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CATALYST FUND MANAGEMENT LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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CATALYST FUND MANAGEMENT LIMITED

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For The Year Ended 31 December 2010

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CATALYST FUND MANAGEMENT LIMITED

COMPANY INFORMATION
For The Year Ended 31 December 2010

DIRECTORS:

T Roberts
B J Rayment
Major T P Toyne Sewell
Lord E T Razzall
J H Dale

SECRETARY:

A Moran

REGISTERED OFFICE.

125 Old Broad Street
London
EC2N 1AR

REGISTERED NUMBER.

05986176 (England and Wales)

AUDITORS

Rochesters Audit Services Limited
Statutory Auditors
No 3 Caroline Court
13 Caroline Street
St Pauls Square
Birmingham
West Midlands
B3 1TR

CATALYST FUND MANAGEMENT LIMITED

REPORT OF THE DIRECTORS For The Year Ended 31 December 2010

The directors present their report with the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of fund management

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The Directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties it faces.

The company is authorised and regulated by The Financial Services Authority. It commenced trading in the period. The principal activity is fund management and it also arranges contracts for difference ("CFDs") for clients who are sophisticated investors. The company does not hold a trading position on its own account and does not, therefore, place its capital at risk in this regard.

The Directors consider that the key financial performance indicators for the period are turnover, gross profit, net profit or loss before taxation and shareholders' funds, as set out below.

	2010 £	2009 £
Turnover	1,582,184	-
Gross profit	1,526,772	-
Net loss before taxation	(16,492)	(9,770)
Shareholders' funds	123,672	140,164

Turnover for the period was £1,582,184 and the great majority of this emanated from fund management activity. The gross profit margin was very high at 97% as there are minimal direct costs and the main expenses related to management and consultancy charges. The net loss before taxation of £16,492 (2009 £9,770) was mainly due to exceptional management and consultancy charges. Shareholders' equity stood at £123,672 at 31 December 2010, slightly down on the previous year's £140,164.

The company is a niche player and operates in the highly competitive and regulated financial services sector. The key risks the company faces are as follows:

- Ability to attract and retain funds to manage
- Retention of key personnel with appropriate fund management experience and expertise
- Ability to expand its activities, particularly arranging CFDs
- The level and volatility of the stock market indices and interest rates, especially those of the UK
- Retention of key service providers

The Directors anticipate that 2011 will be a year of strong progress, both in terms of the business transacted and also the financial results.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2010.

CATALYST FUND MANAGEMENT LIMITED

REPORT OF THE DIRECTORS For The Year Ended 31 December 2010

DIRECTORS

The directors during the year under review were

T Roberts	
D L Watson	- resigned 2 12 10
B J Rayment	
Major T P Toyne Sewell	- appointed 2 12 10
Lord E T Razzall	- appointed 2 12 10
J H Dale	- appointed 2 12 10

The beneficial interests of the directors holding office on 31 December 2010 in the issued share capital of the company were as follows

	31 12 10	1 1 10 or date of appointment if later
Ordinary £1 shares		
T Roberts	5,100	5,100
B J Rayment	-	-
Major T P Toyne Sewell	-	-
Lord E T Razzall	-	-
J H Dale	-	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

CATALYST FUND MANAGEMENT LIMITED

**REPORT OF THE DIRECTORS
For The Year Ended 31 December 2010**

AUDITORS

The auditors, Rochesters Audit Services Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'T Roberts', with a long horizontal flourish extending to the right.

T Roberts - Director

30 March 2011

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
CATALYST FUND MANAGEMENT LIMITED**

We have audited the financial statements of Catalyst Fund Management Limited for the year ended 31 December 2010 on pages six to thirteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

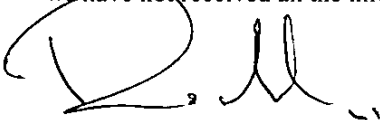
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Peter K Hewston (Senior Statutory Auditor)
for and on behalf of Rochesters Audit Services Limited
Statutory Auditors
No 3 Caroline Court
13 Caroline Street
St Pauls Square
Birmingham
West Midlands
B3 1TR

30 March 2011

CATALYST FUND MANAGEMENT LIMITED

**PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2010**

	Notes	2010 £	2009 £
TURNOVER	2	1,582,184	-
Cost of sales		<u>55,412</u>	<u>-</u>
GROSS PROFIT		1,526,772	-
Administrative expenses		<u>1,543,264</u>	<u>9,770</u>
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(16,492)	(9,770)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(16,492)</u>	<u>(9,770)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year

The notes form part of these financial statements

CATALYST FUND MANAGEMENT LIMITED
(REGISTERED NUMBER. 05986176)
BALANCE SHEET
31 December 2010

	Notes	2010 £	2009 £
CURRENT ASSETS			
Debtors	6	93,270	2,589
Cash at bank		71,585	138,575
		<u>164,855</u>	<u>141,164</u>
CREDITORS			
Amounts falling due within one year	7	41,183	1,000
		<u>123,672</u>	<u>140,164</u>
NET CURRENT ASSETS			
		<u>123,672</u>	<u>140,164</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>123,672</u>	<u>140,164</u>
CAPITAL AND RESERVES			
Called up share capital	8	5,100	5,100
Share premium	9	144,900	144,900
Profit and loss account	9	(26,328)	(9,836)
		<u>123,672</u>	<u>140,164</u>
SHAREHOLDERS' FUNDS	12	<u>123,672</u>	<u>140,164</u>

The financial statements were approved by the Board of Directors on 30 March 2011 and were signed on its behalf by



