

STIRLING MORTIMER GLOBAL  
PROPERTY FUND PCC LIMITED

NO 4 FUND CAPE VERDE

INTERIM REPORT AND UNAUDITED  
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2008

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## CONTENTS

|   | <b>Page</b> |
|---|-------------|
| Directors and company information ..... | 3           |
| Chairman’s statement .....              | 4 - 5       |
| Directors’ report .....                 | 6 - 7       |
| Property Manager’s report .....         | 8 - 16      |
| Income statement .....                  | 17          |
| Balance sheet .....                     | 18          |
| Statement of cash flow .....            | 19          |
| Statement of changes in equity .....    | 20          |
| Notes to the financial statements ..... | 21 - 33     |

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

**DIRECTORS:**

Catharine Walter  
Philip Bowman  
Timothy Clink  
Mark N. Huntley  
Richard Roberts

**PROMOTER:**

Stirling Mortimer Limited  
6 Manor Park Business Centre  
Mackenzie Way  
Cheltenham  
United Kingdom  
GL51 9TX

**PROPERTY MANAGER:**

Stately International Investments Limited  
12 Burleigh Street  
Covent Garden  
London  
WC2E 7PX

**INDEPENDENT PROPERTY VALUER & AGENTS:**

Savills (L&P) Limited  
Wytham Court  
11 West Way  
Oxford  
OX2 0QL

**ADMINISTRATOR, REGISTRAR****& SECRETARY:**

Heritage International Fund Managers Limited  
Heritage Hall  
Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HY

**LISTING AGENT:**

Heritage Corporate Services Limited  
Heritage Hall  
Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HY

**AUDITORS:**

BDO Novus Limited  
Chartered Accountants  
Place du Pre  
Rue du Pre  
St Peter Port  
Guernsey  
Channel Islands  
GY1 3LL

**PROPERTY ADVISOR:**

Stirling Mortimer (Channel Islands) Limited  
Heritage Hall  
Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HY

**REGISTERED OFFICE:**

Heritage Hall  
Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HY

## CHAIRMAN'S STATEMENT

I am pleased to present the interim report and unaudited financial statement of Stirling Mortimer Global Property Fund PCC Limited (the "Company"), Cape Verde No 4 Fund (the "Fund") for the period ended 31 December 2008. This report relates to the developments at the Paradise Beach and Fortim Mindelo.

### HIGHLIGHTS

- Book value of net assets as at 31 December 2008 €67.13 million (30 June 2008: €67.86 million);
- Loss for the period ended 31 December 2008 €(7.73) million (30 June 2008: €(1.43) million);
- "Right to purchase" (RTP) contracts backed by Developer's bank guarantees and 15% re-sale guarantees, in the event of delays;
- Developments on schedule for 2010 completion. However, as a result of the development timeframes now in place, the life of the Fund has been extended to 31 January 2011.

### ECONOMIC ENVIRONMENT

The past few months have been extremely challenging for global property markets. The "credit crunch" has continued to impact on the Fund's ability to re-sell the RTP contracts with many property purchasers either looking for bargains or being deterred from entering the market. The situation has been further compounded by the weakening of Sterling against the Euro making it more difficult for UK buyers of overseas properties.

The effect of the credit squeeze is that the Fund's "right to purchase" (RTP) contracts are no longer easily tradable prior to the completion of the properties. Our Property Manager has not been able to re-sell the properties within the timeframe that we have anticipated in the prospectus.

The Board plans to visit Cape Verde later in 2009. The building progress has continued as we would expect and the Property Manager continues to report a high level of enquiries to follow the sales already made and detailed in the last annual report and financial statement. Demand for property in Cape Verde continues despite the global recession and we are hopeful that the profits achieved in the re-sales to date will continue. The Property Manager has increased the marketing activity and with the show home already available a sales team has been recruited in Cape Verde. The Property Manager believes that the busiest period for re-sales of the RTPs will be between Easter and the end of September and we are therefore hopeful that more re-sales will follow and details of these will be supplied in the full report in June.

The Board is conscious that the only communication to the investors comes in the form of the annual report and financial statements and these interim accounts. We are currently looking at ways of providing a greater level of detail about the progress of the sites and hope that this will include supplying DVDs showing the developments.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

Whilst the aim of the Fund remains that of re-selling the RTP contracts for profit during the construction process, the Board would like to point out that there are increasing difficulties in meeting that objective, however, we are cautiously optimistic that the markets will improve towards the end of 2009.

## **GUARANTEES**

The Fund holds contractual guarantees that provide a level of protection to our investors. There is a 15% penalty payment in the event that the underlying properties are not sold within two years of the date the Fund entered in to the RTP. There is a further safety net in the form of Developer bank guarantee that offers protection to the sum invested in RTP in the event that the developer becomes insolvent. The Fund's property lawyers, European Legal Solutions S.L. (ELS), have confirmed the validity of the guarantees which are in place.

The most important part of our contract is that the Fund is entitled to at least a full return of the capital it invested into the "right to purchase" contract if it is sold for less than the full price during Years 3 and 4 of the Fund's life. This means that the Property Manager has adequate time to dispose of the contracts without the Fund suffering a loss on the amount invested into the contract. These contractual guarantees were detailed in full in the original offer documents.

The construction process is now well advanced with the show home due to be completed in the very near future, the delivery date has been extended to November 2010 for Paradise Beach and December 2010 for the Mudeira Beach. We hope that this, coupled with an increase in marketing activity, will enable re-sales to start to flow. The Fund's properties are at the quality end of the market and we do not anticipate any difficulties in the completion and re-sale of the underlying properties.

## **RESULTS**

The financial statement of the Fund for the period ended 31 December 2008 shows the net asset value of the Fund at €67.13 million. Investors should be aware that these financial statements were prepared under the historical cost convention under guidance by the International Financial Reporting Standards (IFRS).

As with this type of investment, the Board does not recommend any dividend distribution at this time.

**Catharine Walter**

29 April 2009

## DIRECTORS' REPORT

The Directors submit their interim report and the unaudited financial statements for the period ended 31 December 2008.

