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OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

SEC FILE NUMBER
8- 50649

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

PROCESSED
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REPORT FOR THE PERIOD BEGINNING _____ AND ENDING _____
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Zenon Capital LP

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1010 - 2269 Lakeshore Blvd., W.

Toronto Ontario M8V 3X6
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
George Z. Tatarsky (416) 255-9020

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Hawley & Company LLP, Chartered Accountants

225 Watline Avenue Mississauga Ontario L4Z 1P3
(Address) (City) (State) (Zip Code)

- CHECK ONE:
- Certified Public Accountant
 - Public Accountant
 - Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

ZENON CAPITAL LP
ANNUAL FINANCIAL STATEMENTS
DECEMBER 31, 2003





HAWLEY & COMPANY LLP
Chartered Accountants

Partners:

Mark E. Hawley, B. Comm., C.A.
Thomas G. Stacy, B. Math., C.A.

Principals:

Ronald G. Pedlar, B.Sc., M.B.A.
Jim E. Moorhead, B. Comm., C.M.A.

AUDIT REPORT ON FORM X-17A-5, PART III

We have audited the attached form X-17A-5, Part III (Statement of Financial Position) of Zenon Capital LP as at December 31, 2003, 2002 and 2001 and the Statements of Earnings (Statement of Income), Partners' Capital, Cash Flows for the three year period then ended, Computation of Net Capital Under Rule 15c3-1, as indicated in the Oath or affirmation (the "form"). This form is the responsibility of the partnership management. Our responsibility is to express an opinion on this form based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the form is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall form presentation.

In our opinion, this form presents fairly, in all material respects, the financial position of the partnership as at December 31, 2003, 2002 and 2001 and the results of its operations and the changes in its financial position for the three year period then ended in accordance with generally accepted accounting principles in the United States of America.

Mississauga, Ontario, Canada

February 20, 2004

Chartered Accountants

ZENON CAPITAL LP

Statement 1

STATEMENT OF FINANCIAL POSITION (US\$)**DECEMBER 31, 2003**

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
CURRENT			
Cash	\$ 59,870	\$ 56,750	\$ 57,002
Restricted cash (note 3)	1,072,089	1,426,976	1,193,718
Inventory of securities owned (note 4)	1,235,569	1,892,009	1,492,746
Dividends and fees receivable	<u>4,370</u>	<u>3,636</u>	<u>6,190</u>
	<u>\$ 2,371,898</u>	<u>\$ 3,379,371</u>	<u>\$ 2,749,656</u>
 <u>LIABILITIES</u>			
CURRENT			
Accounts payable and accrued expenses	\$ 33,341	\$ 36,176	\$ 21,677
Margin accounts payable (note 6)	464,826	1,080,940	776,024
Securities sold, not yet purchased (note 7)	<u>1,075,275</u>	<u>1,437,657</u>	<u>1,194,824</u>
	<u>1,573,442</u>	<u>2,554,773</u>	<u>1,992,525</u>
CAPITAL			
Partners' capital (Statement 2)	<u>798,456</u>	<u>824,598</u>	<u>757,131</u>
	<u>\$ 2,371,898</u>	<u>\$ 3,379,371</u>	<u>\$ 2,749,656</u>

(See accompanying notes)



ZENON CAPITAL LP

Statement 2

STATEMENT OF PARTNERS' CAPITAL (US\$)

YEAR ENDED DECEMBER 31, 2003

	<u>General Partner</u>	<u>Limited Partners</u>	<u>2003 Total</u>	<u>2002 Total</u>	<u>2001 Total</u>
Balance, beginning of year	\$ 82,916	\$ 741,682	\$ 824,598	\$ 757,131	\$ 648,553
Add: Contributions	31,625	-	31,625	107,419	50,000
Net earnings for the year	<u>52,366</u>	<u>85,415</u>	<u>137,781</u>	<u>178,514</u>	<u>200,894</u>
Less: Withdrawals	<u>166,907</u> <u>(110,133)</u>	<u>827,097</u> <u>(85,415)</u>	<u>994,004</u> <u>(195,548)</u>	<u>1,043,064</u> <u>(218,466)</u>	<u>899,447</u> <u>(142,316)</u>
Balance, end of year	<u>\$ 56,774</u>	<u>\$ 741,682</u>	<u>\$ 798,456</u>	<u>\$ 824,598</u>	<u>\$ 757,131</u>

