



**NOWE FINANSE LIMITED**

(Incorporated in Bermuda  
Company No. 39600)

**Annual Report and Financial Statements**

Period from 14 February 2007 (date of incorporation)  
to 31 March 2008

*ISIN No. BMG667691031*

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## Management and Administration

<b>Directors</b>	Erwin Brunner (Swiss) (Non-executive Chairman) * John Collis (British) (Non-executive Director) * Anderson Whamond (British) (Non-executive Director) all of the registered office below * independent
<b>Registered Office of the Fund</b>	Clarendon House 2 Church Street Hamilton, HM11 Bermuda
<b>Investment Manager</b>	Charlemagne Capital (IOM) Limited St. Mary's Court 20 Hill Street Douglas Isle of Man IM1 1EU British Isles
<b>Custodian</b>	Anglo Irish Bank Corporation (I.O.M.) P.L.C. Jubilee Buildings Victoria Street Douglas Isle of Man, IM1 2SH British Isles
<b>Administrator and Registrar</b>	Galileo Fund Services Limited Third Floor Britannia House St. George's Street Douglas Isle of Man IM1 1JE British Isles
<b>Placing Agent</b>	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
<b>Secretary</b>	Susie Grant C/o Codan Services Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda
<b>Ongoing Broker</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke, HM 08 Bermuda

## Management and Administration Continued

**Auditors**

KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN  
British Isles

**Legal Advisers to the Company**

*As to Bermuda Law*  
Conyers Dill & Pearman  
34 Threadneedle Street  
London EC2R 8AY  
United Kingdom

*As to English Law*  
Stephenson Harwood  
One, St. Paul's Churchyard  
London EC4M 8SH  
United Kingdom

## Report of the Investment Manager

Reporting Period: 18 September 2007 to 31 March 2008

Reporting currency: EUR

The investment objective of Nowe Finanse is to achieve capital appreciation through direct or indirect investment in the securities issued by Powszechny Zakład Ubezpieczeń (PZU), the leading Polish insurer. Since its launch in mid September, when the Company was 59% invested in PZU shares, we have been able to purchase further shares such that, at the end of the period under review, 81% of the Company's gross assets were invested in PZU shares. Initial purchases were achieved at a price of PLN 365 per share, the last purchase was obtained at PLN 395 per share; an increase of 8.2%.

By way of background, the Dutch insurance group Eureko paid PLN 2 billion to buy a 20% stake in PZU in November 1999. Eureko subsequently increased its stake in PZU to 33% less one share, with the agreement of the Polish State Treasury, through purchases from Bank Millennium (10%) and PZU employees (3%). In April 2001, the original privatisation agreement was amended to allow for the flotation of PZU, at which point Eureko was given the right to acquire a further 21% of PZU, to give it control of the company. The flotation of PZU has yet to occur however, as a general election in Poland saw the new government call into question the legality of the original agreement, with the State Treasury retaining control. This in turn prompted Eureko to take legal action, amidst a progressive deterioration in the relationship between itself and the State Treasury. Despite a 2002 victory in the arbitration court and various subsequent victories for Eureko in international courts, which may lead to awards for substantial compensation, the Polish State Treasury has so far refused to alter its position and retains control of PZU to this date

Hopes were raised for a resolution to this impasse following the election of new Polish government in October 2007 with the ruling Law and Justice party suffering a heavy defeat at the hands of the opposition Civic Platform. Indeed the new government invited Eureko back to the negotiation table in January 2008 with the State Treasury and Eureko agreeing that they wanted to "find an amicable solution" to the long-running dispute over PZU. At the same time, the State Treasury also appointed a new management board to PZU. As a result, it became harder to acquire further shares in PZU, with current holders reluctant to sell given the possibility that the company will be floated on the stockmarket at some stage during 2008. Whether PZU will actually be floated this year or not remains uncertain however, as the latest talks between the State Treasury and Eureko have again run into difficulties. Given the possibility of a substantial court award, perhaps as high as EUR 10 billion, against the State Treasury it is our opinion that the differences between Eureko and the State Treasury will ultimately be resolved, allowing the flotation of PZU to proceed.