### **STRUCTURE OF COMPANY**

Stirling Mortimer Global Property Fund PCC Limited (the "Company") was incorporated on 9 March 2007 as a closed-ended investment fund with limited liability under the Companies (Guernsey) Law, 1994 and as a protected cell company under The Protected Cell Companies Ordinance, 1997 to 1998 (as amended). Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 was granted on 29 March 2007 for the establishment of the Company as a closed-ended investment fund. The Company is a Registered Closed-ended Investment Fund as defined in the Guidance Document issued by the Guernsey Financial Services Commission dated February 2007.

### **ACTIVITIES**

The principal activity of the Company is that of a closed-ended investment fund with limited liability.

### **RESULTS**

The results for the year are shown in the income statement on Page 17.

### **DIVIDENDS**

The Directors do not recommend the payment of dividends to the ordinary shareholders from the interim report and the unaudited financial statement for the period ended 31 December 2008.

### **DIRECTORS**

The Directors of the Company during the period were as stated on Page 3.

### **DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies (Guernsey) Law, 1994 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 and are in accordance with applicable laws. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently on a cellular basis;
- 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; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Protected Cell Companies Ordinance, 1997 to 1998 (as amended) and the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with laws or regulations.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

## **AUDITORS**

A resolution to re-appoint BDO Novus Limited as auditors of the Company was passed at the Annual General Meeting in 2009. BDO Novus have confirmed their willingness to continue in office.

**Catharine Walter**

DIRECTOR

Date: 29 April 2009

Heritage Hall

Le Marchant Street

St Peter Port

Guernsey

**Mark N. Huntley**

DIRECTOR

## PROPERTY MANAGER'S REPORT - STATELY INVESTMENTS LIMITED

### **Overview**

Cell 4 of the Stirling Mortimer Global Property Fund PCC Limited has invested in “right to purchase” contracts in two discounted residential property developments on the Island of Sal, Cape Verde.

The market has enjoyed sustainable growth in the economy, tourism and the local housing market. However, the recent global crisis is forecast to potentially have a short term influence on the tourism sector.

Any economic downturn is predicted to be short lived and any recovery to start by 2010 in line with global economic recovery. Whilst negative impacts have not yet been seen in relation to house pricing on the Islands, effects from the global economic crisis may be reflected in tourist volume, which would have a potential impact on timeframes associated with disposal of asset though the initial extension of Cell 4 should counter any impacts.

However, recent developments geared towards disposal of asset are seeing encouraging results and include heavy expansion of internal sales operations, marketing activity and further expansion of referral agent networks in an attempt to offset any negative impact that occurs from the tourism sector.

To date 10 reservations and re-sales have been made on assets held by the Cell, which will provide an average 27.5% return on investment with some profits already repatriated to the Cell. It is the Property Manager's belief that the assets, in which the Cell has invested, namely the high quality apartment sector, will see the highest levels of demand on the Islands, due to limited competition and the current undersupply in this sector.

### **1. The Economy**

The Cape Verde Islands have enjoyed ongoing economic growth over the past decade with an average GDP increase of 6.14% per annum, between 2001 and 2007<sup>1</sup>. The Cape Verdean government had expected GDP growth levels of between 6% and 7% in 2009. However, a recent report from the economist intelligence unit forecasts that Real GDP growth will fall significantly, but remain robust at 4% in 2009.

The global economic crisis is predicted to have an impact in Cape Verde, as inflows of foreign direct investment and tourist arrivals are forecast to decline in 2009. Although construction is expected to slow, as the global market for tourist homes is hit and some major projects are delayed owing to difficulties in obtaining the necessary credit, the sector's contribution to growth will remain positive, as ongoing projects progress and the government increases expenditure on public investment.

The resumption of growth in the EU in 2010 is expected to revive the tourism industry. As a result of these trends, real GDP growth is expected to fall to 4% in 2009, before rising moderately to 5% in 2010.

The ruling Partido Africano da Independência de Cabo Verde (PAICV) and the Prime Minister, José Maria Neves, are expected to remain in power in 2009-10. However, the government will come under increased pressure from the public, as the global economic crisis affects the country's economic performance and reduces the level of job creation. Although the overall fall in the price of basic commodities has reduced social pressure and the government has approved an important fiscal stimulus programme that will offset some of the negative effects of the global crisis, Mr Neves may be forced to re-shuffle his cabinet to divert public anger if unemployment levels start to increase rapidly.

---

<sup>1</sup> HTL Tourism & Leisure Report, August 2006 & statement by Minister of Economy, May 2008 (<http://www.cipbenin.org/english/version/spip.php?article181>).

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

Improving relations with the EU will remain central to Cape Verde's foreign policy. The government will give priority to implementing measures contained in the "special partnership" agreement signed with the EU, including increased co-operation in trade and investment and fighting illegal immigration. Portugal will remain the preferred partner in most matters, but increased investment and more tourist arrivals from other European countries are reducing this dependency. Although the EU will continue to be the main economic partner, Cape Verde will seek to strengthen South-South co-operation, especially with Brazil and China, in order to take advantage of its privileged strategic position for cross-Atlantic trade.

The government's main objective will be to minimise the effects the global slowdown will have on the country's economic performance. The government intends to provide a fiscal stimulus to offset the negative effects that the expected slowdown in the tourism and construction sectors will have on domestic consumption levels. In addition, it will have to increase the spread of its base policy rate with the rates of major industrialised countries to continue to attract funds from the Cape Verdean Diasporas to sustain the level of foreign exchange reserves, although this will be difficult given the substantial economic downturn in the world economy.

Inflationary pressures are expected to remain subdued in 2009, owing to the sharp fall in oil and food prices in international markets. The central bank will also continue to pursue a prudent monetary policy, although it will become slightly looser to support stronger economic growth. As a result of these factors, it is forecast that average inflation will fall from an estimated 6.9% in 2008 to 3.5% in 2009, before increasing to 3.8% in 2010, as commodity prices rise again in international markets.

## 2. Tourism

Depending on sources that are analysed, levels of tourism to the Cape Verde islands may be affected in 2009 as a result of the global economic crisis. In the latest edition of its World Tourism Barometer, the United Nations World Tourism Organisation (UNWTO) reported that international tourism is expected to stagnate or even decline slightly during 2009 (between 0% and -2%).

