17,626)	(23,779)
Profit for the Period		71,926	100,390
Retained Reserves Brought Forward		121,571	21,181
Retained Reserves Carried Forward		193,497	121,571

The company has no recognised gains or losses other than as set out above

All of the activities of the company are classified as continuing

Basso Associates UK Limited

Balance Sheet - 31st December 2007

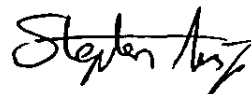
	Note	2007		2006	
		£	£	£	£
Fixed Assets					
Tangible assets	6		2,999		6,770
Current Assets					
Debtors	7	518,974		1,010,776	
Cash at bank		274,287		86,162	
		<u>793,261</u>		<u>1,096,938</u>	
Creditors, amounts falling due within one year	8	<u>(552,763)</u>		<u>(932,137)</u>	
Net Current Assets			<u>240,498</u>		<u>164,801</u>
Total Assets Less Current Liabilities			<u>243,497</u>		<u>171,571</u>
Net Assets			<u>£ 243,497</u>		<u>£ 171,571</u>
Capital and Reserves					
Called up share capital	9		50,000		50,000
Profit and loss account			193,497		121,571
Shareholders' Funds	10		<u>£ 243,497</u>		<u>£ 171,571</u>

The financial statements were approved by the Board on 29 April 2008
and signed on its behalf by

S AVIS

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Director



Basso Associates UK Limited

Cash Flow Statement
For the year ended 31st December 2007

	<u>Note</u>	<u>2007</u>	<u>2006</u>
		£	£
Net Cash Inflow from Operating Activities	12	221,286	30,046
Returns on Investments And Servicing of Finance			
Interest received		188	-
Taxation			
UK corporation tax paid		(33,349)	(4,385)
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		-	(3,817)
Increase in Cash	14	£ <u>188,125</u>	£ <u>21,844</u>
 Reconciliation of Net Cash Flow to Movement in Net Funds			
Movement in net funds in the year		188,125	21,944
Net funds at 31st December 2006		86,162	64,218
Net funds at 31st December 2007		£ <u>274,287</u>	£ <u>86,162</u>

Basso Associates UK Limited**Financial Statements for the year ended 31st December 2007****Notes****1 Principal Accounting Policies****(a) Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards under UK GAAP

(b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of an asset, less its estimated residual value, evenly over its expected useful economic life as follows

Office equipment	- 25% straight line
Computer equipment	- 33 33% straight line

(c) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted into sterling at appropriate rates ruling during the period. All differences on exchange are dealt with in the profit and loss account.