(See accompanying notes)



ZENON CAPITAL LP

Statement 3

STATEMENT OF EARNINGS (US\$)**YEAR ENDED DECEMBER 31, 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
REVENUE			
Gross trading profit	\$ 318,755	\$ 365,191	\$ 383,673
Interest income	113,780	128,151	35,147
Dividend income	29,718	32,704	27,381
Knight rebates	690	4,251	4,430
Good faith interest	<u>326</u>	<u>609</u>	<u>1,878</u>
	<u>463,269</u>	<u>530,906</u>	<u>452,509</u>
EXPENSES			
Clearing charges	225,030	261,021	172,420
Dividends paid	52,108	32,546	7,531
Interest charges	22,809	28,059	24,356
Communication charges	16,346	16,596	39,625
Professional fees	5,680	5,161	5,075
Administration expenses	2,147	7,589	2,608
Foreign taxes paid	<u>1,368</u>	<u>1,420</u>	<u>-</u>
	<u>325,488</u>	<u>352,392</u>	<u>251,615</u>
NET EARNINGS FOR THE YEAR	<u>\$ 137,781</u>	<u>\$ 178,514</u>	<u>\$ 200,894</u>

(See accompanying notes)



ZENON CAPITAL LP

Statement 4

STATEMENT OF CASH FLOWS (US\$)**YEAR ENDED DECEMBER 31, 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net earnings for the year (Statement 3)	\$ 137,781	\$ 178,514	\$ 200,894
Adjustments for :			
Increase (decrease) in dividends and fees receivable	(734)	2,554	(3,946)
Decrease (increase) in inventory of securities owned	656,440	(399,263)	(40,759)
Increase (decrease) in accounts payable and accrued liabilities	(2,835)	14,499	(6,201)
Increase (decrease) in margin accounts payable	(616,114)	304,916	(5,889)
Increase (decrease) in securities sold, not yet purchased	<u>(362,382)</u>	<u>242,833</u>	<u>11,194</u>
	<u>(187,844)</u>	<u>344,053</u>	<u>155,293</u>
 FINANCING ACTIVITIES			
Contributions	31,625	107,419	50,000
Withdrawals	<u>(195,548)</u>	<u>(218,466)</u>	<u>(142,316)</u>
	<u>(163,923)</u>	<u>(111,047)</u>	<u>(92,316)</u>
 (DECREASE) INCREASE IN CASH	 (351,767)	 233,006	 62,977
 CASH, BEGINNING OF YEAR	 <u>1,483,726</u>	 <u>1,250,720</u>	 <u>1,187,743</u>
 CASH, END OF YEAR	 <u>\$ 1,131,959</u>	 <u>\$ 1,483,726</u>	 <u>\$ 1,250,720</u>
 COMPRISED OF:			
Cash	\$ 59,870	\$ 56,750	\$ 57,002
Restricted cash	<u>1,072,089</u>	<u>1,426,976</u>	<u>1,193,718</u>
	<u>\$ 1,131,959</u>	<u>\$ 1,483,726</u>	<u>\$ 1,250,720</u>

(See accompanying notes)



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

1. NATURE OF BUSINESS AND FINANCIAL STATEMENTS

The company is engaged in securities trading including hedging convertible securities, preferred stock and close bond funds. Zenon Capital LP is a US broker-dealer registered with the Securities and Exchange Commission (SEC).

These financial statements reflect the accounts of the limited partnership only and consequently, do not include all assets, liabilities, income and expenses of the partners. Income taxes are accounted for by each of the partners individually and therefore no provision for income taxes is made in the accounts of the partnership.

2. SIGNIFICANT ACCOUNTING POLICIES (UNITED STATES GAAP)

(a) Inventory of Securities Owned

Inventory of securities owned is stated at current market value. Current market value of financial instruments is determined by quoted market closing prices at year end, when available. When a quoted market price is not readily available, alternative valuation methods may be used. For derivative financial instruments, current market is determined by quoted market closing prices, when available, prevailing market rates for instruments with similar characteristics and maturities or net present value analysis.