It added cautiously: "But, there is still a high degree of uncertainty and much will depend on the evolving economic conditions. If the [global] economy starts to show signs of an earlier recovery, international tourism might grow slightly in 2009 but, if global economies deteriorate further, then the current forecast might be revised downwards."

However, the report places African nations in a more favourable position with a 1% to 4% predicted increase.

|                      | real  |       | projection |       |            |
|----------------------|-------|-------|------------|-------|------------|
|                      | 2007  | 2008  | J.-J.      | J.-Q. |            |
| World                | 6.9%  | 1.8%  | 5.4%       | -1.3% | -2% and 0% |
| Europe               | 5.2%  | 0.1%  | 3.4%       | -2.5% | -3% and 0% |
| Asia and the Pacific | 10.5% | 1.6%  | 6.3%       | -2.6% | 0% and 3%  |
| Americas             | 4.9%  | 3.6%  | 6.8%       | 1.1%  | -1% and 2% |
| Africa               | 8.5%  | 4.6%  | 5.4%       | 4.0%  | 1% and 4%  |
| Middle East          | 15.3% | 11.3% | 17.6%      | 5.2%  | 2% and 6%  |

Source: World Tourism Organization (UNWTO) ©

Visitor numbers to the Cape Verde islands have steadily increased over the past decade, with total numbers of visitors increasing by 58.7% between 2003 and 2007. According to the Cape Verde National Institute of Statistics (INE), the third trimester for 2008 showed that the transport, tourism and construction industries were maintaining strength, with tourism increasing at a rate of 22% on the previous year.

In the absence of more recent statistics from the INE, the full effect of the financial crisis on tourism remains to be seen in 2009, since international tourism reservations are normally made and paid in full at least a few months in advance. Therefore, the financial crisis that started in late 2008 has yet to take effect. However, the growth rate of international arrivals to Sub-Saharan African countries has already slowed down to 4.2% in 2008 compared to 7.5% in 2007 (UNWTO World Tourism Barometer January 2009).

---

Long term forecasts for Cape Verde are positive, the INE forecasts that the Cape Verde Islands will attract in the region of one million tourists per annum by 2015.

One key area for future growth is within the limited supply of high quality accommodation, which is currently in massive under-supply. The provision of high quality self catering accommodation on the islands is forecast to both enjoy high levels of demand and rental returns, in comparison to higher priced hotel accommodation.

### 3. Infrastructure

Incoming tourism to Cape Verde has grown from a very low base in recent years. Business related tourism has been predominantly centered on Praia (Santiago Island), with Santa Maria (Sal Island) the predominant leisure tourism destination.

There has been significant investment in tourism related infrastructure, with the upgrading of the international airport on Sal, the inauguration of Praia International Airport and the imminent inauguration of the international airports on Boa Vista and Sao Vicente. These developments, together with increases in tourist accommodation, are expected to lead to future development of tourism to Cape Verde.

Cape Verde, attracted €2.639bn in direct foreign investment (DFI) in 2008, a rise of 129% from the previous year, according to statistics from the Cabo Verde Investimentos (CI), with 19 DFI projects being approved in 2008, compared with 13 projects in 2007<sup>2</sup>.

The government is encouraging tourism development through incentives, but does not currently have adequate funding for tourism promotion, which is being carried out by the private sector. An assessment of Cape Verde's tourism sector was carried out in 2004 under a French aid funded project. This project identified water sports, nature interests and trekking as having strong market potential, in addition to conventional beach-based tourism. The 2004 assessment is being used as a basis for a 10-year tourism development strategy. This strategy is expected to include the objective of diversifying the tourism product to reflect the strengths of Cape Verde and encourage higher spending tourists.

#### Airports

Cape Verde is undertaking an ongoing airport investment programme. Major components of this investment programme are summarised as follows:

**Amilcar Cabral International Airport, Sal:** until September 2005, this was Cape Verde's only international airport and it remains the major airport for international flights. The new air traffic control centre opened in 2004 and there is further investment in satellite navigation systems. This is now running as a fully operational international airport.

**Praia International Airport, Santiago:** the first phase of the upgrading of the airport was completed in September 2005. A second phase of development is scheduled. The objective is to develop Praia and Sal as dual hub airports.

Plans to expand the international airport in Cape Verde's capital city are currently being considered, MacauHub reports that the Arab Bank for Economic Development of Africa (BADEA) is looking at signing an agreement with the country's government regarding the project. The body is expected to carry out a feasibility study to see if the plans to expand Praia Airport are realistic and affordable. BADEA has already participated in a number of major projects in Cape Verde in the past, including infrastructure improvements and technical assistance. If the expansion at Praia goes ahead, it is likely to cost in the region of €10m.

<sup>2</sup> [http://news.xinhuanet.com/english/2009-01/08/content\\_10625623.htm](http://news.xinhuanet.com/english/2009-01/08/content_10625623.htm)

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

This development could have a profound impact on Cape Verde's status as an overseas property hotspot, as accessibility improvements have been widely credited with boosting its appeal. Since an airport expansion is likely to lead to new flights being introduced, Cape Verde's popularity should increase even further.

**Boa Vista International Airport:** the first phase of expansion and upgrading of the airport was completed at the end of 2006. The airport is intended to serve international charter flights from Europe. Initially the airport will only be equipped to handle day flights, with equipment to handle night flights included in the second phase (2012), with a "fuel farm" installation and other facilities included in a subsequent phase.

Total passengers (arrivals and departures) handled at the airport are forecast to grow to at least 129,000 per annum by 2010 (38,000 in 2005). However, future growth will be dependent on the capacity of accommodation developed.

**Sao Vicente International Airport:** Sao Vicente International Airport is now open for domestic flights. The airport has to be approved by the International Aviation Committee at which point it will be able to accept international flights.

## **Future Outlook**

Cape Verde is investing in upgrading and expanding its airport capacity to enable increased air services to follow. The success of developing additional capacity on existing routes and attracting new routes will, to a large extent, be demand-led as new tourist accommodation capacity is further realised.