### Charlemagne Capital (IOM) Limited

29 September 2008

## Report of the Directors

The Directors present to the Shareholders the Annual Report together with the audited Financial Statements for the period from 14 February 2007 (date of incorporation) to 31 March 2008.

### The Company

The Company was incorporated on 14 February 2007 with limited liability and unlimited duration in Bermuda under the provisions of the Companies Act, 1981 of Bermuda (as amended) as an exempted company. The Company was incorporated as a closed-ended company.

### Results, Activities and Future Developments

The results of the Company for the period ended 31 March 2008 are set out in the Income Statement on page 7.

### Directors

The Directors during the period and up to the date of this Report were as follows:

	<b>Appointed</b>	<b>Retired</b>
Alison Guilfoyle	14 February 2007	8 March 2007
Christopher Garrod	14 February 2007	8 March 2007
Erwin Brunner	8 March 2007	
John Collis	8 March 2007	
Anderson Whamond	8 March 2007	

### Directors' and Other Interests

Anderson Whamond is a director of the Investment Manager and Charlemagne Capital Limited ("CCL"), the parent of the Investment Manager and Placing Agent. Mr Whamond is also a shareholder of CCL and additionally has an indirect family interest in shares of CCL. John Collis is a director of Codan Services Limited which provides secretarial and registered office services to the Company.

Save as disclosed above, none of the Directors had any interest during the period in any material contract for the provision of services which was significant to the business of the Company.

None of the Directors has any interest in the capital of the Company although this does not preclude the Directors from subscribing for shares.

### Dividend Policy

The Directors have absolute discretion as to the payment of dividends and do not currently intend to pay dividends on the shares. Any dividends paid will be paid in accordance with the Rules of the Bermuda Stock Exchange.

### Books of Account

The measures taken by the Directors to secure compliance with the Company's obligations to keep proper books of account include the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at the offices of the Administrator and Registrar, Galileo Fund Services Limited.

### Auditors

In accordance with the Companies Act the Auditors, KPMG Audit LLC have been appointed by the Directors to undertake an audit of the Company for the year ended 31 March 2008 and, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors:

**Anderson Whamond**  
Director

29 September 2008

## Report of the Independent Auditors, KPMG Audit LLC, to the shareholders of Nowe Finanse Limited

We have audited the financial statements (the "financial statements") of Nowe Finanse Limited (the "Company") for the period from 14 February 2007 (date of incorporation) to 31 March 2008 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders. 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 auditor's 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 the Directors and Auditors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we became aware of any apparent misstatements or inconsistencies within it.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. 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 judgements made by the Directors in the preparation of the financial statements, and 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.

## Report of the Independent Auditors, KPMG Audit LLC, to the shareholders of Nowe Finanse Limited (continued)

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with applicable International Financial Reporting Standards, of the state of the Company's affairs as at 31 March 2008 and the Company's profit for the period from 14 February 2007 (date of incorporation) to 31 March 2008;
- the information given in the Directors' Report is consistent with the financial statements

**KPMG Audit LLC**  
Chartered Accountants  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man

29 September 2008



## Income Statement

	Notes	For the period from 14 February 2007 (date of incorporation) to 31 March 2008 €'000
<b>Income</b>		
Interest income on cash balances	2.4	278
Net changes in fair value on financial assets at fair value through profit or loss	7	3,168
<b>Total net income</b>		<b>3,446</b>
<b>Expenditure</b>		
Investment Manager fees	4.2	522
Audit and professional fees		16
Organisational expenses	4.2	171
Other expenses		240
Foreign exchange loss		298
<b>Total operating expenditure</b>		<b>1,247</b>
<b>Profit before tax</b>		<b>2,199</b>
Income tax expense	9	-
<b>Retained profit for the period</b>		<b>2,199</b>
<b>Basic and diluted earnings per share (cents)</b>	10	<b>43.59</b>

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

## Balance Sheet

	Note	At 31 March 2008 €'000
<b>Non-current Assets</b>		
Financial assets at fair value through profit or loss	7	45,492
<b>Total non-current assets</b>		<b>45,492</b>
<b>Current Assets</b>		
Other receivables and prepayments		9
Cash and cash equivalents		10,986
<b>Total current assets</b>		<b>10,995</b>
<b>Total Assets</b>		<b>56,487</b>
<b>Equity</b>		
Issued share capital	11	1
Share premium	11	50,449
Retained earnings		2,199
Foreign currency translation reserve		3,075
<b>Total equity</b>		<b>55,724</b>
<b>Liabilities</b>		
Accruals and other payables	8	763
<b>Total liabilities</b>		<b>763</b>
<b>Total equity &amp; liabilities</b>		<b>56,487</b>

The financial statements were authorised and approved by the Board on 29 September 2008.

