

**Theorema Asset Management
Limited**

Report and Accounts
31 December 2003



OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

G Govi
E Antonaci

Company Secretary

SLC Registrars Ltd

Registered Office

6 Brook Street
London
W1S 1BB

Auditors

Rees Pollock
7 Pilgrim Street
London
EC4V 6DR

Bankers

Royal Bank of Scotland
49 Charing Cross Road
London
SW1A 2DX

Registered Number

04126284

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the company during the year was that of an investment advisor.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached accounts.

The directors have recommended the following dividends:

	2003	2002
	£	£
Dividends paid on ordinary shares	<u>1,024,440</u>	<u>—</u>

Directors

The directors who served the company during the year were as follows:

G Govi
E Antonaci

G Govi is the beneficiary of a trust which holds 110,000 Ordinary shares and E Antonaci is the beneficiary of a trust which holds 110,000 Ordinary shares.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

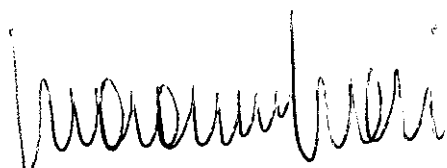
In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless 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 to enable them to ensure that the accounts comply with the Companies Act 1985. The directors 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.

Auditors

Rees Pollock have expressed their willingness to continue as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



G Govi
Director

29 April 2004



REES POLLOCK

Chartered Accountants

7 Pilgrim Street
London EC4V 6DR
Telephone 020 7329 6404
Fax 020 7329 6408

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THEOREMA ASSET MANAGEMENT LIMITED

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock
Chartered Accountants
Registered Auditors

30 April 2004

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER	2	5,147,345	1,776,141
Administrative expenses		2,211,612	838,072
OPERATING PROFIT	3	2,935,733	938,069
Interest receivable		6,483	2,498
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,942,216	940,567
Tax on profit on ordinary activities	6	883,440	283,507
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,058,776	657,060
Dividends	7	1,024,440	—
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,034,336	657,060
Balance brought forward		655,146	(1,914)
Balance carried forward		1,689,482	655,146

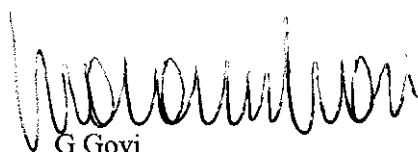
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 14 form part of these accounts.


BALANCE SHEET
 at 31 December 2003

	Note	£	2003 £	2002 £
FIXED ASSETS				
Tangible assets	8		43,200	31,877
CURRENT ASSETS				
Debtors	9	3,265,106		397,864
Cash at bank		531,525		947,169
		3,796,631		1,345,033
CREDITORS: amounts falling due within one year	10	1,925,628		495,340
NET CURRENT ASSETS			1,871,003	849,693
TOTAL ASSETS LESS CURRENT LIABILITIES			1,914,203	881,570
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation	11		4,721	6,424
			1,909,482	875,146
CAPITAL AND RESERVES				
Called-up equity share capital	14		220,000	220,000
Profit and loss account			1,689,482	655,146
SHAREHOLDERS' FUNDS	15		1,909,482	875,146



 G Govi
 Director

29 April 2004



 E Antonaci
 Director

The notes on pages 8 to 14 form part of these accounts.

CASH FLOW STATEMENT

for the year ended 31 December 2003

	Note	£	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16		989,627	883,072
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17		6,483	2,498
TAXATION			(354,619)	-
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(32,695)		(12,314)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(32,695)	(12,314)
EQUITY DIVIDENDS PAID			(1,024,440)	-
(DECREASE)/INCREASE IN CASH	18		(415,644)	873,256

The notes on pages 8 to 14 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fittings	- 5 years
Equipment	- 3 years

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Deferred taxation

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable, except where otherwise required by accounting standards.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences are taken to the profit and loss account.

2. TURNOVER

The turnover and operating profit for the year was derived from the company's principal continuing activity which was carried out wholly in the UK.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Depreciation of owned fixed assets	21,372	15,038
Auditors' remuneration		
- as auditors	6,000	6,000
Operating lease costs:		
- land and buildings	39,528	30,400
Net profit on foreign currency translation	<u>(64,191)</u>	<u>(23,373)</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of staff	<u>7</u>	<u>4</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	755,538	250,892
Social security costs	63,382	19,380
	<u>818,920</u>	<u>270,272</u>

5. DIRECTORS' EMOLUMENTS

	2003	2002
	£	£
Emoluments	<u>154,153</u>	<u>97,460</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

