



SARASIN

SARASIN INVESTMENT FUNDS LIMITED

REPORT AND ACCOUNTS

for the year ended

31 DECEMBER 2003

2190813



REPORT AND ACCOUNTS for the year ended 31 December 2003

DIRECTORS

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

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

AUDITORS

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

BUSINESS ADVISORS

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

COMPANY REGISTERED NO.

2190813

REPORT AND ACCOUNTS for the year ended 31 December 2003

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DIRECTORS' REPORT

For the year ended 31 December 2003

The directors submit their report and accounts for the year ended 31 December 2003.

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 three sub-funds, SARASIN EQUISAR GLOBAL THEMATIC FUND, SARASIN GLOBALSAR BALANCED FUND, and SARASIN INCOME PORTFOLIO FUND. The company also acts as 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

After a volatile start to the year for investment markets, March 2003 marked the turning point for a major recovery in share prices across global equity markets following one of the longest bear markets in history.

For the second year running the global equity strategy of our investment managers, Sarasin Investment Management Ltd, featured strongly when measured against their peer group competition. Notably, SARASIN EQUISAR STERLING GLOBAL THEMATIC FUND was again ranked in the first quartile of Global Growth funds for 2003, as measured by Standard & Poors Micropal. The fund produced a total return for the year of 26.6%. It was a positive year also for SARASIN GLOBALSAR STERLING BALANCED FUND which finished with a total return of 17.4%.

Despite improving equity markets and good performance the company saw a net out flow of funds from the OEIC. ALPHA CHARITY FUND, however, saw substantial inflows following its strong investment performance and a more focused marketing campaign. The company introduced a new sub-fund, SARASIN INCOME PORTFOLIO, to expand the choice of risk parameters available within the OEIC's range of funds. This fund was launched on 1 July 2003 and sets out to achieve a consistently attractive level of income coupled with the prospect of long-term capital appreciation. During the year the company decided to close two small sub-funds, SARASIN WEBSAR GLOBAL E-COMMERCE FUND and SARASIN GLOBAL HEALTH FUND since these were already duplicated by larger sister funds in Luxembourg. Investors in the two closed funds were provided with the opportunity to switch free of charge into the sister funds or other Sarasin funds or receive cash. As part of this reorganisation, the Luxembourg funds were made more readily accessible to UK investors through the establishment of a UK based sub-register enabling investors to more easily subscribe to these funds and others within the Sarasin range of funds based in Luxembourg.

Our outlook for 2004, from an investment perspective, is one of cautious optimism. We anticipate interest rates remaining at very low levels for longer than consensual thinking and therefore the outlook for corporate profits growth remains good. The recent reporting season at the end of 2003 was strong and analysts have been raising their expectations for 2004. On the other hand some stock market valuations placed on higher growth businesses are arguably overstretched both in Emerging Markets and the United States and caution will therefore be needed. With the level of good investment performance we have achieved and innovative products we expect that we will see a greater level of subscriptions into our products in the coming year and we therefore look forward to 2004 with optimism.

DIRECTORS' REPORT

For the year ended 31 December 2003

(Continued)

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 (2002: £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>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
J.G.E. Monson	<i>(Chairman)</i>	-	-	-	-
G.V. Matthews		-	-	6,000	6,000
N. Ossenbrink	<i>(appointed 15 May 2003)</i>	-	-	-	-
M. Weber	<i>(resigned 12 March 2003)</i>	-	-	-	-
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.

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 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 16. 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 2003 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: *27 February 2004*

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2003
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	<i>Notes</i>	2003 £	2002 £
Turnover	2	1,742,891	1,895,744
Cost of sales		(1,310,986)	(1,554,066)
Gross Profit		431,905	341,678
Administrative expenses		(443,543)	(337,121)
Operating (Loss)/Profit	3	(11,638)	4,557
Interest receivable and similar income	4	34,284	18,621
Interest payable	5	-	(173)
Profit On Ordinary Activities Before Taxation		22,646	23,005
Taxation	6	(6,784)	(6,902)
Retained Profit		15,862	16,103
Accumulated Profits brought forward		458,299	442,196
Accumulated Profits carried forward		£ 474,161	£ 458,299

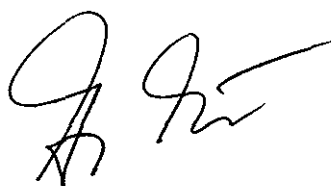
All of the Company's operations are classed as continuing. There were no recognised gains or losses in the period other than those included in the above profit and loss account.