On behalf of the Board:

**Erwin Brunner**  
Director

**Anderson Whamond**  
Director

## Statement of Changes in Equity

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Earnings	Total
	€'000	€'000	€'000	€'000	€'000
Balance at 14 February 2007	-	-	-	-	-
Proceeds from shares issued	1	50,449	-	-	50,450
Foreign exchange translation differences	-	-	3,075	-	3,075
Profit for the period	-	-	-	2,199	2,199
<b>Balance at 31 March 2008</b>	<b>1</b>	<b>50,449</b>	<b>3,075</b>	<b>2,199</b>	<b>55,724</b>

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

## Cash Flow Statement

	Note	For the period from 14 February 2007 (date of incorporation) to 31 March 2008 €'000
<b>Cash flows from operating activities</b>		
Profit before tax		2,199
Adjustments for:		
Interest income on cash balances		(278)
Net changes in fair value on financial assets at fair value through profit or loss		(3,168)
<b>Operating result before working capital changes</b>		<b>(1,247)</b>
Increase in trade and other receivables		(9)
Increase in accruals and other payables		763
<b>Cash used in operations</b>		<b>(493)</b>
<b>Cash flows from investing activities</b>		
Interest income on cash balances		278
Purchase of financial assets		(9,741)
<b>Net cash used in investing activities</b>		<b>(9,463)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	12	20,935
<b>Net cash inflow from financing activities</b>		<b>20,935</b>
Net increase in cash and cash equivalents		10,979
Cash and cash equivalents at 14 February 2007		-
Difference on foreign exchange		7
<b>Cash and cash equivalents at 31 March 2008</b>		<b>10,986</b>

The accompanying notes on pages 11 to 18 form an integral part of these financial statements

## Notes to the Financial Statements

### 1 The Company

Nowe Finanse Limited ("the Company") was incorporated with limited liability and unlimited duration on 14 February 2007 in Bermuda under the provisions of the Companies Act, 1981 of Bermuda (as amended) (the "Act"), as an exempted company (registered number 39600).

The investment objective of the Company is to achieve capital appreciation economic exposure to the ordinary shares registered series A in the share capital of Powszechny Zakład Ubezpieczeń S.A. ("PZU").

The Company issued a placing memorandum dated 7 September 2007 pursuant to the placing of up to 50,000,000 Shares offered for sale to Qualified Investors. The placing opened to subscription on 7 September 2007 and closed on 18 September 2007. On 18 September 2007, 5,045,000 Shares were allotted and issued to the investors. The Shares of the Company were admitted to the Official List of the Bermuda Stock Exchange with effect from 17 September 2007.

The Company's agents and the Investment Manager perform all significant functions. Accordingly, the Company itself has no employees.

#### Share Repurchases

The Company, in accordance with the Bye-laws, has the authority to purchase up to 14.99 per cent. of the Shares in issue and proposes the renewal of such authority to purchase Shares at the forthcoming Annual General Meeting of the Company in accordance with the terms of the Placing Memorandum. No Shares were repurchased during the period ended 31 March 2008.

### 2 Significant Accounting Policies

The principle accounting policies adopted in the preparation of the financial statements are set out below.

#### 2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, except for financial assets held at fair value through profit or loss.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The most significant area of judgement is in respect of the valuation of financial assets held at fair value through profit or loss (see note 13 for further detail in respect of risks associated with these assets).

#### 2.2 Financial assets at fair value through profit or loss

Equity Investments are designated as financial assets at fair value through profit or loss. The Company invests its entire assets in the shares of a leading insurance company in Poland.