## **4. Real Estate Marketplace**

The Cape Verde Islands have enjoyed ongoing growth in the real estate sector over the past three years with capital appreciation widely reported in the region of 17% to 20% per annum. Whilst governmental statistics are limited with regards to future growth, it would be prudent to assume that short term growth will be restricted in the light of global economic conditions.

However, assuming that levels of pricing simply stagnate, the current rate of return to the Cell, due to the nature of the leveraged investment, is running in the region of 27.5%. Medium term stabilisation of global markets and tourism should result in a return to growth in housing, particularly in the limited supply sector in which the Cell's assets sit.

## **5. Development Updates**

Progress is underway on both Projects, with construction varied in phases.

### **1) Paradise Beach**

Phase One of the two phase project plan is well into progression, with foundations and initial structures complete. The show flat for the development is now complete and furnished, providing a marketing suite for inspection tours from prospective clients.

Phase Two is under construction and currently on schedule and reaching objectives set out in development timeframes as detailed in the Construction Gantt Chart illustrated in Annex 1. Please see Pages 12 and 13 for a selection of pictures of the site.

Paradise Beach show flat.



Paradise Beach construction progress.



A number of units now have completed exteriors with exterior painting underway.



Foundations and initial structural work underway on the remaining blocks.



## 2) Murdeira Beach Resort

Preliminary construction has commenced at the Murdeira Beach development, with initial land clearance, infrastructure development and building foundations underway.

This strategy will enhance re-sale opportunities by providing a completed example of accommodation at an early stage of construction. The overall development completion deadline is set for Quarter 4 2010, with full details provided in the Construction Gantt Chart illustrated in Annex 1.

Murdeira Beach – early foundation work.



Murdeira Beach – on-site production plant.



# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## 6. Valuations

The “Revenue Sales Valuations” carried out by Savills (L&P) Limited (Savills) as at 30 June 2008 show a total current value of the units invested into at Paradise Beach as €88,896,000 (up from the original price of €88,934,852). At Murdeira Beach the units invested into show a total current value of €58,187,000 (up from the original price of €56,596,586).

The valuation figures show that the value of assets held by the fund have risen from a combined total of €145,531,438 to €147,083,000. This equates to a growth on invested sums of 2.37%. This does not, however, represent the true market value of the properties, as previously stated there have already been reservations and re-sales achieved on a number of the Cell’s units that will provide an average 27.5% return on investment.

Renewed property valuations are due to be carried out for 30 June 2009. A meeting was scheduled on 26 March 2009 between representatives of the Board and representatives from Savills to confirm that the Board is comfortable for Savills to undertake these valuations. The valuation agreement was signed on 3 April 2009.

## 7. Extension of Cell

The recent extension of Cell 4 in December 2008 has resulted in a new redemption date of 31 December 2010.

It is the Property Manager’s opinion that with the pending recovery of global markets through 2009 and into 2010 the full disposal of asset within the Cape Verde portfolio should be achieved within the new redemption timeframes.

## 8. Disposal of Asset

To date the sales operations for Cape Verde have not worked as well as were first anticipated due in part to the lack of direct flights from the UK on anything shorter than a seven day trip in the winter months. Ideally, potential buyers should only visit for two to three days, however, to do this involves many flights, and lengthy travel times, sometimes as much as 17 hours from departure to arrival. Coupled with costs which although subsidised are still substantial, the take-up rate on viewing trips has been considerably less than first envisaged, as the low cost, no frills airlines have been slower to establish routes than was previously promised.

To combat this drop in sales activity, we have now boosted the onsite sales operation in Cape Verde. We are in the process of securing an office for our on-site sales team. Currently the team is working from the main hotel in the area, which is situated opposite where our office will be located.

The team is already functioning and covers eight of the most widely spoken languages spoken by tourists to the islands. Operating a proven system of marketing using Off-site Personal Contacts (OPC), our sales team is meeting with potential buyers on a daily basis.

It is envisaged that this local marketing activity will form the basis for Cape Verde sales activity moving forwards, however, off-island activity is also being addressed in terms of expanding referral agent networks focusing on the Italian and Portuguese markets, the development of online activity via three further websites solely focused on the Cape Verde developments and promotion through traditional advertising vehicles and exhibitions in the Middle East, Northern Europe and Russia.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## 9. Sales

To date 10 properties held within the portfolio have been sold or reserved with profits which will provide an average return on investment of 27.5%.

The relevant unit details are as follows:

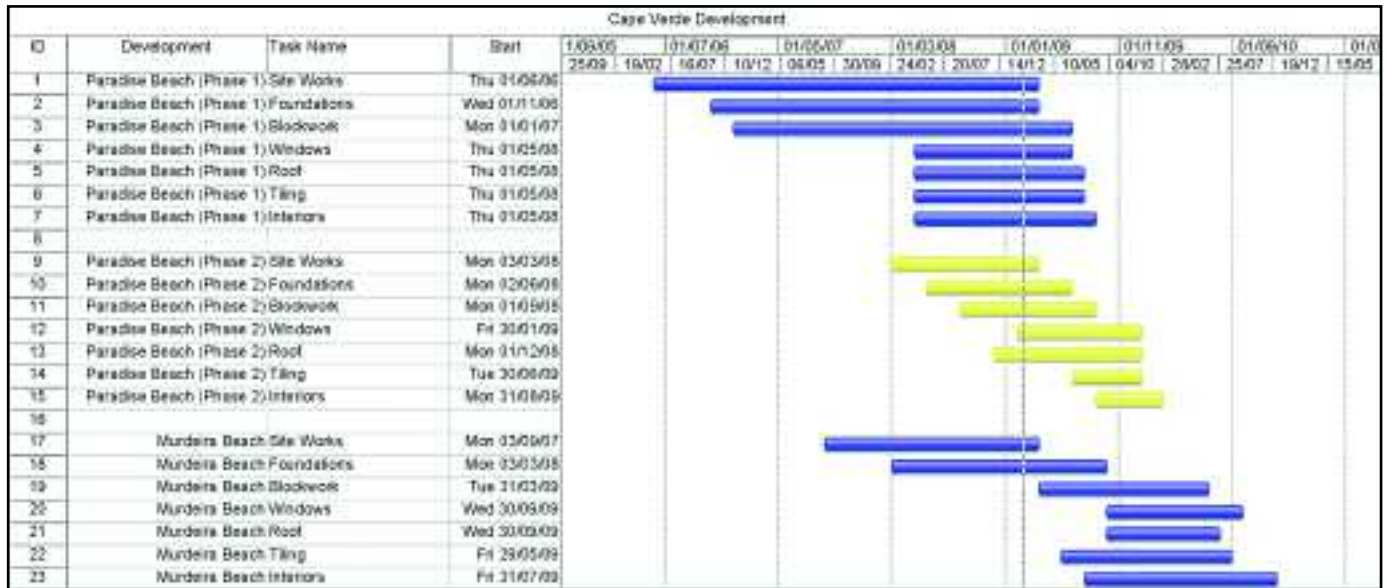
| <b>Status</b> | <b>Project</b> | <b>Unit</b> |
|---------------|----------------|-------------|
| Contract      | Paradise Beach | 6040        |
| Contract      | Paradise Beach | 6313        |
| Contract      | Murdeira Beach | 2242        |
| Reservation   | Paradise Beach | 6253        |
| Reservation   | Paradise Beach | 6257        |
| Reservation   | Paradise Beach | 6258        |
| Reservation   | Paradise Beach | 636         |
| Reservation   | Paradise Beach | 6329        |
| Reservation   | Paradise Beach | 708         |
| Reservation   | Paradise Beach | 718         |