(b) Revenue Recognition

Revenue reflects the trading activity of the limited partnership. Revenue is recognized on settlement date.

(c) Translation of Foreign Currencies

These financial statements are presented in U.S. dollars.

Translations recorded in currencies other than US dollars are translated on the following basis:

Current monetary assets and liabilities at exchange rates prevailing on the balance sheet dates. Revenues and expenses at the average exchange rate for the year.

(d) Measurement Uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(e) Security Transaction Charges

Security transaction charges are accrued for all transactions occurring up to the end of the reporting period.



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

(f) Financial Instruments

Fair value of financial assets and liabilities has been disclosed where fair value is readily obtainable and materially different than carrying value.

3. RESTRICTED CASH

Restricted cash consists of segregated funds on account with securities clearing firms from the short sale of securities and are not available for general operations. No interest is paid or accrued on restricted cash balances.

4. INVENTORY OF SECURITIES OWNED

Inventory of securities owned consists of :

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
ABBEY NATIONAL PLC PERPETUAL NOTES 7.25%	SXA	800	\$ 21,416
BANCWEST CAP I 9.5% PFD SECS QUARTERLY INCOME DUE 12/1/30	BWEPR	1,000	28,200
BANK ONE CAP II 8.5% TR PFD SECS DUE 8/15/30	ONEPRU	800	22,040
CITIGROUP CAPITAL VIII 6.95% TR PFD SECS DUE 9/15/31	CPRZ	1,300	34,437
COMPASS CAPITAL III 7.35% TRUST PFD SECS DUE 4/1/32	CBGPRC	1,300	34,437
DUQUESNE LIGHT CO 6.7% PUBLIC INCOME NTS DUE 4/30/32	DQC	1,300	36,192
ENTERGY ARKASAS INC. 6.7 % FIRST MTG BDS DUE 4/1/32	EHA	1,700	45,611
ENTERGY MISSISSIPPI INC. 6.7% FIRST MTG BDS DUE 11/1/32	EMQ	1,200	31,380



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

4. INVENTORY OF SECURITIES OWNED (CONTINUED)

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
FORD MOTOR CREDIT 7.375% SENIOR NOTES DUE 10/15/31	FCZ	100	\$ 2,565
FINANCIAL SECURITY ASSURANCE 6.875% SR DEBT DUE 12/15/201	FSB	4,500	118,305
FINANCIAL SECURITY ASSURANCE 5.6% SENIOR NTS DUE 7/15/2103	FSF	1,000	24,360
GENERAL ELECTRIC CAPITAL CORP 6.625% PUBLIC INCOME NTS DUE 6/28/32	GEA	5,100	136,017
GENERAL MOTORS CORP 7.25% QUIBS DUE 4/15/41	GMW	100	2,565
GENERAL MOTORS ACCEPT CORP 7.35% PUBLIC INCOME NTS DUE 08/08/32	GJM	1,300	33,787
ING CAP FDG TR II 9.2% NON CUM GTD TR PFD SED	INGPRG	1,200	33,048
HOUSEHOLD CAPITAL TRUST V 10% TR PFD SECS DUE 6/30/30	HIPRX	300	8,292
JP MORGAN CHASE CAPITAL X 7% TRUST PFD DUE 2/15/32	JPMPRJ	2,500	66,575
MERRILL LYNCH PREFERRED CAPTRI 7.75% TR ORIGINATED PFD SED	MERPRB	100	2,732
MERRILL LYNCH PREFERRED CAPTR II 8% TR ORGINATED PFD SECS	MERPRC	300	8,400



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

4. INVENTORY OF SECURITIES OWNED (CONTINUED)

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
MORGAN STANLEY CAPITAL TRUST II 7.25% TR PFD SEC DUE 7/31/31	MWJ	2,400	\$ 64,464
MOTOROLA INC EQUITY SEC UNIT	MEU	900	39,087
MBNA CAPITAL D 8.125% PFD DUE 10/01/32	KRPPRD	1,300	34,814
NASDAQ STOCK MARKET INC.	NDAQ	1,000	9,450
NB CAPITAL CORP DEP SHS REPST 6 8.35% EXCH PFD SER A NBD	NBD	1,700	47,770
NATIONAL RURAL UTILITY 7.4% QTLY INCOME CAPS SEC DUE 11/1/50	NRS	1,200	32,100
PUBLIC STORAGE INC. DEPOSITARY SH 1/1000 PFD SERV	PSAPRV	1,700	45,407
PPL CAP FOG TRI 7.75% CONV PFD PEPS UN II	PPLPRE	400	8,820
PUBLIC SERVICE CO OF OKLAHOMA 6% SR NTS SER B DUE 12/31/32	POH	2,000	51,720
ROYAL BANK OF SCOTLAND ADR SER E 9% NON CUM PREF	RBSPRE	1,300	37,076



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

4. INVENTORY OF SECURITIES OWNED (CONTINUED)

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
ROYAL BANK OF SCOTLAND PLC 5.75% CUM EXCHANGE ABFB CAP SECS	RBSPRY	800	\$ 19,664
UNUM PROVIDENT CORP 8.25% CONV PFD DUE 5/15/06	UNMPRA	1,000	33,860
US BANCORP CAPITAL III 7.75% TRUST PFD DUE 5/1/31	USBPRB	1,300	35,282
UNITED STATES CELLULAR CORP 8.75% SR NTS DUE 11/01/32	UZG	2,300	65,596
WARRANTS TO PURCHASE COMMON STOCK OF NASDAQ STOCK MARKET INC. (AT COST)			<u>20,100</u>
			<u>\$ 1,235,569</u>

The cost of the inventory of securities owned is \$1,216,016 (2002 - \$1,845,909, 2001 - \$1,478,860).



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

5. PARTNERSHIP AGREEMENT

The partnership entered into an agreement dated June 10, 1996 whereby the General Partner Zenon Capital Inc., operates a securities and investment business for the partnership, for consideration of a share of the income generated by the partnership.

6. MARGIN ACCOUNTS PAYABLE

The margin accounts payable is due on demand. Interest charged on margin accounts is variable and set by the margin lender and the rate at December 31, 2003 is 4.0% (December 31, 2002 – 4.0%). Margin accounts payable are secured by all assets held by the lender, which includes inventory of securities owned held by securities clearing firms.

7. SECURITIES SOLD, NOT YET PURCHASED

Securities sold, not yet purchased are stated at market and is secured by all assets held by the lender, which includes inventory of securities owned held by securities clearing firms.

Securities sold, not yet purchased consists of :

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
AMBAC FINANCIAL GROUP INC 7% SR NTS DUE 10/17/51	AFK	900	\$ 24,237
AMBAC FINANCIAL GROUP INC 5.95% DEB DUE 2/28/2103	AKF	2,000	50,900
CITIGROUP CAPITAL IX 6.00% TRUST PFD SECS (TRUPS) DUE 2/14/2033	CPRS	1,200	30,456
ENTERGY LOUISIANA INC 7.6% 1 ST MTG BONDS DUE 4/1/32	EHL	1,200	32,616
FORD MOTOR CO PFD 7.5% SR NTS DUE 6/10/43	FPRA	2,000	51,620
FLEET CAPITAL TRUST VIII 7.20% DUE 3/15/2032	FBFPRM	1,200	31,968
FINANCIAL SECURITY ASSURANCE 6.25% SR NOTES DUE 11/1/2102	FSE	500	12,860



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

7. SECURITIES SOLD, NOT YET PURCHASED (CONTINUED)

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
FINANCIAL SECURITY ASSURANCE HOLDINGS 5.60% SENIOR NTS DUE 07/15/2103	FSF	1,800	43,848
GENERAL MOTORS CORP 7.375% SR NTS DUE 5/15/48	BGM	1,600	41,712
GENERAL MOTORS CORP PFD 7.375 SR NTES DUE 10/01/2051	HGM	1,500	39,030
GENERAL MOTORS CORP 7.25% SR NTS DUE 2/15/52	RGM	100	2,585
GENERAL ELECTRIC CAPITAL CORP 5.875% SR NTS DUE 2/18/33	GED	4,600	119,370
ING GROUP N V 7.05% NON CUM PERPETUAL PFD	IND	300	8,031
HOUSEHOLD FINANCE CORP 6.875% SENIOR NTS DUE 1/30/33	HTB	100	2,655
ING GROEP N V PERPETUAL DEBT SECS 7.20%	INZ	2,000	54,240
JP MORGAN CHASE XI 5.875% PFD SERIES DUE 6/15/33	JPMPRK	1,300	31,798
MOTOROLA INC EQUITY SEC UNIT	MEU	900	39,087
MORGAN STANLEY CAP TR III 6.25% CAP SECS DUE 03/01/2033	MWR	2,000	50,600
MISSISSIPPI POWER 5.625% INSURED SR NTS DUE 5/1/33	MPJ	1,100	28,380