Purchases and sales of investments are recognised and de-recognised on trade date – the date on which the Company commits to purchase or sell the asset.

Investments are initially recorded at cost (which includes transaction costs) on purchase, and subsequently re-valued to fair value on the valuation day. This will be determined by the Directors, on advice from the Investment Manager.

Gains and losses arising from changes in the fair value of the financial assets and liabilities are included in the income statement for the period in which they arise.

## Notes to the Financial Statements continued

### 2 Significant Accounting Policies continued

#### 2.3 Foreign currency translation

Polish Zloty is the currency of the primary economic environment in which the entity operates as this is the currency of the investments held by the Company ("The functional currency").

Euro is the currency in which the financial statements are presented ("The presentational currency"). Euro is adopted as the presentation currency of the Company as it is the currency of the shares issued by the company.

Monetary assets and liabilities denominated in foreign currencies as at the date of these financial statements are translated into Polish Zloty at exchange rates prevailing on that date (31 March 2008: EUR:PLN 3.5469). Expenses are translated into Polish Zloty based on exchange rates on the date of the transaction. All resulting exchange rate differences are recognised in the income statement.

The financial statements are presented in Euro by translating the assets and liabilities at the exchange rate prevailing at the balance sheet date. Items of revenue and expense are translated at exchange rates on the date of the relevant transactions. All resulting exchange differences are recognised in equity.

#### 2.4 Investment income

Investment income is accounted for on an accruals basis.

#### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash deposited with banks and bank overdrafts repayable on demand.

#### 2.6 Segmental reporting

All of the Company's activities relate to the holding shares in PZU. Accordingly, no further segmental analysis is considered necessary.

#### 2.7 Future changes in accounting policies

IFRS and IFRIC Interpretations not applied.

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements.

International Accounting Standards Board (IAS/IFRS)	Effective date (accounting periods commencing on or after)
IFRS 8 Operating segments	1 January 2009
IAS 23 Amendment – Borrowing costs	1 January 2009
<b>International Financial Reporting Interpretations Committee (IFRIC)</b>	
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer loyalty programmes	1 July 2008
IFRIC 14 IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management are currently assessing the impact of this on the disclosures to be presented regarding segments reporting.

The Directors do not expect the adoption of the other standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

## Notes to the Financial Statements continued

### 3 Net Asset Value per Share

The net asset value per ordinary share as at 31 March 2008 is €11.05 per share based on 5,045,000 ordinary shares in issue at that date.

The net asset value per founder share as at 31 March 2008 is €1.00 per share based on 10 founder shares in issue at that date.

### 4 Related Party Transactions

#### 4.1 Directors

Anderson Whamond is a director of the Investment Manager and Charlemagne Capital Limited ("CCL"), the parent of the Investment Manager and Placing Agent. Mr Whamond is also a shareholder of CCL and additionally has an indirect family interest in shares of CCL. There are no service agreements between Mr Whamond and CCL that are not determinable within one year.

Mr Collis is a director of Codan Services Limited which provides secretarial and registered office services to the Company. Save as disclosed above, none of the Directors had any interest during the period in any material contract for the provision of services which was significant to the business of the Company and no Director (nor any spouse or child of a director) has any interest in the share capital of the Company or any option with respect to such share capital.

The shares of CCL, a company incorporated in the Cayman Islands, are listed on the Alternative Investment Market of the London Stock Exchange.

#### 4.2 Investment Manager Fees

The Investment Manager is entitled to a fee equivalent to 1.80 per cent. per annum of the monthly Net Asset Value of the Company. This fee is payable quarterly in arrears. The Investment Manager may also recover out-of-pocket expenses reasonably incurred by it in the performance of its duties. Management fees for the period amounted to €521,564. The total amount owing to the manager at the period end was €598,257, which included €76,693 reimbursement of organisational fees to the Investment Manager.

#### 4.3 Placing Agent

In accordance with the placing memorandum dated 7 September 2007, the Placing Agent, Charlemagne Capital (UK) Limited, was entitled to receive placing fees totalling €1,261,250, representing 2.5% of the value of the initial placing. However, the Placing Agent agreed to waive this fee and therefore no accrual has been made for this amount.

