



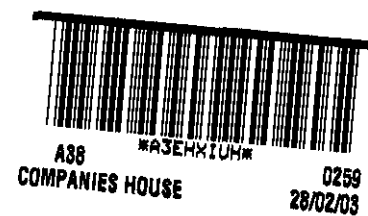
SARASIN

SARASIN INVESTMENT FUNDS LIMITED

REPORT AND ACCOUNTS

for the year ended

31 DECEMBER 2002



REPORT AND ACCOUNTS for the year ended 31 December 2002

DIRECTORS

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

JOINT SECRETARIES

E.B. Lewis and
Begbies Everett, Chettle Limited

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

Nexia Audit Limited
No.1 Riding House Street
London W1A 3AS

BUSINESS ADVISERS

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

COMPANY REGISTERED NO.

2190813

REPORT AND ACCOUNTS for the year ended 31 December 2002

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DIRECTORS' REPORT

For the year ended 31 December 2002

The directors submit their report and accounts for the year ended 31 December 2002.

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 GLOBALSAR BALANCED FUND, SARASIN WEBS@R GLOBAL E-COMMERCE FUND and SARASIN GLOBAL HEALTH FUND. The company also acts as unit trust manager for the 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 Investment Management Association (IMA).

Review of Affairs

2002 was another annus horribilis for global stockmarkets witnessing the third successive annual downturn for global equity markets as measured by the MSCI World Index. Not since 1939, 1940 and 1941 has the Dow Jones fallen for three successive years and not since the Great Depression of 1929 has it fallen for a fourth successive year. It was therefore another particularly difficult year for our global equity and balanced funds.

Equities were affected by the slump in corporate profits in considerable part due to the drift towards deflation in the price of most manufactured products across the world that led to the collapse of pricing power and margins. This trend was worsened by relentless emerging market competition (notably China) as well as the price transparency now given by the internet. Additional factors were the very firm oil price and the dark chapter surrounding corporate ethics highlighted by the Enron and Worldcom scandals in the US.

During the year the investment management process of Sarasin Investment Management Ltd, the investment manager of the funds, was strengthened with the recruitment of two new fund managers and with changes in their investment process. These enhancements have been accompanied by extremely good relative performance both against benchmark and peer group. Although investors will have suffered falls in the value of their investments in these hostile markets, the following sub-funds in Sarasin Investment Funds ICVC have all featured in the top Quartile of their peer group for the year: Sarasin EquiSar Global Thematic Fund, Sarasin GlobalSar Sterling Balanced Fund and Sarasin WebS@r E-Commerce Fund.

In August 2002 the Sarasin EquiSar ex-UK Global Thematic Fund was closed owing to this being a small fund for which institutional investor demand was unlikely to be reactivated in the near term. Since 31 December 2002 the Directors have also announced that they are planning to put forward for shareholders to approve the merger of Sarasin WebS@r E-Commerce Fund with that of its sister fund in Luxembourg, Sarasin WebS@r Fund. In addition it is proposed to close the Global Health Fund and give shareholders the choice of transferring to its sister fund in Luxembourg or transfer to existing funds within the Sarasin OEIC. It is planned that this will be affected at no cost to the existing shareholders.

DIRECTORS' REPORT

For the year ended 31 December 2002

Review of Affairs (Continued)

Going forward we see an economic backdrop implying liquidity at very low interest rates but only a slow climb back to corporate profitability. We believe that 2003 will be a year when the returns from an actively managed equity portfolio could be excellent but these will be slow to accumulate throughout the year. We remain convinced that markets will be well suited to our global thematic selection which is neither country nor industry sector specific. Opportunities should feature notably in Emerging Markets and Japan while we remain attracted to Corporate Bonds with their ability to boost income.

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 7. The directors do not propose the payment of a dividend (2001 - £nil).

Directors

The directors, who served during the year are shown below. The company is a wholly owned subsidiary of SIM Partnership (London) Limited and the directors' interests in the ordinary shares of the SIM Partnership (London) Limited at the year end and at the previous year end are as follows:

		<i>No. of ordinary shares</i>		<i>No. of options over ordinary shares</i>	
		<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
J.G.E. Monson	<i>(Chairman)</i>	-	40,000	-	-
M.I.H. Forde	<i>Resigned 13 January 2003</i>	-	-	2,000	2,000
G.V. Matthews		-	-	6,000	4,000
M. Weber		-	-	-	-
R. M. Wittendorfer		-	-	-	-
T.N.M. Service	<i>(alternate to J.G.E. Monson)</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.

Auditors

Our auditors, Smith & Williamson, have advised us that they have incorporated their audit practice as a separate legal entity, Nexia Audit Limited.

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 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 15. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As 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 audit 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited

Nexia Audit Limited
Registered Auditors

1 Riding House Street
London
W1A 3AS

Date *19 February 2003*

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2002
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	<i>Notes</i>	2002 £	2001 £
Turnover	<i>2</i>	1,895,744	2,523,535
Cost of sales		(1,554,066)	(2,101,139)
Gross Profit		341,678	422,396
Administrative expenses		(337,121)	(414,923)
Operating Profit	<i>3</i>	4,557	7,473
Interest receivable and similar income	<i>4</i>	18,621	29,933
Interest payable	<i>5</i>	(173)	(683)
Profit On Ordinary Activities Before Taxation		23,005	36,723
Taxation	<i>6</i>	(6,902)	(9,328)
Retained Profit		16,103	27,395
Accumulated Profits brought forward		442,196	414,801
Accumulated Profits carried forward		£ 458,299	£ 442,196

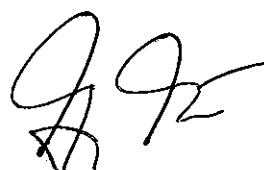
All of the Company's operations are classed as continuing. There were no recognised gains or losses in the period other than those included in the above profit and loss account.