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

7. SECURITIES SOLD, NOT YET PURCHASED (CONTINUED)

	<u>Symbol</u>	<u>Quantity</u>	<u>Market Price</u>
NB CAPITAL CORP-DEP SHS REPSTG 1/40 TH 8.35% EXCH PFD SER A	NBD	1,700	47,770
PUBLIC STORAGE INC DEP SHS RSPTG 1/1000 OF 7.875% CUM PERP PFD SER S	PSAPRS	2,400	64,536
PPL CAP FDG TR I 7.75% CONV PFD PEPS UNIT DUE 05/18/04	PPLPRE	400	8,820
ROYAL BANK OF SCOTLAND GRP PLC 8.5% NON CUM PREF SER F	RBSPRF	1,000	28,200
ROYAL BANK OF SCOTLAND PLC 5.75% CUM EXCHANGEABLE CAP SECS	RBSPRY	1,800	44,244
SOUTHERN CO CAPITAL VI 7.125% TRUST PFD SECS DUE 6/30/42	SOPRD	3,000	82,320
UNUMPROVIDENT CORP	UNM	2,000	31,540
VIRGINIA POWER CAPITAL TR II 7.375% TRUST PFD DUE 7/30/42	VELPRA	1,800	49,734
WELLS FARGO CAPITAL VII 5.85% TRUST PFD SECS DUE 5/1/33	WPK	300	7,557
WELLS FARGO CAPT TRUST VI 6.95% TRUST PFD SEC DUE 4/15/32	WPD	200	5,370
ZIONS CAPITAL TRUST B 8% CAPITAL SECS DUE 9/1/32	ZBPRB	100	2,727

MUTUAL FUNDS

VAN KAMPEN PENNSYLVANIA VALUE MUNICIPAL INCOME TRUST	VPV	400	6,464
			<u>\$ 1,075,275</u>



ZENON CAPITAL LP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

8. PARTNERSHIP DISTRIBUTIONS AND CONTRIBUTIONS

During the year, the partnership received contributions of \$31,625 (2002 - \$75,600, 2001 - \$20,000) from the general partner and \$NIL (2002 - \$31,819 2001 - \$30,000) from the limited partners and made distributions of \$110,133 (2002 - \$69,466, 2001 - \$64,258) and \$85,415 (2002 - \$153,507, 2001 - \$78,058) respectively. The partnership agreement provides for contributions and distributions and the general partner maintains the liquidity of the partnership to meet obligations for distributions as required.

9. STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF CREDITORS

This statement has not been prepared as there are no liabilities of this nature.

10. NET CAPITAL REQUIREMENTS

As a result of its activities as a broker-dealer, the partnership is subject to the Net Capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934. Under those rules the partnership must maintain minimum Net Capital equal to a minimum of \$100,000, in addition to meeting other Net Capital provisions. As at the year end the partnership met the minimum Net Capital provisions.





Zenon Capital

TRIAL BALANCE AND NET CAPITAL COMPUTATION

December 31, 2003.