### 5 Charges and Fees

#### 5.1 Custodian fees

The Custodian is paid by way of remuneration for its services at such rates and at such times as may be agreed from time to time between the Company and the Custodian. Currently, the Custodian receives fees at a rate of 5 basis points per annum of the net asset value of the Company as at each valuation day, subject to a minimum monthly fee of €2,000.

The Custodian is also entitled to reimbursement of agreed out-of-pocket expenses properly incurred on behalf of the Company. Custodian fees for the period amounted to €21,463 of which, €17,218 was outstanding at the period end.

#### 5.2 Administrator fees

The Administrator is paid by way of remuneration for its services at such rates and at such times as may be agreed from time to time between the Company and the Administrator. Currently, the Administrator receives fees at a rate of 10 basis points per annum of the net asset value of the Company, subject to a minimum monthly fee of €5,750, calculated monthly and payable quarterly in arrears. Administration fees for the period amounted to €37,758, of which €17,250 was outstanding at the period end.

## Notes to the Financial Statements continued

### 5.2 Administrator fees continued

In addition, the Administrator assists in the preparation of the financial statements of the Company, for which it receives a fee of €4,500.

### 5.3 Secretary fees

The Company's Secretary is paid an annual fee of B\$5,550 for providing registered office and secretarial services and is also entitled to be reimbursed for all agreed out-of-pocket expenses incurred on behalf of the Company. Secretarial fees for the period amounted to €4,504.

### 6 Directors' Remuneration

Each Director is entitled to receive a fee of €15,000 p.a. for acting as a director and reimbursement of any expenses incurred by him in relation to his appointment. The fees and expenses paid to the Directors for the period amounted to €47,903 of which, €18,002 was outstanding at the period end.

### 7 Financial assets at fair value through profit or loss

Security name	Number	€'000
PZU S.A.	404,909	45,492
		45,492
		€'000
Financial assets at fair value through profit or loss - cost		42,208
Unrealised gain		3,168
Foreign currency exchange difference		116
Financial assets fair value through profit or loss – fair value		45,492

### 8 Accruals and other payables

	31 March 2008
	€'000
Organisation expenses payable	94
Management fee payable	598
Accruals and sundry payables	71
	763

### 9 Taxation

#### *Bermuda Taxation*

The Company is resident for taxation purposes in Bermuda by virtue of being incorporated in Bermuda. There is no Bermuda income tax payable by the Company or its Shareholders, other than Shareholders who are ordinarily resident in Bermuda.

As an exempted company, the Company is liable to pay in Bermuda a registration fee based upon its assessable share capital at a rate currently not exceeding US\$27,825 p.a.



## Notes to the Financial Statements continued

### 9 Taxation continued

#### *Polish Taxation*

The Company may be liable to corporate income tax, levied by the Polish authorities on Polish source income, including the proceeds from any sales of securities of PZU or the receipt of any dividends. The local rate of corporate income tax is currently 19% but may change by enactment of applicable legislation from time to time. However, there exists uncertainty within Polish tax legislation as to the classification of Polish source income and the Board does not believe that the Company currently has any liability to Polish corporate income tax as the Company is not resident in Poland and the PZU shares held are not listed. The Board will give further consideration to seeking a formal ruling from the Polish authorities to clarify the position but in the meantime no provision is considered appropriate.

#### *Deferred taxation*

Deferred income tax is based on temporary differences between the revalued security and the respective tax base.

### 10 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2008
Profit attributable to equity holders of the Company (€'000)	2,199
Weighted average number of ordinary shares in issue (thousands)	5,045
Basic and diluted earnings per share (cents per share)	43.59

### 11 Share Capital

	Number of Shares	€
Authorised:		
Founder Shares of € 1.00 each	10	10
Ordinary Shares of € 0.0001 each	50,000,000	5,000
Issued and fully paid:		
Founder Shares of € 1.00 each	10	10
Ordinary Shares of € 0.0001 each	5,045,000	505

The authorised share capital of the Company is €5,010 divided into 10 Founder shares of €1.00 each and 50,000,000 Ordinary shares of €0.0001 each.

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All Ordinary shares rank equally with regards to the Company's assets.