	2003	2002
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	885,143	279,618
Total current tax	885,143	279,618
Deferred tax:		
(Decrease)/increase in deferred tax provision	(1,703)	3,889
Tax on profit on ordinary activities	883,440	283,507

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003	2002
	£	£
Profit on ordinary activities before taxation	2,942,216	940,567
Profit/(loss) on ordinary activities multiplied by 30% (2002-30%)	882,665	282,170
Effects of:		
Expenses not deductible for tax purposes	775	73
Utilisation of Tax Losses	—	(3,288)
Differences between Capital Allowances and Depreciation	1,703	663
Total current tax (note 6(a))	885,143	279,618

7. DIVIDENDS

The following dividends have been paid in respect of the year:

	2003	2002
	£	£
Dividend paid on ordinary shares	1,024,440	—

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 January 2003	14,235	41,812	56,047
Additions	10,606	22,089	32,695
At 31 December 2003	<u>24,841</u>	<u>63,901</u>	<u>88,742</u>
Depreciation			
At 1 January 2003	3,865	20,305	24,170
Charge for the year	3,026	18,346	21,372
At 31 December 2003	<u>6,891</u>	<u>38,651</u>	<u>45,542</u>
Net book value			
At 31 December 2003	<u>17,950</u>	<u>25,250</u>	<u>43,200</u>
At 31 December 2002	<u>10,370</u>	<u>21,507</u>	<u>31,877</u>

9. DEBTORS

	2003 £	2002 £
Other debtors	3,250,997	393,019
Prepayments and accrued income	14,109	4,845
	<u>3,265,106</u>	<u>397,864</u>

Other debtors above include the following amounts falling due after more than one year:

	2003 £	2002 £
Rent deposit	<u>17,625</u>	<u>17,625</u>

10. CREDITORS: amounts falling due within one year

	2003 £	2002 £
Trade creditors	20,231	—
Corporation tax	810,142	279,618
Other creditors	804,980	140,309
Accruals and deferred income	290,275	75,413
	<u>1,925,628</u>	<u>495,340</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

11. DEFERRED TAXATION

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	6,424	2,535
Profit and loss account movement arising during the year	(1,703)	3,889
Provision carried forward	<u>4,721</u>	<u>6,424</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	4,721	6,424
	<u>4,721</u>	<u>6,424</u>

12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & buildings 2003 £	2002 £
Operating leases which expire:		
Within 2 to 5 years	<u>45,360</u>	<u>29,600</u>

13. RELATED PARTY TRANSACTIONS

Theorema Asset Management Limited and Theorema Advisors Limited, a company incorporated in Bermuda, are under the common control of Pinnacle Trustees Limited, a company incorporated in Jersey. Pinnacle Trustees Limited act as professional trustees for the Antonaci and the Govi settlements. Included within the accounts are the following amounts related to Theorema Advisors Limited:

	2003 £	2002 £
Turnover	5,147,345	1,776,141
Expenses	1,290,320	455,035
Other debtors	3,219,920	368,136
Other creditors	<u>804,980</u>	<u>140,309</u>

These transactions are the result of the company receiving management and performance fees from Theorema Advisors Limited and paying them for marketing services, investor relations, investment management and other services.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

14. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
220,000 Ordinary shares of £1 each	<u>220,000</u>	<u>—</u>

Allotted, called up and fully paid:

	No	2003	No	2002
		£		£
Ordinary shares of £1 each	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	2,058,776	657,060
Dividends	(1,024,440)	—
	<u>1,034,336</u>	<u>657,060</u>
Opening equity shareholders' funds	875,146	218,086
	<u>1,909,482</u>	<u>875,146</u>
Closing equity shareholders' funds	<u>1,909,482</u>	<u>875,146</u>

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit	2,935,733	938,069
Depreciation	21,372	15,038
Increase in debtors	(2,867,242)	(224,343)
Increase in creditors	899,764	154,308
	<u>989,627</u>	<u>883,072</u>
Net cash inflow from operating activities	<u>989,627</u>	<u>883,072</u>

17. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003	2002
	£	£
Interest received	<u>6,483</u>	<u>2,498</u>
Net cash inflow from returns on investments and servicing of finance	<u>6,483</u>	<u>2,498</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003	2002
	£	£
(Decrease)/Increase in cash in the period	(415,644)	873,256
Movement in net funds in the period	(415,644)	873,256
Net funds at 1 January 2003	947,169	73,913
Net funds at 31 December 2003	531,525	947,169

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2003	Cash flows	At 31 Dec 2003
	£	£	£
Net cash:			
Cash in hand and at bank	947,169	(415,644)	531,525
Net funds	947,169	(415,644)	531,525