Assets	DEBIT	CREDIT
Canada Trust - Cash	983	0
US Clearing - Good Faith Deposit	51,783	0
US Clearing - Cash Account	0	(9,251)
US Clearing - Margin Account	0	(464,826)
US Clearing - Short Account	1,072,089	0
US Clearing - Stocks Long	1,075,768	0
US Clearing - Stocks Short	0	(935,574)
Lind-Waldock - Futures Account	7,104	0
NASD Private Placement	20,100	0
Dividends Receivable	4,125	0
Knight Receivable	246	0
Liabilities		
Dividends Payable	0	(1,209)
US Clearing Payable	0	(19,138)
Other Payable	0	(3,743)
Equity		
Equity at Start of Year	824,598	0
Capital Deposits	31,625	0
Capital Withdrawals - General Partner	0	(110,133)
Capital Withdrawals - Limited Partners	0	(85,415)
Gross Profit	146,976	
Limited Partnership Expenses	(7,827)	
Withholding Tax	(1,368)	
Net Profit	137,781	
NET EQUITY	798,456	
Less NASD Private Placement	33,100	
Less Receivables	4,371	
Less Good Faith Deposit Surplus	1,783	
Less Haircut	134,313	
NET CAPITAL	624,889	
Required Net Capital	100,000	
Required Net Capital plus 20%	120,000	
EXCESS NET CAPITAL	524,889	



Zenon Capital

HAIRCUT WORKOUT December 31, 2003.

LONG Positions		S&P	Market	Net Value	Percent	Concentration	Conversion	Shares					
Symbol	Class	Rating	Quantity	Price	Value	Shares for	Net Value	Percent	Concentration	Conversion	Shares		
						Haircut	For	Percent	Net Capite	Haircut	Ratio	Hedge	Zero
L01	NDMD	C	1,000	9,4500	9,450	1000	9,450	0.15	1,416	1.18	0		0
L02	SXA	PI AA-	800	28,7700	21,418	800	21,418	0.10	2,142	2.88	0		0
L03	BWE.PR	PI A+	1,000	28,2000	28,200	1000	28,200	0.10	2,820	3.53	0		0
L04	ONE.PR.U	PI A+	800	27,5500	22,040	800	22,040	0.10	2,204	2.76	0		0
L05	C.PR.Z	PI AA	1,300	26,4900	34,437	1300	34,437	0.10	3,444	4.31	0		0
L06	CBG.PRC	PI BBB+	1,300	26,4900	34,437	1300	34,437	0.10	3,444	4.31	0		0
L07	DOC	PI AAA	1,300	27,8400	38,192	1300	38,192	0.10	3,819	4.53	0		0
L08	EHA	PI AAA	1,700	26,8300	45,611	1700	45,611	0.10	4,561	5.71	0		0
L09	EMQ	PI AAA	1,200	26,1500	31,380	1200	31,380	0.10	3,138	3.93	0		0
L10	FCZ	PI BBB+	100	25,8500	2,585	100	2,585	0.10	257	0.32	0		0
L11	FSB	PI AA-	4,500	28,2900	118,305	4500	118,305	0.10	11,831	14.82	5,789		0
L12	GEA	PI AAA	5,100	28,8700	138,017	5100	138,017	0.10	13,802	17.04	8,428		0
L13	GMV	PI A-	100	25,8500	2,585	100	2,585	0.10	257	0.32	0		0
L14	GUM	PI A-	1,300	25,9900	33,787	1300	33,787	0.10	3,379	4.23	0		0
L15	ING.PR.B	PI AA-	1,200	27,5400	33,048	1200	33,048	0.10	3,305	4.14	0		0
L16	HJ.PRX	PI A-	300	27,6400	8,292	300	8,292	0.10	829	1.04	0		0
L17	JPM.PR.J	PI A	2,500	28,6300	68,575	2500	68,575	0.10	6,858	8.34	0		0
L18	MER.PR.B	PI A+	100	27,3200	2,732	100	2,732	0.10	273	0.34	0		0
L19	MER.PRC	PI A+	300	28,0000	8,400	300	8,400	0.10	840	1.05	0		0
L20	MWJ	PI A+	2,400	26,8600	64,484	2400	64,484	0.10	6,448	8.07	0		0
L21	KRB.PRD	PI BBB+	1,300	28,7600	34,814	1300	34,814	0.10	3,481	4.36	0		0
L22	UZG	PI A-	2,300	28,5200	65,598	2300	65,598	0.10	6,560	8.22	0		0
L23	NBS	PI A	1,200	28,7500	32,100	1200	32,100	0.10	3,210	4.02	0		0
L24	PSA.PRV	PI A	100	28,7500	2,875	100	2,875	0.10	287	0.36	0		0
L25	PDH	PI AAA	2,000	25,8600	51,720	2000	51,720	0.10	5,172	6.48	0		0
L26	RBS.PRE	PI AA	1,300	28,5200	37,076	1300	37,076	0.10	3,708	4.64	0		0
L27	USB.PR.B	PI A	1,300	27,1400	35,282	1300	35,282	0.10	3,528	4.42	0		0
L28	UNM.PRA	V	1,000	33,8600	33,860	1000	33,860	0.15	5,079	4.24	0		0
L29	x												0
L30	x												0
L31	x												0
L32	x												0
L33	x												0
L34	x												0
L35	x												0
L36	x												0
L37	x												0
L38	x												0
L39	x												0
L40	x												0
L41	x												0

LONG 1,075,788

SHORT Positions		Moody's	Market	Net Value	Percent	Concentration						
Symbol	Class	Rating	Quantity	Price	Value	Shares for	Net Value	Percent	Concentration			
						Haircut	For	Percent	Net Capite			
S01	AFK	PI AA	900	26,9300	24,237	24,237	0.10	2,424	3.04	0		
S02	AXF	PI AAA	2,000	25,1500	50,300	2000	50,300	0.10	5,030	6.37	0	
S03	C.P.R.S	PI AA	1,200	25,3800	30,458	1200	30,458	0.10	3,046	3.81	0	
S04	EHL	PI BBB+	1,200	27,1800	32,616	1200	32,616	0.10	3,262	4.08	0	
S05	F.P.R.A	PI BBB+	2,000	25,8100	51,620	2000	51,620	0.10	5,162	6.48	0	
S06	FBF.PRM	PI A	1,200	26,8400	31,968	1200	31,968	0.10	3,197	4.00	0	
S07	FSE	PI AA-	500	25,7200	12,860	500	12,860	0.10	1,286	1.61	0	
S08	FSF	PI AA-	800	24,3600	19,488	800	19,488	0.10	1,949	2.44	0	
S09	BQM	PI BBB+	1,800	28,0700	41,712	1800	41,712	0.10	4,171	5.22	0	
S10	HGM	PI BBB+	1,500	26,0200	39,030	1500	39,030	0.10	3,903	4.89	0	
S11	RGM	PI BBB+	100	25,8500	2,585	100	2,585	0.10	259	0.32	0	
S12	GED	PI AAA	4,600	25,9500	119,370	4600	119,370	0.10	11,937	14.95	5,929	
S13	IND	PI AA-	300	28,7700	8,631	300	8,631	0.10	863	1.01	0	
S14	INZ	PI AA-	2,000	27,1200	54,240	2000	54,240	0.10	5,424	6.79	0	
S15	HTE	PI A-	100	28,5500	2,855	100	2,855	0.10	286	0.33	0	
S16	JPM.PR.K	PI A	1,300	24,4600	31,798	1300	31,798	0.10	3,180	3.98	0	
S17	MWR	PI A+	2,000	25,3000	50,600	2000	50,600	0.10	5,060	6.34	0	
S18	MPJ	PI AA-	1,100	25,8000	28,380	1100	28,380	0.10	2,839	3.55	0	
S19	PSA.PRS	L	2,400	28,3200	64,536	2400	64,536	0.10	6,454	8.08	0	
S20	RBS.PRF	PI AA	1,000	28,2000	28,200	1000	28,200	0.10	2,820	3.53	0	
S21	RBS.PRY	PI AA	1,000	24,5800	24,580	1000	24,580	0.10	2,458	3.08	0	
S22	SO.PRD	PI A	3,000	27,4400	82,320	3000	82,320	0.10	8,232	10.31	371	
S23	VEL.PRA	PI BBB+	1,800	27,8300	49,734	1800	49,734	0.10	4,973	6.23	0	
S24	WPK	PI AA	300	23,1600	7,537	300	7,537	0.10	756	0.95	0	
S25	WPD	PI AA	200	28,8500	5,370	200	5,370	0.10	537	0.67	0	
S26	ZB.PR.B	PI BBB+	100	27,2700	2,727	100	2,727	0.10	273	0.34	0	
S27	VPV	M	400	16,1600	6,464	400	6,464	0.15	970	0.81	0	
S28	UNM	C	2,000	15,7700	31,540	2000	31,540	0.15	4,731	3.95	0	
S29	x											0
S30	x											0
S31	x											0
S32	x											0
S33	x											0
S34	x											0
S35	x											0
S36	x											0

Check Pref Total SHORT 835,574
Long 597,742 Total 148,244
Short -891,918

INVESTMENT GRADE PREFERRED Long Market Value 1,032,458
INVESTMENT GRADE PREFERRED Short Market Value 897,570
INVESTMENT GRADE PREFERRED Haircut 103,248

15% Total Market Value 81,314
15% Long Market Value 43,310
15% Short Market Value 38,004
GREATER LONG/SHORT Haircut 6,497
LONG/SHORT EXCEEDS 25% Haircut 4,078

UNDUE CONCENTRATION Haircut 20,494

TOTAL STOCK HAIRCUT 134,313

Futures Positions
FUTURES HAIRCUT 0

TOTAL HAIRCUT 134,313

EXPLANATORY NOTES

Positions are assigned to a CLASS as follows:

- PI - Investment Grade Preferred Stock
- PJ - Junk Grade Preferred Stock
- M - Closed-End Municipal Bond Fund
- B - Closed-End Bond Fund
- V - Convertible Preferred Stock
- C - Common Stock

Algorithm for LONG Convertible Preferred Haircuts

- [1] No haircut if converted position is offset by short common.
- [2] Find matching short position for long convertible preferred.
- [3] Using conversion ratio, calculate amount of shares that are offset by short position.
- [4] Apply 0% haircut to [3] and 15% haircut to QUANTITY-[3]

Offsetting Positions

1	FSF	1000	24.36	24,360
2	MEU	900	43.43	39,087
3	NBD	1700	26.10	47,770
4	PPL.PRE	400	22.05	8,820
5	RBS.PRY	000	24.58	19,954
	Total			139,701



Zenon Capital

AGGREGATE INDEBTEDNESS COMPUTATION

VALUES FROM TRIAL BALANCE December 31, 2003.

	AI	Non-AI
US Clearing - Margin Account	0	
US Clearing - Stocks Short		935,574
Dividends Payable	0	
Accrued Liabilities	22,881	
AGGREGATE INDEBTEDNESS	22,881	
NET CAPITAL	798,456	
Required Net Capital at 1500%	1,525	
EXCESS NET CAPITAL	796,930	



HAWLEY & COMPANY LLP
Chartered Accountants

Partners:

Mark E. Hawley, B. Comm., C.A.
Thomas G. Stacy, B. Math., C.A.

Principals:

Ronald G. Pedlar, B.Sc., M.B.A.
Jim E. Moorhead, B. Comm., C.M.A.

ACCOUNTANT'S REPORT ON MATERIAL INADEQUACIES - RULE 17A-5(j)

In accordance with Rule 17a-5(d) and 17a-5(j) we provide the following supplemental report to our annual audit report on form X-17A-5, Part III, describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

Our annual audit on form X-17A-5, Part III did not disclose any material inadequacies.

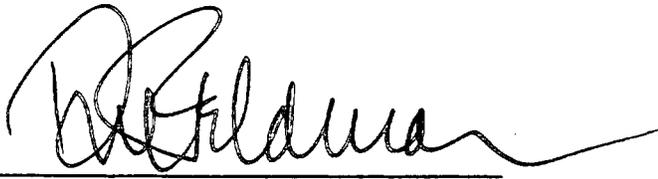
Mississauga, Ontario, Canada

February 20, 2004

Chartered Accountants

OATH OR AFFIRMATION

I, GEORGE Z. TATARSKY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ZENON CAPITAL LP, as of DECEMBER 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Notary Public



Signature

GENERAL PARTNER

Title

PAUL MAGNUS FELDMAN, B.A., LL.B.
Barrister/Solicitor/Notary Public
Ste. 200 — 2389 Bloor Street West
Toronto, Ontario M6S 1P6
Tel: 416-762-1397 Fax: 416-767-6282

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- N/A (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- N/A (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- N/A (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- N/A (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- N/A (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).