The holders of Founder shares are entitled to one vote per share at the meetings of the Company save that while any Ordinary shares are in issue no voting rights shall attach to the Founder Shares. Founder Shares may not be redeemed. They are not entitled to receive any dividend declared by the Company.

### 12 In Specie Transfer

On 14 September 2007, €50,450,000 was invested in the Company. Of this €20,935,101 was in the form of cash and €29,514,899 was in the form of shares in PZU S.A.

## Notes to the Financial Statements continued

### 13 Financial Instruments

The Company's activities expose it to a variety of financial risks: market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

#### Market price risk

The Company's strategy on the management of investment risk is driven by the Company's investment objective. The main objective of Company is to achieve capital appreciation through direct or indirect investment in the securities issued by PZU S.A. As the intention of the Company is to follow an extremely concentrated investment policy, it will not have a diversified portfolio of investments and the impact of any failure in respect of any investment made by the Company may be material and adverse for the Company. The Investment Manager reviews the investment position on a day to day basis and the Directors review the position at the Board meetings.

The securities market in Poland is substantially smaller, less liquid and more volatile than markets in the US and western Europe. Thus, market price movements tend to be more exaggerated.

At 31 March 2008, if the market value of PZU S.A. had increased/decreased by 10% with all other variables held constant, this would have increased/decreased the net assets attributable to the shareholders by approximately €4,553,278 (before deduction of any tax) .

#### Foreign exchange risk

The Company's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than the Polish Zloty. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is Euros.

The Company may invest in financial instruments and enter into transactions denominated in currencies other than the functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Company's assets or liabilities denominated in currencies other than Euro.

The Company's policy is not to enter into any currency hedging transactions.

At the reporting date the Company had the following exposure:

Currency	31 March 2008 % of net assets
Polish Zloty	81.76
Euro	18.24

The following table sets out the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of monetary assets and liabilities:

	Monetary Assets €'000	Monetary Liabilities €'000	Net Exposure €'000
31 March 2008			
Polish Zloty	45,561	-	45,561
Euro	10,926	(763)	10,163
	56,487	(763)	55,724

## Notes to the Financial Statements continued

### 13 Financial Instruments continued

At 31 March 2008, had the Euro strengthened/weakened by 10% in relation to the Polish Zloty, with all other variables held constant, net assets attributable to equity holders of the Company would have increased/decreased by €4,556,118.

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company manages its credit risk by monitoring the creditworthiness of counterparties regularly and does not expect any counterparty to fail to meet its obligations.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short term maturity.

At the reporting date, the Company's financial assets exposed to credit risk amount to the following:

	31 March 2008
	€'000
Financial assets at fair value through profit or loss	45,492
Cash and cash equivalents	10,986
Other receivables and prepayments	9
	56,487

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group manages its credit risk by monitoring the creditworthiness of counterparties regularly and does not expect any counterparty to fail to meet its obligations.

#### Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

The Company's liquidity position is monitored by the Investment Manager and the Board of Directors.

At the reporting date, the residual undiscounted contractual maturities of financial liabilities are the following:

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Other creditors and accrued expenses	674	30	59	-	-	-	763
	674	30	59	-	-	624	763

## Notes to the Financial Statements continued

### 13 Financial Instruments continued

#### Interest rate risk

The majority of the Company's financial assets and liabilities are non interest bearing and as a result the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market risks.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Financial Assets</b>							
Financial assets at fair value through profit or loss	-	-	-	-	-	45,492	45,492
Other receivables and prepayments	-	-	-	-	-	9	9
Cash and cash equivalents	10,986	-	-	-	-	-	10,986
<b>Total financial assets</b>	<b>10,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,501</b>	<b>56,487</b>

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Financial liabilities</b>							
Other creditors and accrued expenses	-	-	-	-	-	(763)	(763)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(763)</b>	<b>(763)</b>
<b>Total interest rate sensitivity gap</b>	<b>10,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,738</b>	<b>55,724</b>

At 31 March 2008, should the interest rates have increased/decreased by 10% with all other variables remaining constant, the increase/decrease in net assets attributable to shareholders for the period would amount to approximately €28,000.