## 10. Projected Performance

Whilst short term forecasts for economic growth, particularly in relation to the tourism sector are reported to be in decline, the medium term is far more positive. Cape Verde heavily relies on tourism and along with the huge developments in infrastructure and medium term growth of tourism on the islands the demand for high quality resorts is strong. The limited supply in the marketplace, which struggles to cater for current levels of tourism will allow for future growth in pricing.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

## Annex 1



# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## INCOME STATEMENT

PERIOD ENDED 31 DECEMBER 2008

|                                    | Notes                   | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|------------------------------------|-------------------------|--------------------------|--------------------------|
| Sales of RTP contracts             | 3                       | -                        | 215,889                  |
| Cost of sales                      | 4                       | -                        | 151,050                  |
| <b>Gross profit</b>                |                         | -                        | <b>64,839</b>            |
| <b>Expenses</b>                    |                         |                          |                          |
| Administrative expenses            | 5                       | (585,731)                | (1,444,018)              |
| <b>Operating loss</b>              |                         | <b>(585,731)</b>         | <b>(1,379,179)</b>       |
| <b>Finance income and expenses</b> | 6                       |                          |                          |
| Finance income                     |                         | 24,160                   | 697,436                  |
| Finance expenses                   |                         | (169,336)                | (747,768)                |
| <b>Loss for the period</b>         |                         | <b>(730,907)</b>         | <b>(1,429,511)</b>       |
| <b>Loss attributable to:</b>       |                         |                          |                          |
| Equity holders of the Cell         |                         | <b>(730,907)</b>         | <b>(1,429,511)</b>       |
| <b>Earning Per Share</b>           |                         | €                        |                          |
|                                    | <b>31 December 2008</b> | (1.05)                   |                          |
|                                    | 30 June 2008            | (2.06)                   |                          |

---

The accompanying notes on Pages 21 to 33 form an integral part of these financial statements.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

## BALANCE SHEET

AS AT PERIOD ENDED 31 DECEMBER 2008

|                                     | Notes | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|-------------------------------------|-------|--------------------------|--------------------------|
| <b>Assets</b>                       |       |                          |                          |
| <b>Current assets</b>               |       |                          |                          |
| Inventories                         | 7     | 57,092,827               | 57,092,827               |
| Trade and other receivables         | 8     | 9,809,625                | 9,881,047                |
| Cash and cash equivalents           |       | 278,803                  | 1,351,343                |
| <b>Total Assets</b>                 |       | <b>67,181,255</b>        | <b>68,325,217</b>        |
| <b>Liabilities</b>                  |       |                          |                          |
| <b>Current liabilities</b>          |       |                          |                          |
| Trade and other payables            | 9     | 53,184                   | 466,239                  |
| <b>Total current liabilities</b>    |       | <b>53,184</b>            | <b>466,239</b>           |
| <b>Total Net Assets</b>             |       | <b>67,128,071</b>        | <b>67,858,978</b>        |
| <b>Capital and Reserves</b>         |       |                          |                          |
| Share capital                       | 10    | 69,288,489               | 69,288,489               |
| Retained earnings                   | 11    | (2,160,418)              | (1,429,511)              |
| Total equity                        | 12    | 67,128,071               | 67,858,978               |
| <b>Total Liabilities and Equity</b> |       | <b>67,181,255</b>        | <b>68,325,217</b>        |

The financial statements on Pages 17 to 33 were approved by the Directors on 29 April 2009.

**Catharine Walter**

DIRECTOR

Date: 29 April 2009

**Mark N. Huntley**

DIRECTOR

The accompanying notes on Pages 21 to 33 form an integral part of these financial statements.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## STATEMENT OF CASH FLOW

PERIOD ENDED 31 DECEMBER 2008

|   | Notes | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|---|-------|--------------------------|--------------------------|
| <b>Net cash used in<br/>Operating activities</b>            | 14    | (1,072,540)              | (67,937,146)             |
| <b>Cash flows from financing activities</b>                 |       |                          |                          |
| Proceeds from issue of shares:<br>Preference shares         | 10    | -                        | 69,288,489               |
| <b>Net increase in cash and cash equivalents</b>            |       | (1,072,540)              | 1,351,343                |
| Opening cash balances                                       |       | 1,351,343                | -                        |
| <b>Cash and cash equivalents<br/>as at 31 December 2008</b> |       | <b>278,803</b>           | <b>1,351,343</b>         |

The accompanying notes on Pages 21 to 33 form an integral part of these financial statements.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 31 DECEMBER 2008

|                                       | <b>Notes</b> | <b>No 4 Fund<br/>Jun-08<br/>€</b> | <b>No 4 Fund<br/>Jun-07<br/>€</b> |
|---------------------------------------|--------------|-----------------------------------|-----------------------------------|
| <b>Balance at beginning of period</b> |              | 67,858,978                        | -                                 |
| Issue of shares:                      |              |                                   |                                   |
| Redeemable preference shares          | 10           | -                                 | 69,288,489                        |
| Retained earnings                     | 11           | (730,907)                         | (1,429,511)                       |
| <b>Balance as at 31 December 2008</b> |              | <b>67,128,071</b>                 | <b>67,858,978</b>                 |