T Roberts - Director

The notes form part of these financial statements

CATALYST FUND MANAGEMENT LIMITED

**CASH FLOW STATEMENT
For The Year Ended 31 December 2010**

	Notes	2010 £	2009 £
Net cash outflow from operating activities	1	(38,990)	(11,359)
		<u>(38,990)</u>	<u>(11,359)</u>
Financing	2	(28,000)	-
		<u>(28,000)</u>	<u>-</u>
Decrease in cash in the period		<u>(66,990)</u>	<u>(11,359)</u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		<u>(66,990)</u>	<u>(11,359)</u>
Change in net funds resulting from cash flows		<u>(66,990)</u>	<u>(11,359)</u>
Movement in net funds in the period		(66,990)	(11,359)
Net funds at 1 January		<u>138,575</u>	<u>149,934</u>
Net funds at 31 December		<u>71,585</u>	<u>138,575</u>

The notes form part of these financial statements

CATALYST FUND MANAGEMENT LIMITED

**NOTES TO THE CASH FLOW STATEMENT
For The Year Ended 31 December 2010**

1 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating loss	(16,492)	(9,770)
Increase in debtors	(62,681)	(2,589)
Increase in creditors	40,183	1,000
Net cash outflow from operating activities	<u>(38,990)</u>	<u>(11,359)</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 £	2009 £
Financing		
Amount withdrawn by directors	(28,000)	-
Net cash outflow from financing	<u>(28,000)</u>	<u>-</u>

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 1 10 £	Cash flow £	At 31 12 10 £
Net cash			
Cash at bank	138,575	(66,990)	71,585
	<u>138,575</u>	<u>(66,990)</u>	<u>71,585</u>
Total	<u>138,575</u>	<u>(66,990)</u>	<u>71,585</u>

The notes form part of these financial statements

CATALYST FUND MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2010**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

2 TURNOVER

The total turnover of the company for this year has been derived from its principal activity, which commenced in 2010, wholly undertaken in the United Kingdom

3 STAFF COSTS

	2010	2009
	£	£
Wages and salaries	266,832	-
Social security costs	21,985	-
	<u>288,817</u>	<u>-</u>

The average monthly number of employees during the year was as follows

	2010	2009
Administration	<u>8</u>	<u>-</u>

4 OPERATING LOSS

The operating loss is stated after charging

	2010	2009
	£	£
Auditors' remuneration	<u>6,000</u>	<u>863</u>
Directors' remuneration	<u>58,898</u>	<u>-</u>

5 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009

CATALYST FUND MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2010

5 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £	2009 £
Loss on ordinary activities before tax	<u>(16,492)</u>	<u>(9,770)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2009 - 21%)	(3,463)	(2,052)
Effects of		
Tax losses carried forward	-	2,052
Non-deductible expenses	4,957	-
Tax losses utilised in year	<u>(1,494)</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

No provision has been made for deferred taxation as there are no accelerated capital allowances or reversing timing differences. At the year end, there were losses of £2,700 to be relieved against future taxable income

6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade debtors	49,770	-
Directors' current accounts	28,000	-
Prepayments and accrued income	15,500	2,589
	<u>93,270</u>	<u>2,589</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	35,183	-
Accrued expenses	6,000	1,000
	<u>41,183</u>	<u>1,000</u>

8 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2010	2009
Number	Class	Nominal value	£	£
5,100	Ordinary	£1	<u>5,100</u>	<u>5,100</u>

CATALYST FUND MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 31 December 2010

9 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2010	(9,836)	144,900	135,064
Deficit for the year	(16,492)		(16,492)
At 31 December 2010	<u>(26,328)</u>	<u>144,900</u>	<u>118,572</u>

10 TRANSACTIONS WITH DIRECTORS

The following loan to directors subsisted during the years ended 31 December 2010 and 31 December 2009

	2010 £	2009 £
T Roberts		
Balance outstanding at start of year	-	-
Amounts advanced	28,000	-
Amounts repaid	-	-
Balance outstanding at end of year	<u>28,000</u>	<u>-</u>

The balance due from T Roberts, a director, is anticipated to be repaid within nine months of the financial year end

11 RELATED PARTY DISCLOSURES

T Roberts, a director, controls the company by virtue of his majority shareholding

T Roberts, a director, was also a director of ARM Asset Backed Securities SA. During the year, sales were made to this company of £1,504,290 (2009 £nil) and the amount due from this company at the year end was £nil (2009 £nil)

T Roberts, Major General T P Toyne Sewell, Lord E T Razzall and J H Dale, directors, were also directors of Catalyst Investment Group Limited. During the year, expenses were recharged from this company of £535,722 (2009 £nil) and the amount due to this company at the year end was £28,971 (2009 £nil)

T Roberts, a director, was also a director of Catalyst Financial Services SA. During the year, management fees were incurred with this company of £478,572 (2009 £nil) and a trade debtor of £29,722 was acquired from Catalyst Investment Group (Europe) SA, a related party, which was still outstanding at the year end (2009 £nil)

T Roberts and B Rayment, directors, were also directors of Catalyst Investment Group (Europe) SA. During the year, management fees were incurred with this company of £274,993 and the amount due to this company at the year end was £nil (2009 £nil)

B Rayment, a director, was also a director of Mudslinger Limited. During the year, director fees of £58,898 (2009 £nil) were charged by this company and the amount due to this company at the year end was £nil (2009 £nil)

CATALYST FUND MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2010

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Loss for the financial year	(16,492)	(9,770)
Net reduction of shareholders' funds	(16,492)	(9,770)
Opening shareholders' funds	140,164	149,934
Closing shareholders' funds	123,672	140,164

13 PILLAR 3

Pillar 3 disclosures are available on the company website (www.catalystmarkets.com)