BALANCE SHEET

As at 31 December 2002

	Notes	2002 £	2001 £
Current Assets			
Investments	7	23,352	35,160
Debtors	8	333,785	1,398,710
Cash at bank		1,189,236	1,048,773
		1,546,373	2,482,643
Creditors: Amounts falling due within one year	9	(1,038,074)	(1,990,447)
Net Assets		£ 508,299	£ 492,196
		£	£
Capital And Reserves			
Called up share capital	10	50,000	50,000
Profit and loss account		458,299	442,196
Shareholders' Funds	15	£ 508,299	£ 492,196

These accounts were approved by the Board of Directors on 18 February 2003, and signed on their behalf by:-



G.V. Matthews

CASH FLOW STATEMENT

For the year ended 31 December 2002

	<i>Notes</i>	2002 £	2001 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	12	434,611	(563,537)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		18,621	29,933
Interest paid		(173)	(683)
Net cash inflow from returns on investments and servicing of finance		18,448	29,250
TAXATION			
UK corporation tax paid		(13,952)	(53,715)
		439,107	(588,002)
MANAGEMENT OF LIQUID RESOURCES			
Net cash inflow from management of liquid resources		11,808	5,550
INCREASE/(DECREASE) IN CASH IN THE YEAR	14	£ 450,915	£ (582,452)

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

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 accounting policy in respect of deferred tax for the year ended 31 December 2002 differs from that used in prior years due to the adoption of Financial Reporting Standard 19 "Deferred Taxation". The effect of the change in accounting policy on the profit reported in the prior year was immaterial and accordingly no adjustment has been made to the comparative figures.

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those assets have been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

Related Party Transactions

The company is exempt from the requirement of Financial Reporting Standard 8 to disclose related party transactions with its parent company as they are included within the consolidated accounts that are publicly available.

NOTES TO THE ACCOUNTS For the year ended 31 December 2002
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(Continued)

2. TURNOVER

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

	2002 £	2001 £
Profits on sale of units/shares including initial charges	108,958	307,437
Management fees	1,780,408	2,207,373
Other income	6,378	8,725
	£ 1,895,744	£ 2,523,535

3. OPERATING PROFIT
is stated after charging:-

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	£	£
Bank interest receivable	18,621	29,933

5. INTEREST PAYABLE

	£	£
On bank overdrafts	-	683
Other interest	173	-
	173	683

NOTES TO THE ACCOUNTS For the year ended 31 December 2002
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(Continued)

6. **TAXATION**

	2002 £	2001 £
UK corporation tax payable at 30% (2001: 30%) based on profits for the year	6,902	11,017
Over provision in respect of prior periods	-	(1,689)
	6,902	£ 9,328

Tax reconciliation

	£	£
Profit on ordinary activities before tax	23,005	36,723
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	6,902	11,017
<i>Tax effects of:</i> Adjustments in respect of prior years	-	(1,689)
Total current tax charge	£ 6,902	£ 9,328

7. **CURRENT ASSET INVESTMENTS**

Investments

At cost	£ 23,352	£ 35,160
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NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

(Continued)

8. DEBTORS

	2002 £	2001 £
Trade debtors	326,850	1,383,160
Other debtors	2,338	-
Prepayments and accrued income	4,597	15,550
	£ 333,785	£1,398,710

9. CREDITORS: Amounts falling due within one year

	£	£
Bank overdrafts	88,483	398,935
Trade creditors	487,878	1,107,087
Due to depository for creation of shares	193,915	164,828
Amount owed to group undertakings:-		
- Ultimate holding company	5,938	-
- Fellow subsidiaries	176,052	219,854
Corporation tax payable	-	5,075
Accruals and deferred income	85,808	94,668
	£ 1,038,074	£ 1,990,447

The overdrafts are unsecured and repayable on demand.

10. SHARE CAPITAL

Authorised:

99,999 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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NOTES TO THE ACCOUNTS For the year ended 31 December 2002
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(Continued)

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 & Co Limited, a company incorporated in Switzerland. Copies of its financial statements can be obtained from Elisabethenstrasse 62, 4002 Basel, Switzerland.

12. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	4,557	7,473
Decrease in debtors	1,066,900	1,655,849
Decrease in creditors	(636,846)	(2,226,859)
Net cash inflow/(outflow) from operating activities	£ 434,611	£ (563,537)

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

	£	£
Increase/(decrease) in cash	450,915	(582,452)
Opening net funds	690,548	1,273,000
Closing net funds	£ 1,141,463	£ 690,548

NOTES TO THE ACCOUNTS For the year ended 31 December 2002
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(Continued)

14. **ANALYSIS OF NET FUNDS**

	At 1 January 2002	Cash Flow	At 31 December 2002
Cash at bank	1,048,773	140,463	1,189,236
Bank overdrafts	(398,935)	310,452	(88,483)
	£ 649,838	£ 450,915	£ 1,100,753

15. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Profit for the financial year	16,103	27,395
Opening shareholders' funds	492,196	464,801
Closing shareholders' funds	508,299	£ 492,196