

# Professional Pensions ARP Limited

BVI Company 617453

30 June, 2010

Dear Investor,

## THE ACCOUNTS

The attached accounts have been constructed basis Archimedes and Pythagoras valuations provided by Empyrean Administration Limited (“EAL”) without any reference to previous valuations by Prime Fund Solutions (“PFS”) (previously, Fortis Prime Fund Solutions (Asia)), however, we have relied on the PFS calculations for numbers of shares held in Archimedes and Pythagoras and numbers of shares issued.

Please note the valuations for Archimedes and Pythagoras include an allowance for losses expected from liquidation for the following calendar year. For this reason no additional allowance has been made in the accounts of the Company.

Other events that could impact future valuations are the ability to transfer assets from JPMM to the Archimedes and Pythagoras Segregated Portfolios (“the portfolios”), once JP Morgan Market Limited (“JPMM”) has repaid monies owed and the portfolios ability to continue to liquidate in an orderly manner. If Archimedes or Pythagoras are unable to transfer assets from JPMM for any reason, they will lose all rights to those assets. Also, if assets are sold into the Secondary Market<sup>1</sup> returns from the sale of these assets could be substantially lower than their booked valuation.

## LIQUIDATION

On 15 January 2010 Pricewaterhouse Coopers BVI (“PwC”) accepted appointment as proposed liquidators to the Company, however, under BVI law the Company cannot appoint PwC as liquidator until approval for liquidation is received from the BVI Financial Services Commission (“FSC”).

Initial liquidation costs have been set at US\$6,500, however, this does not include ongoing valuations or time charges for supporting any significant investor queries or an extended liquidation process. That aside, it is hoped that liquidation cost from PwC will be contained to under US\$20,000 and that ongoing valuations and accounts can be obtained for no more than US\$1,500 per month.

On 31 March 2010 the Company received a letter from the FSC in response to our request for the Company to enter Voluntary Liquidation lodged 11 December 2009 (and subsequently on 5 February 2010). This letter stated that the approval was delayed due to the “non-routine” nature of the liquidation.

Our understanding of “non-routine” pertained to the illiquid status of the company’s assets, as liquidations extending beyond 2 years<sup>2</sup> require formal request of court approval for extension<sup>3</sup>. On 27

<sup>1</sup> Secondary Market refers to the market for hedge-fund interests. Consider for example, a hedge-fund may hold a portfolio of corporate loans. The fund manager may sell these loans in the market at 80 cents in the dollars, however, if he does not (as it could significantly hurt remaining shareholders), redeeming shareholder may be forced to seek buys for the shares in the hedge-fund, which may only be traded as 50-60 cents in the dollar.

<sup>2</sup> Although the Company understands the Empyrean funds will be pursuing liquidation within this time-frame it is understood that some of their assets are not expected to be liquid within this time-frame, unless sale through Secondary Markets is pursued.

<sup>3</sup> Please note, due to the rounding of numbers presented here they do not multiply exactly.

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April 2010 we received a further letter from the FSC with various questions regarding the Company's request to enter Voluntary Liquidation. These questions were focused around the ongoing ASIC investigations and clarification that the investor is aware of the ASIC investigation and that the Company has no affiliation with parties of interest (which was clearly depicted in our 20 January 2010 response to the FSC questions instigated by the ASIC). Response was provided the FSC on 13 May 2010. We will also be providing the attached accounts to the FSC soon to further support our request to liquidate.

## VALUATION

Professional Pensions ARP Limited currently holds 1790.3823 Class D Shares in Empyreal SPC Limited – Archimedes Segregated Portfolio valued at AUD 4,226,762.61 (basis 31 December 2009) and holds 1742.9937 Class D Shares in Empyreal SPC Limited – Pythagoras Segregated Portfolio valued at AUD 4,049,265.45 (basis 31 December 2009), however, with outstanding creditor accruals dating back to 2007 the net value of the Company at 31 December 2009 is just under AUD8 million as detailed below and in the attached accounts.

The valuation for the Professional Pensions ARP Limited Class A shares as at 31 December 2009 is A\$2,081.84. The total holdings of PPARP shares reported by PFS was 3,841.00 providing a total value of holdings by PPARP of A\$7,996,322.69<sup>1</sup>.

## REDEMPTION POLICY

There has been no change to the redemption policy. As liquidity returns to the Company, we anticipate offering investors feasible options to realize their investment. We appreciate your support as we take the necessary steps to protect investor interests in these challenging circumstances.

Kind regards, /

Michael H Horné  
Secretary

Professional Pensions ARP (AUD)

Balance Sheet

As of December 2009

6/25/2010  
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Assets	
Current Assets	
Archimedes Investment	\$4,226,762.61
Pythagoras Investment	\$4,049,265.45
Total Current Assets	<u>\$8,276,028.06</u>
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Liabilities	
Current Liabilities	
Administration	\$22,187.53
Directors' Fees	\$11,428.25
Ogier	\$1,951.17
Cheng & Cheng	\$1,114.95
Fortis Prime Fund Solutions	\$13,023.47
ELL Accrual	\$230,000.00
Total Current Liabilities	<u>\$279,705.37</u>
Total Liabilities	\$279,705.37
Net Assets	<u>\$7,996,322.69</u>
Equity	
Historical Balancing	\$7,996,322.69
Total Equity	<u>\$7,996,322.69</u>