(d) Operating lease rentals

The annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(e) Pensions

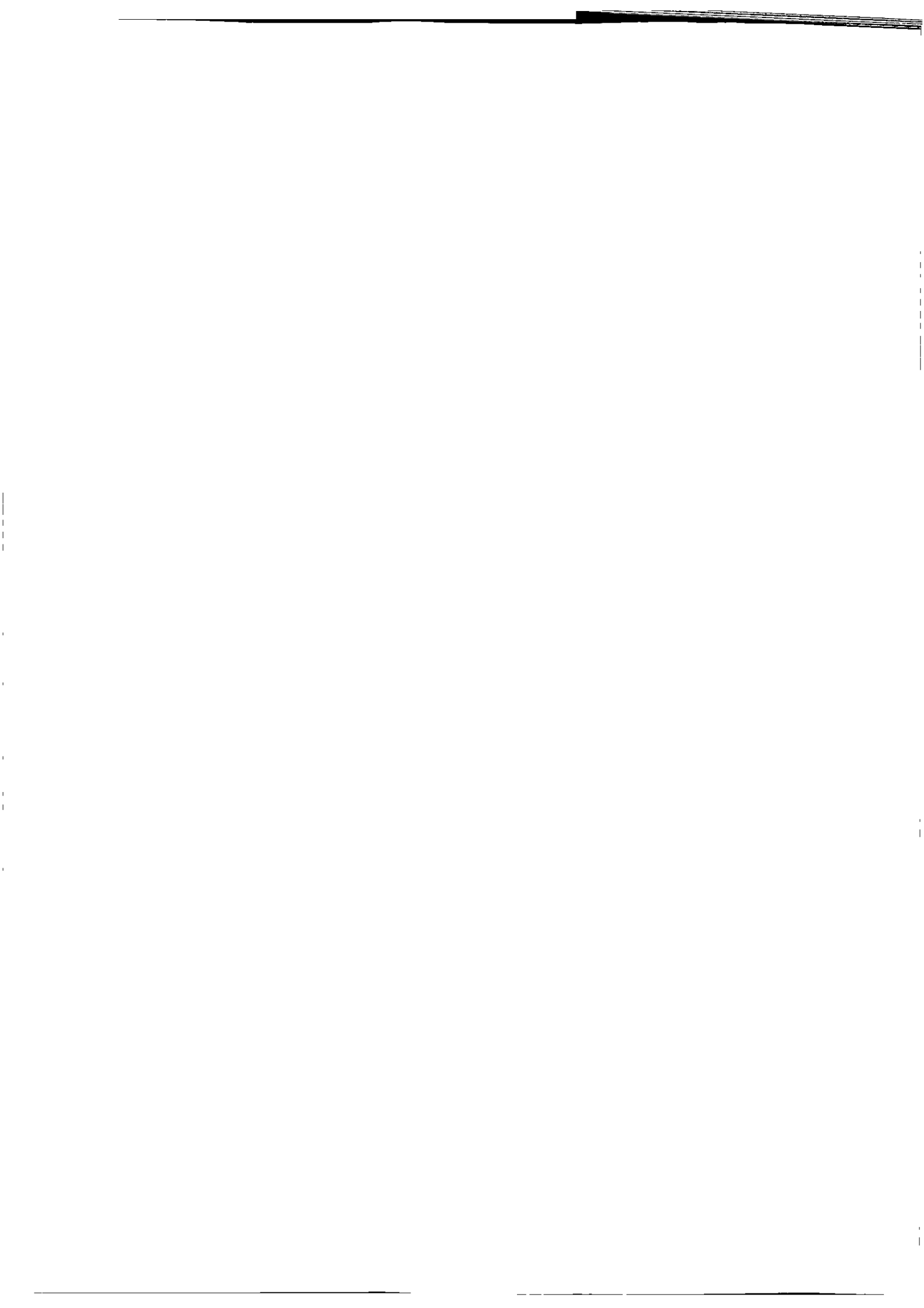
The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

(f) Deferred taxation

The charge for taxation is based on the profit and loss 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 undiscounted and is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

2 Turnover

The turnover shown in the profit and loss account represents fees due for the period stated net of valued added tax.



Basso Associates UK Limited

Financial Statements for the year ended 31st December 2007

Notes (Continued)

3 Operating Profit

Operating profit is stated after charging

	<u>2007</u>	<u>2006</u>
	£	£
Depreciation	3,771	3,312
Auditors' remuneration		
- statutory	6,200	7,000
- taxation	2,500	2,500
- other services	10,592	11,266
Operating lease rentals - land and buildings	57,540	33,990
	<u>57,540</u>	<u>33,990</u>

4 Staff Costs

Staff costs for the period are as follows

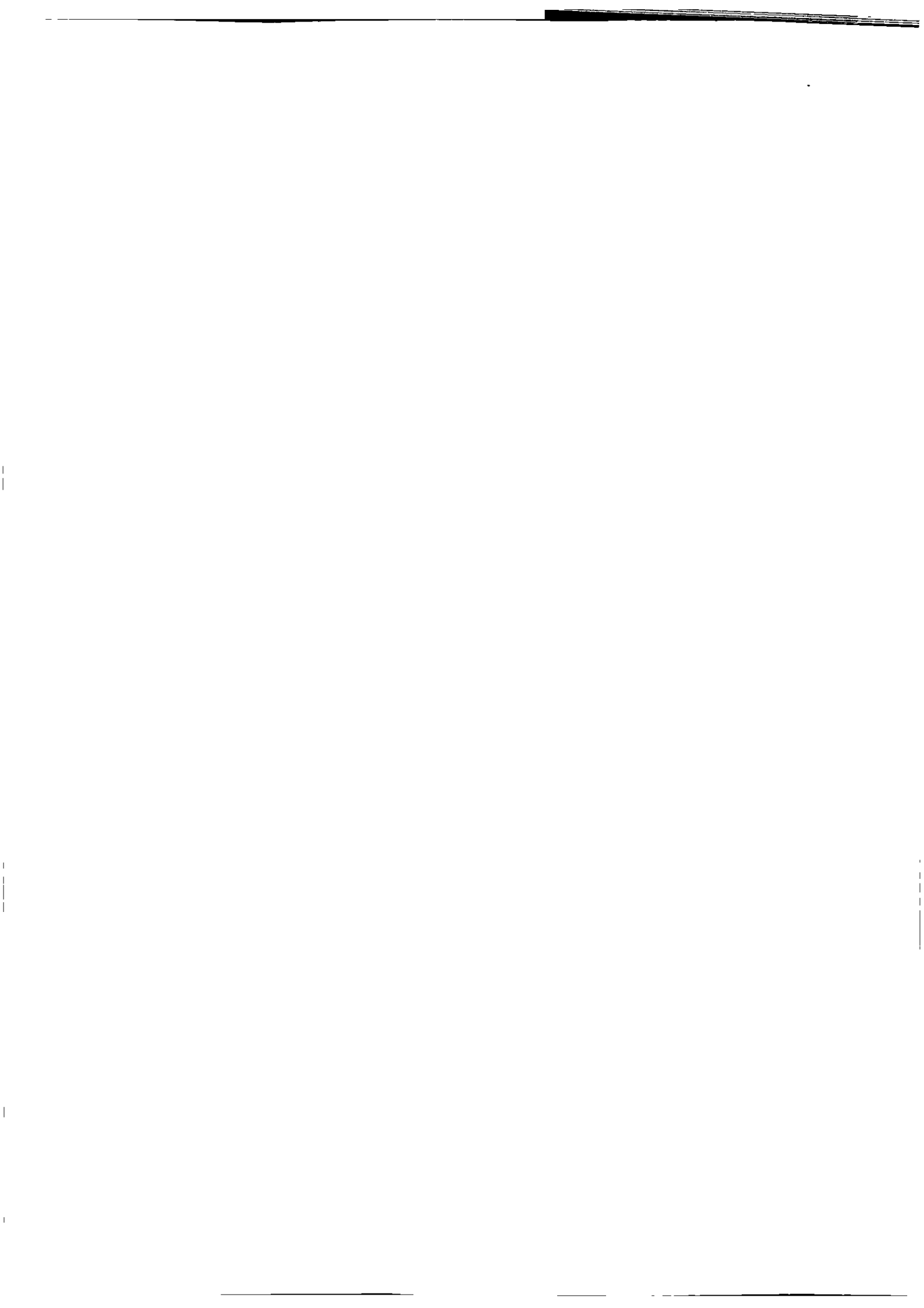
	<u>2007</u>	<u>2006</u>
	£	£
Salaries and wages	662,640	970,815
Social security	83,493	122,848
Pension	3,333	63,607
	<u>749,466</u>	<u>1,157,270</u>

The average number of staff employed by the company during the financial period in a research position amounted to 2 (2006 - 2)

Directors Emoluments

Included in staff costs above are the following amounts in respect of one of the directors paid to him in his capacity as an employee

	<u>2007</u>	<u>2006</u>
	£	£
Emoluments	138,956	372,044
Amounts paid to money purchase pension scheme	3,333	63,607
	<u>142,289</u>	<u>435,651</u>



Basso Associates UK Limited

Financial Statements for the year ended 31st December 2007

Notes (Continued)

5	Taxation	<u>2007</u>	<u>2006</u>
		£	£
	UK corporation tax	8,056	23,779
	Under provision in prior period	9,570	-
	Current tax charge	<u>17,626</u>	<u>23,779</u>
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation	<u>89,552</u>	<u>124,169</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.75% (2006 19%)	17,687	23,592
	Effects of		
	Timing differences	(10,060)	-
	Capital allowances in excess of depreciation	429	187
	Current tax charge	<u>8,056</u>	<u>23,779</u>
6	Tangible Fixed Assets		Office Equipment and <u>Computers</u>
			£
	Cost		
	At 1st January 2007		11,979
	Additions		-
	At 31st December 2007		<u>11,979</u>
	Depreciation		
	At 1st January 2007		5,209
	Charge for the period		3,771
	At 31st December 2007		<u>8,980</u>
	Net book value		
	At 31st December 2007		<u>2,999</u>
	At 31st December 2006		<u>6,770</u>

Basso Associates UK Limited

Financial Statements for the year ended 31st December 2007

Notes (Continued)

7 Debtors		
	<u>2007</u>	<u>2006</u>
	£	£
Amounts owed by parent company	490,448	998,475
Other debtors	27,380	8,320
Prepayments	1,146	3,981
	<u>£ 518,974</u>	<u>£ 1,010,776</u>
<p>Included within other debtors is an amount of £20,000 (2006 £6,000) in respect of a rent deposit which is receivable upon cessation of the current rental lease agreement, on 31 August 2008</p>		
8 Creditors: Amounts falling due within one year		
	<u>2007</u>	<u>2006</u>
	£	£
Corporation tax	8,056	23,779
Other taxation and social security	66,505	100,747
Accruals	478,202	807,611
	<u>£ 552,763</u>	<u>£ 932,137</u>
9 Share Capital		
	<u>2007</u>	<u>2006</u>
Authorised share capital		
500,000 ordinary shares of £1 each	<u>£ 500,000</u>	<u>£ 500,000</u>
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	<u>£ 50,000</u>	<u>£ 50,000</u>



Basso Associates UK Limited

Financial Statements for the year ended 31st December 2007

Notes (Continued)

10 Reconciliation of Movements in Shareholders' Funds

	<u>2007</u>	<u>2006</u>
	£	£
Profit for the financial period	71,926	100,390
Opening equity shareholders' funds	<u>171,571</u>	<u>71,181</u>
Closing shareholders' funds	£ <u><u>243,497</u></u>	£ <u><u>171,571</u></u>