# NOWE FINANSE LIMITED

*(Incorporated in Bermuda)*

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the above named Company will be held at the offices of Charlemagne Capital (IOM) Limited, St. Mary's Court, Douglas, Isle of Man IM1 1EU, British Isles on Wednesday 29 October 2009 at 10:00 a.m. and any adjournment thereof, to transact the following business:

1. To receive and consider the Report of the Investment Manager, Report of the Directors, the Report of Independent Auditors and the Audited Financial Statements of the Company for the year ended 31 March 2008 (the "Annual Report");
2. To re-appoint the Directors of the Company for the year to 31 March 2009;
3. To approve that the Company has the authority to purchase up to 14.99 per cent. of the Shares in issue;
4. To re-appoint KPMG Audit LLC as Auditors of the Company for the year to 31 March 2009; and
5. Any other business.

By Order of the Board  
Susie Grant  
Secretary

Date: 29 September 2008

*Registered Office*  
Clarendon House  
2 Church Street  
PO Box HM391  
Hamilton HM11  
Bermuda

### NOTES:

- 1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not be a member of the Company. In the case of joint holders, if more than one of such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy.
- 2 A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude a member from attending and voting at the Meeting if he so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.
- 3 In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at the offices of Charlemagne Capital (IOM) Limited, St. Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU, British Isles (Attn: Jane Scott) Fax: 44 1624 614476 no later than two days before the date appointed for holding the meeting.

# NOWE FINANSE LIMITED

(Incorporated in Bermuda)

## FORM OF PROXY

To be used for the Annual General Meeting of the above named company to be held at the offices of Charlemagne Capital (IOM) Limited, St. Mary's Court, 20 Hill Street, Douglas, Isle of Man IM1 1EU, British Isles on Wednesday 29 October 2008 at 10:00 a.m.

I/We \_\_\_\_\_<sup>1</sup> being a member(s) of the above-named Company, holding \_\_\_\_\_<sup>2</sup> Shares hereby appoint \_\_\_\_\_<sup>3</sup> or failing him/her appoint Jane Scott or failing her, Rebecca Taylor or the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 29 October 2008 and at any adjournment thereof. I/We direct my/our proxy to vote in respect of the Resolutions to be proposed at such Annual General Meeting in the following manner (3):-

### ORDINARY RESOLUTIONS

1. THAT the Annual Report be approved;
2. THAT John Collis be appointed a director of the Company for the year ending 31 March 2009;  
  
THAT Erwin Brunner be appointed a director of the Company for the year ending 31 March 2009;  
  
THAT Anderson Whamond be appointed a director of the Company for the year ending 31 March 2009;
3. THAT the Company has the authority to purchase up to 14.99 per cent. of the Shares in issue; and
4. THAT KPMG Audit LLC be re-appointed auditors to the Company for the year ending 31 March 2009 at a fee to be approved by the Directors.

	FOR	AGAINST	ABSTAIN

Dated: 2008 Signature \_\_\_\_\_

### NOTES:

- 1 Full name(s) and address(es) to be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.
- 2 Insert number of Shares held.
- 3 If you wish to appoint a person other than the Chairman of the Meeting as your proxy please delete the words "the Chairman of the Meeting" and print the name and address of the person you wish to appoint in the space provided.
- 4 Please indicate with a "X" in the appropriate space beside the resolution how you wish your proxy to vote on your behalf on a poll. Except as otherwise instructed, your proxy will exercise his discretion as to how he votes or whether he abstains from voting.
- 5 This form of proxy must be signed by the member or his attorney duly authorised in writing, or if the appointer is a corporation the form of proxy must be executed under the hand of an officer of the corporation duly authorised on their behalf.
- 6 A member entitled to attend and vote is entitled to appoint one or more parties to attend and, on a poll, to vote instead of him. A proxy need not also be a member. In the case of joint holders, if more than one such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy
- 7 This form of proxy should be completed and lodged at the offices of Charlemagne Capital (IOM) Limited, St. Mary's Court, 20 Hill Street Douglas, Isle of Man IM1 1EU, British Isles (Attn: Jane Scott) Fax: 44 1624 614476 no later than two days before the date appointed for holding the meeting together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority.