



SARASIN

SARASIN INVESTMENT FUNDS LIMITED

REPORT AND ACCOUNTS

for the year ended

31 DECEMBER 2001



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REPORT AND ACCOUNTS for the year ended 31 December 2001

DIRECTORS

J. G. E. Monson (Chairman)
M.I.H. Forde
G.V. Matthews
M. Weber
R. M. Wittendorfer
T.N.M. Service (alternate to J.G.E. Monson)

JOINT SECRETARIES

E.B. Lewis and
Everett, Chettle & Co.

REGISTERED OFFICE

Sarasin House
37-39 St. Andrew's Hill
London EC4V 5DD

BANKERS

The Royal Bank of Scotland plc
The Royal Bank of Scotland (Jersey) plc

AUDITORS

Smith & Williamson
Chartered Accountants
No.1 Riding House Street
London W1A 3AS

COMPANY REGISTERED NO.

2190813

REPORT AND ACCOUNTS for the year ended 31 December 2001

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DIRECTORS' REPORT

For the year ended 31 December 2001

The directors submit their report and accounts for the year ended 31 December 2001.

Activities

The principal activity of the company is that of an authorised corporate director (ACD) of Sarasin Funds ICVC an Open Ended Investment Company ("OEIC") which currently has four sub-funds, SARASIN EQUISAR GLOBAL THEMATIC FUND, SARASIN EQUISAR EX-UK GLOBAL THEMATIC FUND, SARASIN GLOBALSAR BALANCED FUND and SARASIN WEBS@R GLOBAL E-COMMERCE FUND. The company also acts as unit trust manager to St. Andrew's Growth Fund an authorised unit trust, and ALPHA CHARITY FUND a common investment fund suitable for Charities. The company is regulated by the Financial Services Authority (FSA) and is a member of the Association of Unit Trusts and Investment Funds (AUTIF).

Review of Affairs

2001 was an exceptionally difficult year for global equity investors, coming as it did on top of a year of negative returns in 2000. With most equity markets posting double-digit negative returns, the period under review was therefore another difficult year for investors in the sub-funds of the Sarasin Funds ICVC. In such markets our strictly fundamental global thematic growth-orientated style of fund management was overshadowed by relentless sector rotation, a strong value bias and unprecedented market volatility. Over the longer term we believe, however, that the thematic investment process will continue to identify the areas of long term growth in the world economy leading to superior share price performance.

During the first half of 2001 earnings expectations in the technology and telecommunications sectors deteriorated far more rapidly than analysts had projected. High debt levels, a slowing economy and a clear lack of pricing power also triggered profit warnings in other sectors. The second half of 2001 was characterised by further declines in reported earnings and deteriorating conditions in the world economy. The remarkable response by governments and central bankers to the tragic events of 11 September, however, provided a dose of unanticipated medicine to an already ailing world economy by way of further interest rate cuts and massive liquidity pumped in by central banks, together with a supportive fiscal stance adopted by the US government in particular. This led to stock market rallies notably in technology stocks in November 2001 in which the Sarasin funds participated only partially owing to a more cautious approach, based on our view that many stocks were again becoming overvalued. The strong liquidity induced rally at the end of 2001 lifted valuations and with them the earnings expectations that companies will have to deliver in 2002. In some cases these will be achieved or even exceeded, but in many cases poor pricing power and an inability to sustain margins are likely to leave investors disappointed.

In the coming year we expect the major equity indices to produce little overall return, but expect that corporate bonds, a focused global equity portfolio, and some exposure to quality companies in the emerging world will produce some exceptional opportunities.

The SARASIN GLOBALSAR BALANCED FUND, which offers investors exposure to Sarasin's 14 years of experience in managing global balanced portfolios, did not entirely escape a year of extremely difficult equity markets. However, we were proactive in our attempts to preserve capital. In consequence, the asset allocation of the Fund remained relatively defensive throughout the year, and a higher than average allocation to fixed interest securities was maintained.