The accompanying notes on Pages 21 to 33 form an integral part of these financial statements.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS PERIOD ENDED 30 JUNE 2008

### GENERAL INFORMATION

Stirling Mortimer Property Fund PCC Limited (the “Company”) is a closed-ended investment fund with limited liability under The Companies (Guernsey) Law 2008 and a protected cell company under The Protected Cell Companies Ordinance, 1997 to 2008 (as amended) on 9 March 2007. The registered office of the Company is the Heritage Hall, Le Marchant Street, St Peter Port, Guernsey. Majestic Village No 4 Fund Cape Verde (the “Fund”) was launched on 23 July 2007.

Under Guernsey law, a protected cell company such as the Company may form several cells with each cell having its own unique investment objectives and presenting a distinct portfolio of assets. As a matter of Guernsey law, provided that the conditions laid down in The Protected Cell Companies Ordinance, 1997 to 1998 (as amended) are complied with; the cell structure permits the segregation and protection of assets of each cell from other liabilities of the Company and any other cells.

The Fund’s investment activities are managed by Stately International Investments Limited (the “Property Manager”). The Company’s Board of Directors (the “Board”) has delegated the Fund’s administration to Heritage International Fund Managers Limited.

### 1. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies all of which have been applied consistently through the period in the preparation of the statements are set out below.

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed and adopted by the European Union (EU) and with the Companies (Guernsey) Law, 1994.

The interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as in the annual financial statements. The presentation of the interim financial statements is consistent with the annual financial statements. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the period to 30 June 2008.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## NO 4 FUND CAPE VERDE NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements have been prepared in Euro (EUR), which is the presentational currency of the Fund, and under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

The Company maintains a separate cell account for each class of participating redeemable preference shares, to which the proceeds of issue and the income arising from the investment of these proceeds are credited, and against which the expenses allocated are charged. Under redemption, shareholders are only entitled to their proportion of the net assets held in the cell account relating to their particular shares.

To prepare these financial statements IFRS requires management to make estimates, assumptions and to exercise judgement in the process of applying the Fund's accounting policies. The Directors believe that the estimates used in preparing the financial statements are reasonable and prudent. However, actual results could differ from these estimates.

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

#### **Adoption of new and revised standards**

In the current period the Fund adopted all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on or before 1 July 2007.

The Fund has adopted IFRS 7 "Financial Instrument Disclosures", which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendments to IAS 1 "Presentation of Financial Statements". The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Fund's financial instruments and management of capital. At the date of authorisation of these financial statements the management believes that other pronouncements which are in issue but not yet operative or adopted by the Fund will not have material impact on the financial statements of the Fund. The following standards listed below will become effective in the near term.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## NO 4 FUND CAPE VERDE NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Standards that become effective for years ending 31 December 2008

- IFRIC Interpretation 11 “IFRS 2 Group and Treasury Share Transactions” (effective for annual periods beginning on or after 1 March 2007).
- IFRIC Interpretation 12 “Service Concession Arrangements” (effective for annual periods beginning on or after 1 January 2008).
- IFRIC Interpretation 14 “IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” (effective for annual periods beginning on or after 1 January 2008).

#### Standards that will become effective for years ending 30 June 2009

- IFRS 8 “Operating Segments” (effective for annual periods beginning on or after 1 January 2009).
- IAS 23 (Amendment) “Borrowing Costs” (effective for annual periods beginning on or after 1 January 2009).
- IAS 1 (Revised 2007) “Presentation of Financial Statements” (effective for annual periods beginning on or after 1 January 2009).
- IFRS 2 “Share-based payment (Amendment 2008: Vesting Conditions and Cancellations)” (effective for annual periods beginning on or after 1 January 2009).
- IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation) (effective for annual periods beginning on or after 1 January 2009).

#### Standards that will become effective for years ending 30 June 2010

- IFRS 3 (Revised 2008) “Business Combinations” (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2009).
- IAS 27 (Revised 2008) “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2009).

The management anticipates that the adoption of these standards in future periods will have no material impact on the financial statements of the Fund.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## NO 4 FUND CAPE VERDE NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) Segment reporting

The Fund recognises that a business segment is exposed to unique risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those segments operating in other economic environments. The Management is of the opinion that the Fund is engaged in a single business segment of real estate acquisition and development in the geographical area of Cape Verde.

#### b) Foreign currency translation

Transactions in currencies other than the functional currency of the Fund are recorded at the rates of exchange prevailing on the dates of transactions. At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the closing exchange rate. Gains and losses arising on translation of monetary assets and liabilities are included in the income statement. Income and expense items are translated at the weighted average exchange rate for the period. Exchange differences arising are classified as equity and transferred to the Fund's translation reserve.

- Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (functional currency). The financial statements are presented in EUR which is the Fund's functional and presentation currency.

- Transactions and balances

In accordance with IFRS the books and records of the Fund are maintained in EUR. IAS 21 requires foreign currency assets and liabilities to be translated into EUR at the rate of exchange prevailing at the statement of assets and liabilities date. Transactions in currencies other than EUR are translated at the rate of exchange ruling at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## NO 4 FUND CAPE VERDE NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Inventories

The “right to purchase” contracts (RTP), which give the right and obligation to purchase the underlying property under construction and land that are being held or developed for future sales, are classified as inventories at their deemed cost. They are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses. Deemed cost is the acquisition cost together with subsequent capital expenditure incurred in the developments, including capitalised interest where relevant.

#### d) Re-sale guarantees

Re-sale guarantees received as part of an inventory acquisition (RTP) are shown as debtors from the date of acquisition of the relevant inventory and are excluded from the acquisition cost. Income received in relation to the guarantees is credited against the debtor.

#### e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have definite life that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment of assets is calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows, discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

#### f) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Financial asset interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. This equals the estimated future cash receipt through the expected life of the financial asset. Expenses are accounted for on an accrual basis and are charged through the income statement in the period in which they are incurred.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## NO 4 FUND CAPE VERDE NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **g) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not collect the full amount due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and or delinquency in payments are considered indicators that the trade receivable is impaired. In line with the IAS 36 requirement for extensive disclosure of any impairment by segment, the Fund has no reason to believe that there will be any impairment of trade receivables in any part of the Fund's business segment.

#### **h) Cash and cash equivalents**

Cash comprises current deposits with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

#### **i) Share capital**

Ordinary shares are classified as equity. Participating redeemable preference shares (preference shares) are part of the total equity. All the preference shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investors' share in the Fund's net assets at the redemption date.

#### **j) Taxation**

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 to 1992, and is charged an annual exemption fee of £600. In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey has abolished exempt status for the majority of companies with effect from January 2008 and introduced a zero rate of tax for companies carrying on all but a few specified types of regulated business. Because collective investment schemes, including closed-ended investment vehicles such as the Company, were not one of the regimes classified as being harmful, they continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

No 4 FUND CAPE VERDE  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2008

## 2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial statements year are outlined below. Net realisable value is based on the current market valuation provided by Savills (L&P) Limited (Savills), a well known independent property valuer. Savills are required to make assumptions on establishing the current market valuation of the underlying properties for which the Fund holds RTP contracts in its Inventory.

## 3. REVENUE

|                   | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|-------------------|--------------------------|--------------------------|
| Original price    | -                        | 327,500                  |
| Paid at contract  | -                        | 151,050                  |
| Additional return | -                        | 64,839                   |
|                   | -                        | <b>215,889</b>           |

## 4. COST OF SALES

|                      | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|----------------------|--------------------------|--------------------------|
| 45% deposit          | -                        | 147,375                  |
| Legal fees           | -                        | 3,675                    |
| <b>Cost of sales</b> | -                        | <b>151,050</b>           |

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

No 4 FUND CAPE VERDE  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2008

## 5. ADMINISTRATIVE EXPENSES

|                         | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|-------------------------|--------------------------|--------------------------|
| Property advisors' fees | 514,558                  | 967,796                  |
| Administration fees     | 28,511                   | 213,734                  |
| Directors' fees         | 8,087                    | 22,161                   |
| Formation expenses      | -                        | 142,529                  |
| Insurance premiums      | 8,255                    | 14,084                   |
| Valuation fees          | 15,801                   | 46,597                   |
| Audit fees              | 2,896                    | 6,320                    |
| Listing fees            | 728                      | 3,388                    |
| Listing sponsor fees    | 1,145                    | 2,604                    |
| Professional fees       | 1,999                    | 15,547                   |
| Sundry expenses         | 3,751                    | 9,258                    |
|                         | <b>585,731</b>           | <b>1,444,018</b>         |

## 6. FINANCE INCOME AND EXPENSES

|                       | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|-----------------------|--------------------------|--------------------------|
| Bank interest income  | 19,816                   | 200,950                  |
| Foreign exchange gain | 4,344                    | 496,486                  |
| <b>Finance income</b> | <b>24,160</b>            | <b>697,436</b>           |
| Foreign exchange loss | 169,336                  | 747,768                  |
| <b>Finance costs</b>  | <b>169,336</b>           | <b>747,768</b>           |

---

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

No 4 FUND CAPE VERDE  
 NOTES TO THE INTERIM FINANCIAL STATEMENTS  
 FOR THE PERIOD ENDED 31 DECEMBER 2008

## 7. INVENTORIES

|                                      | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|--------------------------------------|--------------------------|--------------------------|
| <b>“Right to purchase” contracts</b> |                          |                          |
| Cost brought forward                 | 57,092,827               | -                        |
| Additions                            | -                        | 57,221,771               |
| Disposals                            | -                        | (128,944)                |
| <b>Net book value</b>                | <b>57,092,827</b>        | <b>57,092,827</b>        |

The RTPs have been recorded at lower of cost and net realisable value. Each RTP contains a right and an obligation to purchase a property from the developer once it is completed. The initial cost of the RTP (or deposit) is between 30% and 50% of the “off-plan” price of the same property. Each RTP contains a bank guarantee against the insolvency of the relevant developer.

## 8. TRADE AND OTHER RECEIVABLES

|                    | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|--------------------|--------------------------|--------------------------|
| Trade receivables  | -                        | 76,730                   |
| Prepayments        | 8,358                    | 3,051                    |
| Re-sale guarantees | 9,801,266                | 9,801,266                |
| <b>Total</b>       | <b>9,809,625</b>         | <b>9,881,047</b>         |

## 9. TRADE AND OTHER PAYABLES

|                                | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|--------------------------------|--------------------------|--------------------------|
| Administration fees payable    | 25,569                   | 43,010                   |
| Audit fees payable             | 4,879                    | 6,320                    |
| Directors’ fees payable        | 1,807                    | 4,764                    |
| Property advisors’ fee payable | -                        | 386,637                  |
| Valuation fee payable          | 17,976                   | 24,402                   |
| Sundry expenses payable        | 2,953                    | 1,106                    |
|                                | <b>53,184</b>            | <b>466,239</b>           |

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

NO 4 FUND CAPE VERDE  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2008

## 10. SHARE CAPITAL

|  | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|--|--------------------------|--------------------------|
| <b>Authorised:</b>   |                          |                          |
| 2 Ordinary Shares of nil par value                           | -                        | -                        |
| Unlimited Preference Shares at nil par value                 | -                        | -                        |
| <b>Allotted and called up:</b>                               |                          |                          |
| 2 Ordinary Shares of nil par value                           | -                        | -                        |
| Unlimited Preference Shares of nil par value, fully paid up: |                          |                          |
| Opening shares   | 692,884.8884             | -                        |
| Issued during the period                                     | -                        | 692,884.8884             |
| <b>Closing Shares</b>  | <b>692,884.8884</b>      | <b>692,884.8884</b>      |
| Opening capital  | 69,288,489               | -                        |
| Issued during the period                                     | -                        | 69,288,489               |
| <b>Closing capital</b>                                       | <b>69,288,489</b>        | <b>69,288,489</b>        |

## 11. RETAINED EARNINGS

|                           | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|---------------------------|--------------------------|--------------------------|
| Opening retained earnings | (1,429,511)              | -                        |
| Loss for the period       | (730,907)                | (1,429,511)              |
| <b>Closing earnings</b>   | <b>(2,160,418)</b>       | <b>(1,429,511)</b>       |

## 12. TOTAL EQUITY

|                           | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|---------------------------|--------------------------|--------------------------|
| Opening equity            | 67,858,978               | -                        |
| Loss for the period       | (730,907)                | (1,429,511)              |
| Issue of shares in period | -                        | 69,288,489               |
| <b>Closing equity</b>     | <b>69,288,489</b>        | <b>69,288,489</b>        |

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

NO 4 FUND CAPE VERDE  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2008

## 13. NET ASSET VALUE RECONCILIATION

|   | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-087<br>€ |
|---|--------------------------|---------------------------|
| Net assets attributable to participating redeemable preference shareholders | 67,128,071               | 67,858,978                |
| Unamortised formation expenses  | 39,970                   | 76,041                    |
| <b>Net asset value as at 31 December 2008</b>                               | <b>67,168,041</b>        | <b>67,935,019</b>         |

## 14. NET CASH USED IN OPERATING ACTIVITIES

|  | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|--|--------------------------|--------------------------|
| Operating loss from continuing operations    | (585,731)                | (1,379,179)              |
| Finance income/(expenses) for the period     | (145,176)                | (50,332)                 |
| Changes in working capital:                  |                          |                          |
| Decrease in inventories                      | -                        | (57,092,827)             |
| Increase in trade and other receivables      | 71,422                   | (9,881,047)              |
| Increase in trade and other payables         | (413,055)                | 466,239                  |
| <b>Net cash used in operating activities</b> | <b>(1,072,540)</b>       | <b>(1,072,540)</b>       |

## 15. CONTINGENT FINANCIAL COMMITMENTS

In the event that either the relevant Property Manager or the Fund are unable to sell on the RTPs to a purchaser, the Fund will complete on the purchase of the underlying property. In order to finance the purchase, the Fund may have to borrow funds. The Fund would seek to let the property and derive returns from the rentals received with the aim of covering the cost of the borrowing required or seek to dispose of the property by alternative means. The borrowing would initially be funded from the re-sale guarantee payments paid by the property managers.

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

|   | No 4 Fund<br>Dec-08<br>€ | No 4 Fund<br>Jun-08<br>€ |
|---|--------------------------|--------------------------|
| Amounts payable on completion of property | 80,149,129               | 80,149,129               |

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

## NO 4 FUND CAPE VERDE NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### **16. BANK GUARANTEES**

The Fund would only invoke the bank guarantees in the event that the Developer failed to deliver the property. For each RTP the Developer provides for a bank guarantee issued by a financial institution with an A rating attributed by Fitch or Moody's or equivalent for an agreed amount (Protected Sum). The Fund has the right to immediately invoke the bank guarantee if any of the following occur:

- I. The developer is declared bankrupt or liquidated.
- II. Any licence or permissions granted in connection with the construction of the resort/property are withdrawn.
- III. Approval of the resorts plans are cancelled.
- IV. The developer does not give prior information of any transfer of control of the resort or its shareholders ceased to have control over the Developer.

If the bank guarantee is not provided as stated, the Protected Sum will be held in Escrow by European Legal Solutions SL (ELS), the Fund's solicitor. The sum will not be released until delivery of acceptable bank guarantee or until completion and delivery of the resort/unit to the Fund or assignment of the RTP to a Third Party (re-sale). In addition to the bank guarantee, the Fund is entitled to compensation equivalent to interest accrued at 10% per annum, compounded monthly, from delivery date stipulated in the RTP until delivery if either of the following occur:

- I. Should the failure to deliver the property exceed 60 days.
- II. An Act of God should the situation lasts for over 120 days.

### **17. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the overall control, management and supervision of the Company's affairs and are responsible for the overall implementation of the investment objective and policy of the Company.

At the period end, the Company has five non-executive Directors, all independent of the Administrator other than Mr Mark Huntley, who is a Director of the Administrator, Heritage International Fund Managers Limited and the Property Advisor, Stirling Mortimer (Channel Islands) Limited. Mr Huntley is also a Director of the Channel Islands Stock Exchange.

# STIRLING MORTIMER GLOBAL PROPERTY FUND PCC LIMITED

---

NO 4 FUND CAPE VERDE  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2008

## 17. RELATED PARTY TRANSACTIONS (continued)

Mr Philip Bowman is a shareholder and Director of the Promoter, Stirling Mortimer Limited and holds a beneficial interest in the shares, through a trust arrangement, of the Property Advisor, Stirling Mortimer (Channel Islands) Limited. Mr Timothy Clink is a shareholder and Director of the Promoter, Stirling Mortimer Limited and a Director and holds a beneficial interest in the shares, through a trust arrangement, of the Property Advisor, Stirling Mortimer (Channel Islands) Limited.

Mr Richard Roberts is a Director of the Property Manager, Stately International Investments Limited, and a Director of the Property Advisor, Stirling Mortimer (Channel Islands) Limited.

The directors are entitled to receive an annual fee of up to £30,000 per Cell per annum in aggregate for all directors. Messrs Bowman, Clink and Roberts have elected to forego Directors' fees. Total Directors' fees for the period, including outstanding Directors' fees due to Directors at the end of the period, are detailed below.

|                                  | <b>No 4 Fund<br/>Dec-08<br/>€</b> | <b>No 4 Fund<br/>Jun-08<br/>€</b> |
|----------------------------------|-----------------------------------|-----------------------------------|
| Directors' fees for the period   | 8,087                             | 22,161                            |
| Payable at the end of the period | 1,807                             | 4,764                             |

Stirling Mortimer (Channel Islands) Limited, the Property Advisor, is entitled to receive a Property Advisory Fee of 1.5% of the Net Asset Value of the Fund.

Heritage International Fund Managers Limited, the Administrator, receives a fee of 0.15% of the Fund's Net Asset Value.