SEI Investments (Europe) Limited

Financial Statements

for the year ended 31 December 2003

Registered number: 3765319

Directors' report

For the year ended 31 December 2003

The directors present their annual report on the affairs of SEI Investments (Europe) Limited ("the Company"), together with the accounts and auditors' report, for the year ended 31 December 2003.

Principal activities

The principal activity of the Company comprises of asset management services operating through the Company's London offices.

Business review

SEI Investments (Europe) Limited continued to capitalise on three major trends in the global marketplace: privatisation of pension funds, increased wealth accumulation among affluent investors and the elimination of barriers to global investing. Using the same asset management disciplines that have benefited U.S. clients, SEI Investments (Europe) Limited provide investment management programs tailored to the needs of institutional and affluent individual investors. Both the level of business and the year end financial position were satisfactory and the directors expect an increased level of business activity in the future.

During the year, the Company issued a further 10,000,000 £1 ordinary shares with the Company remaining wholly-controlled by the parent company.

The directors of the Company have also received a letter of support from SEI Investments Company, who control the Company, which provides that SEI Investments Company will continue to ensure that the Company has sufficient financial resources for the 12 month period subsequent to the date of these financial statements and will support the Company until it makes a profit.

Results and dividends

The audited accounts for the year ended 31 December 2003 are set out on pages 6 to 16. The result for the year after taxation was a loss of £7,488,145. (2002: loss of £5,536,227).

The directors did not recommend any dividend payments to be made for the year (2002: nil).

Directors

The directors who served during the period were as follows:

Carl Guarino
Joseph Ujobai
Patrick Disney
Todd Cipperman
Robert Nesher

Mr Cipperman resigned as a director of the Company on 2 December 2003.

Directors' interests The directors who held office at 31 December 2003 had no interests in the shares of SEI Investments (Europe) Limited. The Company is a wholly-owned subsidiary of SEI Investments Company. The following is a list of directors that have share options in the ultimate parent company, SEI Investments Company.

Director	Number of share options at 12/31/2002	Number of share options exercisable at 12/31/2002	Share options granted during 2003	Share options exercised during 2003	Number of share options at 12/31/2003	Number of share options exercisable at 12/31/2003
Carl Guarino	431,000	373,500	25,000	90,000	366,000	283,500
Joseph Ujobai	126,500	34,500	30,000	--	156,500	34,500
Patrick Disney	96,000	60,000	20,000	--	116,000	60,000
Todd Cipperman	132,000	102,000	--	--	132,000	102,000
Robert Nesher	92,000	78,000	5,000	60,000	37,000	18,000

Mr Guarino exercised 90,000 share options at an average market price of $27.75 and a cost of $4.21.
Mr Nesher exercised 60,000 share options at an average market price of $29.53 and a cost of $4.21.

The following is a list of directors that have ordinary shares in the ultimate parent company, SEI Investments Company:

Director	**2003**	**2002**
Carl Guarino	500,988	411,769
Joseph Ujobai	6,935	5,807
Patrick Disney	5,100	1,400
Todd Cipperman	1,857	1,857
Robert Nesher	277,526	288,526

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

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 and of the profit or loss of the Company for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

- 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 which enables them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SEI Investments (Europe) Limited
4th Floor, The Economist Building
25 St James's Street
London
SW1A 1HA

By order of the Board,

Patrick Disney
Director
29 April 2004

Independent auditors' report to the members of SEI Investments (Europe) Limited

We have audited the financial statements which comprises the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with the Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

29 April 2004

Profit and loss account

For the year ended 31 December 2003

	Notes	Year ended **2003** £	Year ended **2002** £
Turnover	2	9,077,118	7,727,611
Operating expenses		(16,607,109)	(13,361,740)
Operating loss		(7,529,991)	(5,634,129)
Interest receivable	3	41,846	97,902
Loss on ordinary activities before taxation	4	(7,488,145)	(5,536,227)
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year		(7,488,145)	(5,536,227)

All activities derive from continuing operations.

The accompanying notes on pages 9 to 16 are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 31 December 2003

	2003	2002
	£	£
Loss for the financial year	(7,488,145)	(5,536,227)
Total recognised losses relating to the year	(7,488,145)	(5,536,227)
Total losses recognised since last annual report	(7,488,145)	(5,536,227)

The accompanying notes on pages 9 to 16 are an integral part of this statement of total recognised gains and losses.

Balance sheet

As at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	8	668,100	260,821
Current assets			
Debtors	9	4,170,434	1,389,053
Investments	10	--	8,718
Cash at bank and in hand		2,025,214	4,204,530
Restricted cash		140,317	--
		6,335,965	5,602,301
Creditors: Amounts falling due within one year	11	(1,894,889)	(3,265,801)
Net assets		5,109,176	2,597,321
Capital and reserves			
Called-up share capital	12	21,800,000	11,800,000
Profit and loss account		(16,690,824)	(9,202,679)
Total shareholders' funds	13	5,109,176	2,597,321

The accounts on pages 6 to 16 were approved by the board of directors on 29 April 2004 and were signed on its behalf by:

Patrick Disney
Director

The accompanying notes on pages 9 to 16 are an integral part of this balance sheet.

1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

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

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	10 years

Deferred taxation

The Company applies Financial Reporting Standard 19 'Deferred tax' (FRS 19) to account for deferred taxation. The Standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. There is no material effect on current and prior year loss after tax as under the previous accounting policy deferred tax was provided in full for such items. The additional disclosures required by FRS 19 are provided in Note 5 to the Financial Statements.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

A deferred tax asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Cash Flow Statement

The Company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 (revised 1996) because it is a wholly-owned subsidiary of SEI Investments Company which prepares consolidated accounts which are publicly available.

Turnover

Turnover is recognised on an accrual basis.

Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investments

Investments held are considered current assets and are stated at market value, with the change from historical cost included in the profit and loss account.

Restricted Cash

Restricted cash includes amounts held as collateral with a securities clearing firm.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the year to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter year is used.

2. Turnover

Turnover represents investment advisory services and is recognised on an accrual basis.

	2003	**2002**
	£	£
Fees for advisory services	9,077,118	7,727,611

3. Interest receivable

During the year ended 31 December 2003, interest income of £41,846 (2002: £97,902) was earned on a UK Treasury Reserve deposits and deposits with banks.

4. Result on ordinary activities before taxation

The result on ordinary activities before taxation is stated after charging:

	2003 £	2002 £
Operating lease charges	1,176,297	1,143,413
Depreciation	137,299	78,357
Auditors remuneration for audit services	10,664	6,849
Auditors remuneration for non-audit services	52,360	11,734
Loss on investment	--	1,282

5. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities comprised:	2003 £	2002 £
Deferred tax origination and reversal of timing differences		
Net operating losses	2,204,993	1,637,361
Valuation allowance	(2,204,993)	(1,637,361)
Tax on loss on ordinary activities	--	--

The charge for corporation tax and the credit for deferred tax have been calculated by reference to corporation tax at a rate of 30% (2002: 30%).

(b) Factors affecting tax charge for the year	2003 £	2002 £
Loss on ordinary activities before tax	(7,488,145)	(5,536,227)
Loss on ordinary activities multiplied by corporation tax at the UK standard rate of 30% (2002: 30%)	(2,246,444)	(1,660,868)
Effects of:		
Losses carried forward from prior year	(4,100,872)	(2,479,622)
Depreciation	41,451	23,507
Prior year provision to tax return adjustment	(11,591)	--
Expenses not deductible for tax purposes	--	4,520
Tax losses carried forward	6,317,456	4,112,463
Current tax charge for the year	--	--

(c) Factors that may affect future tax changes

As at 31 December 2003, there is an unrecognised deferred tax asset measured at the standard rate of 30% of 6,317,456 (2002: £4,112,463). This deferred tax asset relates to the current year and prior year unutilised expenses. It is considered uncertain when there will be a liability in the future against which the deferred tax asset can be offset. Therefore, the tax asset has not been recognised.

The movement in deferred tax comprised:	**2003** £	**2002** £
At 1 January	4,112,463	2,475,102
Transfer from profit and loss account	2,204,993	1,637,361
At 31 December	6,317,456	4,112,463
Tax losses carried forward	6,317,456	4,112,463

6. Staff costs

The average number of employees (including executive directors) during the year was:

	2003 Number	**2002** Number
Investment Management	7	7
Sales	10	10
Administration	17	13
	34	30

Their aggregate remuneration comprised:

	2003 £	**2002** £
Wages and salaries	4,605,428	3,157,151
Social security costs	1,633,198	683,917
Other pension costs (Note 14)	213,249	133,437
	6,451,875	3,974,505

7. Directors' remuneration and transactions

Remuneration

The remuneration of the directors included in staff costs above was as follows:

	2003 £	2002 £
Emoluments	498,940	432,500
Company contributions to money purchase pension schemes	15,134	16,204
	514,074	448,704

Pensions

The number of directors who were members of pension schemes during the year was 2 (2002: 2).

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2003 £	2002 £
Emoluments	255,000	232,500
Company contributions to money purchase schemes	11,475	12,468
	266,475	244,968

8. Tangible fixed assets

	Computer equipment £	Office furniture £	Leasehold Improvements £	Total £
Cost or valuation				
At 1 January 2003	100,967	192,683	124,344	417,994
Additions	122,708	125,771	321,376	569,855
Retirements	(9,402)	(29,020)	(7,515)	(45,937)
At 31 December 2003	214,273	289,434	438,205	941,912
Depreciation				
At 1 January 2003	64,488	73,147	19,538	157,173
Charge for the year	40,601	43,796	52,902	137,299
Retirements	(5,574)	(15,086)	-	(20,660)
At 31 December 2003	99,515	101,857	72,440	273,812
Net book value				
At 31 December 2002	36,479	119,536	104,806	260,821
At 31 December 2003	114,758	187,577	365,765	668,100

9. Debtors

	2003	2002
	£	£
VAT receivable	36,018	16,568
Prepayments and accrued income	390,020	584,707
Amounts due from group companies	1,794,978	43,762
Trade debtors	1,949,418	744,016
	4,170,434	1,389,053

10. Investments

Investments represent holdings in SEI Investments sponsored funds and were originally purchased for £10,000. The investments were sold for £8,728 during the year ended 31 December 2003. At 31 December 2002, the holdings had a market value of £8,718.

11. Creditors: Amounts falling due within one year

	2003	2002
	£	£
Other taxation and social security	188,488	34,635
Amounts owed to the parent	-	1,883,232
Accruals and deferred income	1,706,401	1,347,934
	1,894,889	3,265,801

12. Called-up share capital

	2003	2002
	£	£
Authorised		
100,000,000 ordinary shares of £1 each	100,000,000	100,000,000
Allotted, called-up and fully-paid		
21,800,000 ordinary shares of £1 each	21,800,000	11,800,000

During the year the Company allotted 10,000,000 ordinary shares with a nominal value of £1 for the forgiveness of £10,000,000 of intercompany debt.

Notes to the accounts (continued)

For the year ended 31 December 2003

13. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Loss for the year	(7,488,145)	(5,536,227)
Issue of ordinary share capital	10,000,000	7,300,000
Net addition to shareholders' funds	2,511,855	1,763,773
Opening shareholders' funds	2,597,321	833,548
Closing shareholders' funds	5,109,176	2,597,321

	Called up share capital	Profit and loss Account	Total equity shareholders Funds
	£	£	£
At 1 January 2003	11,800,000	(9,202,679)	2,597,321
Loss for the year	-	(7,488,145)	(7,488,145)
Issue of ordinary share capital	10,000,000	-	10,000,000
At 31 December 2003	21,800,000	(16,690,824)	5,109,176

14. Pension arrangements

The Company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £213,249 (2002: £133,437).

15. Ultimate controlling party

The directors regard SEI Global Investments Corporation, a company incorporated in the United States of America, as the parent company and 100 percent owner of SEI Investments (Europe) Limited. SEI Investments Company is the ultimate parent company and 100 percent owner of SEI Global Investments Corporation. Copies of the accounts of SEI Investments Company are available from One Freedom Valley Drive, Oaks, Pennsylvania, USA 19456.

16. Lease commitments

At 31 December 2003, the company has annual commitments under non-cancellable operating leases expiring as follows:

	2003	2002
	£	£
Within one year	361,472	447,572
Within two to five years	696,738	386,918
After five years	--	--
	1,058,210	834,490

17. Related party transactions

As a subsidiary undertaking of SEI Investments Company, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by SEI Investments Company. Apart from intergroup transactions, no related parties transactions were entered into.

18. Financial resources

The directors of the Company have also received a letter of support from SEI Investments Company, who controls the Company, which provides that SEI Investments Company will continue to ensure that the Company has sufficient financial resources to meet the FSA's regulatory requirements for the 12 month period subsequent to the date of these financial statements.

19. Subsequent event

On 31 March 2004, the Company allotted 1,500,000 ordinary shares with a nominal value of £1 for forgiveness of £1,500,000 of intercompany debt.