DIRECTORS' REPORT

For the year ended 31 December 2001

Review of Affairs (Continued)

The equity selection was also conservative in nature. This policy has also been adopted within our Common Investment fund, the ALPHA CHARITY FUND, which is only available to registered Charities.

The SARASIN EQUISAR GLOBAL THEMATIC FUND (formerly Sarasin EquiSar (GB) Fund), the largest and most established of the funds, remains the flagship equity fund within the group. Following a very difficult year for global equity funds as outlined above, we have been steadily strengthening the Fund's portfolio with a long-term view, preferring companies with strong fundamentals (including balance sheet strength and earnings visibility) and attractive valuations. Within the area of technology, we have chosen to be exposed only to the strongest players in accordance with one or more of our themes. We believe the portfolio is well positioned to outperform in the coming year.

THE SARASIN WEBS@R GLOBAL E-COMMERCE FUND (formerly the Sarasin WebS@r (GB) Fund) suffered likewise from the problems affecting world equity markets as mentioned above. We believe the fund continues to offer an exciting approach for global equity investors to gain exposure to the growth of the internet over the long term. E-business has become a vital part of the modern commercial landscape, with more and more companies looking to incorporate it into every aspect of their business processes. Going online wherever possible has been shown to help companies be more responsive to the ever-changing environment, while also helping them to expand their markets and contain costs.

During the course of the year we launched an addition to the EquiSar family of funds, SARASIN EQUISAR EX-UK GLOBAL THEMATIC FUND that aims to meet the needs of investors who already have a portfolio of UK equity investments and would like to diversify towards a more global portfolio. This Fund is thematically run, following the key EquiSar themes of corporate restructuring, pricing power, energy, and e-business and efficiency. The Fund invests in predominantly blue chip equities globally, but excludes investments quoted in the United Kingdom.

Looking ahead, the world's equity markets are expected to maintain their recent strength. Whilst we anticipate that there are already some compelling opportunities for 2002, we would mix this expectation with words of caution for companies we feel are over-priced, over-owned and over reliant on corporate profitability. In a low inflation world the outlook for bonds has become more attractive. Certain highly rated corporate bonds offering yields well above inflation will continue to provide a useful vehicle for guarding future income streams.

The Company will launch a new fund, the SARASIN GLOBAL HEALTH FUND during spring 2002, subject to regulatory approval. The Fund will seek out the trends and themes driving growth and technological developments in the three sectors of pharmaceuticals, biotechnology and medical technology, searching for those businesses that are most likely to profit from these trends. By constructing a portfolio with a diversified spread of themes and sectors, The SARASIN GLOBAL HEALTH FUND will aim for long term capital growth while at the same time endeavouring to control any potential investment risk.

Results for the Year

The company's profit for the year to be transferred to reserves, is set out in the profit and loss account on page 8. The directors do not propose the payment of a dividend (2000 - £35,000).

DIRECTORS' REPORT

For the year ended 31 December 2001

Directors

The directors, who served during the year, are as follows, together with their interests in the ordinary shares of the company's intermediate holding company SIM Partnership (London) Limited at the year end and at the previous year end:

		<i>No. of ordinary shares</i>	
		<i>2001</i>	<i>2000</i>
R. M. Wittendorfer		-	-
M. Weber		-	-
J.G.E. Monson		-	40,000
G.V. Matthews		-	-
M.I.H. Forde	<i>(appointed 23 March 2001)</i>	-	-
T.N.M. Service	<i>(alternate to J.G.E.Monson appointed 1 February 2001)</i>	20,000	20,000

None of the directors had any other beneficial interest in the share capital of the company or other group companies during the year.

APPROVED BY THE BOARD OF DIRECTORS AND
SIGNED ON BEHALF OF THE BOARD



E.B. Lewis
JOINT SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period 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 period. 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Sarasin Investment Funds Limited

We have audited the accounts of Sarasin Investment Funds Limited for the year ended 31 December 2001 on pages 8 to 16. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Smith & Williamson

SMITH & WILLIAMSON
Chartered Accountants
Registered Auditors

No.1 Riding House Street
London W1A 3AS.

26 February 2002

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2001
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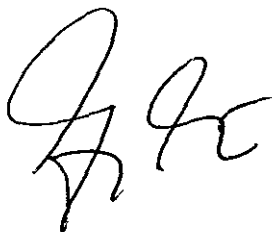
	Notes	2001 £	2000 £
Turnover	2	2,523,535	2,815,357
Cost of Sales		(2,101,139)	(2,217,225)
Gross Profit		422,396	598,132
Administrative expenses		(414,923)	(343,675)
Operating Profit	3	7,473	254,457
Interest receivable and similar income	4	29,933	37,713
Interest payable	5	(683)	(28,221)
Profit On Ordinary Activities Before Taxation		36,723	263,949
Taxation	6	(9,328)	(81,236)
Profit On Ordinary Activities After Taxation		27,395	182,713
Dividend payable		-	(35,000)
Retained Profit		27,395	147,713
Accumulated Profits brought forward		414,801	267,088
Accumulated Profits carried forward		£ 442,196	£ 414,801

There have been no recognised gains or losses in either period other than those included in the above profit and loss account.

BALANCE SHEET**As at 31 December 2001**

	Notes	2001 £	2000 £
Current Assets			
Investments	7	35,160	40,710
Debtors	8	1,398,710	3,054,559
Cash at bank		1,048,773	1,233,904
		2,482,643	4,329,173
Creditors: Amounts falling due within one year	9	(1,990,447)	(3,864,372)
Net Assets		£ 492,196	£ 464,801
Capital And Reserves			
Called up share capital	10	50,000	50,000
Profit and loss account		442,196	414,801
Shareholders' Funds	15	£ 492,196	£ 464,801

These accounts were approved by the Board of Directors on 26 February 2002, and signed on their behalf by:-



G.V. Matthews

CASH FLOW STATEMENT

For the year ended 31 December 2001

	<i>Notes</i>	2001 £	2000 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	12	(563,537)	1,997,202
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		29,933	37,713
Interest paid		(683)	(28,221)
Net cash inflow from returns on investments and servicing of finance		29,250	9,492
TAXATION			
UK corporation tax paid		(53,715)	(73,093)
EQUITY DIVIDENDS PAID		-	(35,000)
CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES		(588,002)	1,898,601
MANAGEMENT OF LIQUID RESOURCES			
Net cash inflow/(outflow) from management of liquid resources	13	5,550	(5,616)
(DECREASE)/INCREASE IN CASH IN THE YEAR	14	£ (582,452)	£ 1,892,985

NOTES TO THE ACCOUNTS For the year ended 31 December 2001
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1. **ACCOUNTING POLICIES**

The accounts have been prepared in accordance with applicable accounting standards. The more important accounting policies adopted are described below:-

Basis of Accounting

The accounts have been prepared under the historical cost convention.

Current Asset Investments

Current asset investments are stated at the lower of cost and market value.

Profits and losses on disposals of current asset investments are recognised when they are realised and are shown net of commissions and charges.

Deferred Taxation

The company provides for deferred taxation at the rate of corporation tax applicable at the balance sheet date using the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes. No provision is made where there is a reasonable probability that such tax will not become payable in the foreseeable future.

Liquid Resources

Liquid resources include cash placed on term deposit and cash flow arising from current asset investments.

NOTES TO THE ACCOUNTS For the year ended 31 December 2001
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(Continued)

2. **TURNOVER**

The company's turnover is stated net of VAT and is analysed as follows:

	2001 £	2000 £
Profits on sale of units/shares including Initial		
Charges	307,437	920,699
Management fees	2,207,373	1,891,734
Other income	8,725	2,924
	£ 2,523,535	£ 2,815,357

3. **OPERATING PROFIT**
is stated after charging:-

	£	£
Auditors' remuneration - Audit	12,000	10,500

4. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	£	£
Bank interest receivable	29,933	37,713

5. **INTEREST PAYABLE**

	£	£
On bank overdrafts	683	28,221

NOTES TO THE ACCOUNTS For the year ended 31 December 2001
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(Continued)

6. TAXATION

	2001	2000
	£	£
UK corporation tax payable at 30% (2000: 30%) based on profits for the year	11,017	79,185
(Over)/Under provision in respect of prior periods	(1,689)	2,051
	£ 9,328	£ 81,236

7. CURRENT ASSET INVESTMENTS

Investments

At cost	£ 35,160	£ 40,710
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8. DEBTORS

	£	£
Trade debtors	1,383,160	3,047,889
Other debtors	-	6,670
Prepayments and accrued income	15,550	-
	£1,398,710	£ 3,054,559

NOTES TO THE ACCOUNTS For the year ended 31 December 2001
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(Continued)

9. **CREDITORS:** Amounts falling due within one year

	2001 £	2000 £
Bank overdrafts	398,935	1,614
Trade creditors	1,107,087	1,657,935
Due to depository for creation of shares	164,828	1,076,027
Amount owed to group undertakings:-		
- Parent company	-	7,404
- Fellow subsidiaries	219,854	965,677
Corporation tax payable	5,075	49,462
Other creditors	-	5,514
Accruals and deferred income	94,668	100,739
	£ 1,990,447	£ 3,864,372

The overdrafts are repayable on demand.

10. **SHARE CAPITAL**

Authorised:

Ordinary shares of £1 each	£ 99,999	£ 99,999
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Allotted, Called up and Fully Paid:

50,000 Ordinary shares of £1 each	£ 50,000	£ 50,000
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11. **ULTIMATE HOLDING COMPANY**

The holding company is Sarasin (UK) Limited, a company registered in Great Britain. Copies of its financial statements can be obtained from Sarasin House, 37-39 St. Andrew's Hill, London EC4V 5DD.

The ultimate holding company is Bank Sarasin & Cie, a company incorporated in Switzerland. Copies of its financial statements can be obtained from Elisabethenstrasse 62, 4002 Basel, Switzerland.

NOTES TO THE ACCOUNTS For the year ended 31 December 2001
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(Continued)

12. **RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2001 £	2000 £
Operating profit	7,473	254,457
Decrease/(increase) in debtors	1,655,849	(1,488,332)
(Decrease)/increase in creditors	(2,226,859)	3,231,077
Net cash (outflow)/inflow from operating activities	£ (563,537)	£ 1,997,202

13. **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	£	£
(Decrease)/increase in cash	(582,452)	1,892,985
Net cash (outflow)/inflow from management of liquid resources – current asset investments	(5,550)	5,616
Change in net funds resulting from cash flows	(588,002)	1,898,601
Opening net funds	1,273,000	(625,601)
Closing net funds	£ 684,998	£ 1,273,000

NOTES TO THE ACCOUNTS For the year ended 31 December 2001
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(Continued)

14. ANALYSIS OF NET FUNDS

	At 1 January 2001 £	Cash Flow £	At 31 December 2001 £
Cash at bank	1,233,904	(185,131)	1,048,773
Bank overdrafts	(1,614)	(397,321)	(398,935)
Current asset investments	40,710	(5,550)	35,160
	£1,273,000	£ (588,002)	£ 684,998

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	27,395	182,713
Dividend payable	-	(35,000)
Opening shareholders' funds	464,801	317,088
Closing shareholders' funds	£ 492,196	£ 464,801

16. RELATED PARTY TRANSACTIONS

During the year the company paid management fees of £ 1,670,568 (2000: £1,765,538) to Sarasin Investment Management Limited, a fellow subsidiary. £219,854 (2000: £965,677) was outstanding at the year end.