11 Controlling Party

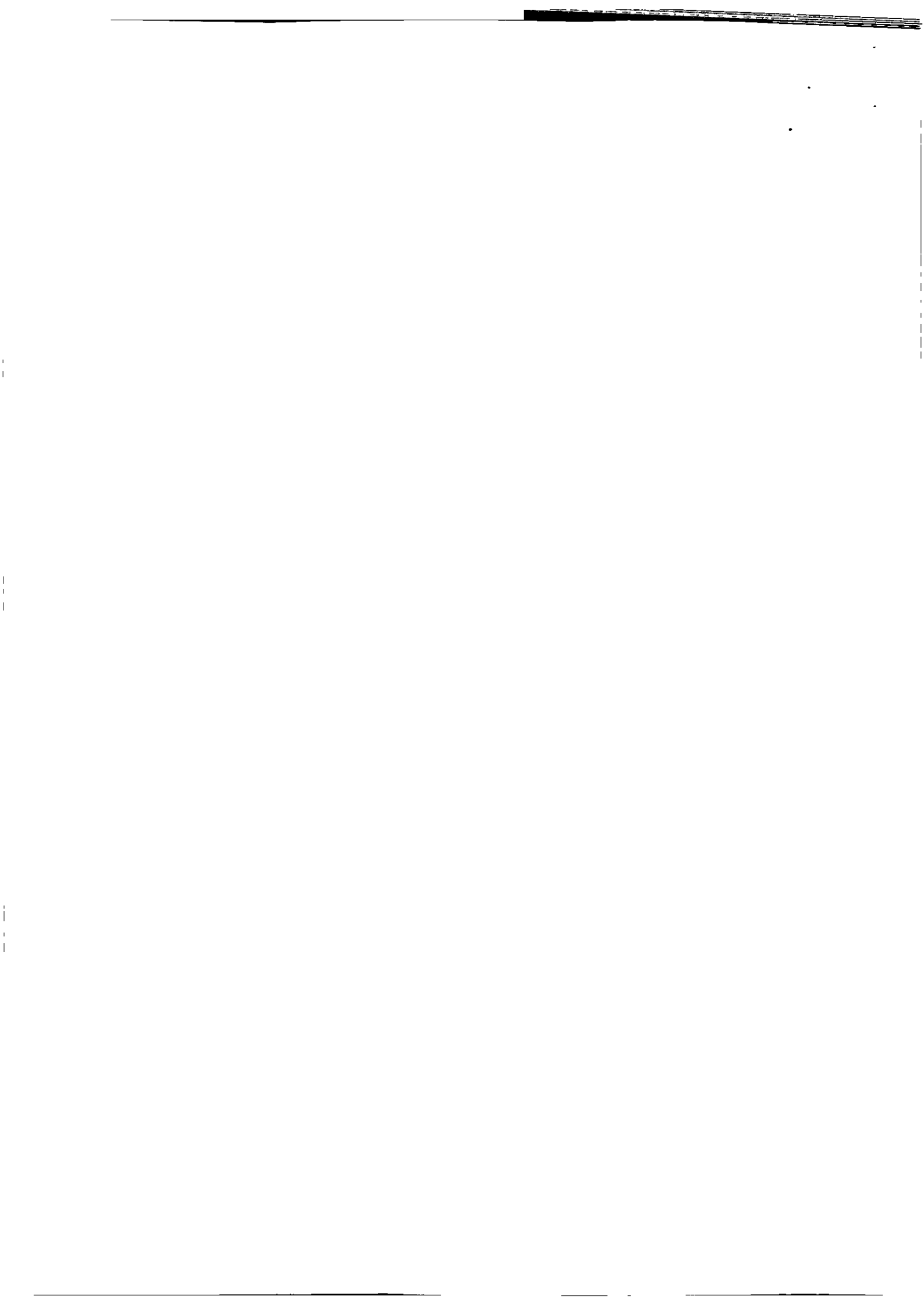
The company is owned and controlled by Basso Capital Management, L P , a U S Delaware Limited Partnership

12 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	<u>2007</u>	<u>2006</u>
	£	£
Operating profit	89,364	124,169
Depreciation	3,771	3,312
Decrease/(increase) in debtors	491,802	(995,290)
(Decrease)/increase in creditors	<u>(363,651)</u>	<u>897,855</u>
Net cash inflow from operating activities	£ <u><u>221,286</u></u>	£ <u><u>30,046</u></u>

13 Analysis of Net Funds

	At 31st December <u>2006</u>	<u>Cash Flow</u>	At 31st December <u>2007</u>
Cash at bank and in hand	<u>86,162</u>	<u>188,125</u>	<u>274,287</u>



Basso Associates UK Limited**Financial Statements for the year ended 31st December 2007****Notes (Continued)****14 Operating Leases**

At 31st December 2007, the company had annual commitments under non-cancellable operating leases as set out below

Operating leases which expire

	2007 Land and <u>Buildings</u> £	2006 Land and <u>Buildings</u> £
Within one year	80,000	27,540
Within two to five years	-	-
	<u>80,000</u>	<u>27,540</u>

15 Related Parties

The company has taken advantage of the exemption available in FRS 8, related party transactions, not to disclose transactions with entities which are part of the same group on the grounds that it is a wholly owned subsidiary, and consolidated financial statements are publicly available