BALANCE SHEET**As at 31 December 2003**

	Notes	2003 £	2002 £
Current Assets			
Investments	7	43,706	23,352
Debtors	8	349,980	333,785
Cash at bank		1,223,517	1,189,236
		1,617,203	1,546,373
Creditors: Amounts falling due within one year	9	(1,093,042)	(1,038,074)
Net Assets		£ 524,161	£ 508,299
		£	£
Capital And Reserves			
Called up share capital	10	50,000	50,000
Profit and loss account		474,161	458,299
Shareholder's Funds	15	£ 524,161	£ 508,299

These accounts were approved by the Board of Directors on 24 February 2004, and signed on their behalf by:-

G.V. Matthews, Director



CASH FLOW STATEMENT

For the year ended 31 December 2003

	<i>Notes</i>	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	12	106,860	434,611
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		34,284	18,621
Interest paid		-	(173)
Net cash inflow from returns on investments and servicing of finance		34,284	18,448
TAXATION			
UK corporation tax refunded/(paid)		1,974	(13,952)
Net cash inflow before management of liquid resources		143,118	439,107
MANAGEMENT OF LIQUID RESOURCES			
Net cash (outflow)/inflow from management of liquid resources		(20,354)	11,808
INCREASE IN CASH IN THE YEAR	14	£ 122,764	£ 450,915

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

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

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 gains 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

Under Financial Reporting Standard 8, the company is exempt from disclosing transactions with Sarasin (UK) Limited, its holding company, and fellow subsidiaries as the company's results are included in Sarasin (UK) Limited's consolidated accounts.

Liquid Resources

Liquid resources include cash flow arising from current asset investments.

Income Recognition

Turnover comprises management fees performance fees and commissions derived from the management of investment portfolios.

Profits on unit shares are recognised on a trade date basis and management and advisory fees and charges are recognised on an accruals basis.

NOTES TO THE ACCOUNTS For the year ended 31 December 2003
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(Continued)

2. TURNOVER

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

	2003 £	2002 £
Profits on sale of units/shares including initial charges	53,938	108,958
Management fees	1,508,757	1,780,408
Other income	180,196	6,378
	£ 1,742,891	£ 1,895,744

3. OPERATING PROFIT
is stated after charging:-

	£	£
Auditors' remuneration - audit	10,000	12,000
- non audit services (paid to related companies of the auditors)	12,769	12,000

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	£	£
Bank interest receivable	19,301	18,621
Other interest	14,983	-
	£ 34,284	£ 18,621

5. INTEREST PAYABLE

	£	£
Other interest	-	173
	£ Nil	£ 173

NOTES TO THE ACCOUNTS For the year ended 31 December 2003
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(Continued)

6. **TAXATION**

	2003 £	2002 £
UK corporation tax payable at 30% (2002: 30%) based on profits for the year	6,793	6,902
Over provision in respect of prior periods	(9)	-
	£ 6,784	£ 6,902

Tax reconciliation

	£	£
Profit on ordinary activities before tax	22,646	23,005
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	6,793	6,902
<i>Tax effects of:</i> Adjustments in respect of prior years	(9)	-
Total current tax charge	£ 6,784	£ 6,902

7. **CURRENT ASSET INVESTMENTS**

Investments

At cost	£ 43,706	£ 23,352
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NOTES TO THE ACCOUNTS For the year ended 31 December 2003
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(Continued)

8. **DEBTORS**

	2003 £	2002 £
Trade debtors	335,841	326,850
Amounts owing by group undertakings:		
- Fellow subsidiaries	1,500	-
Other debtors	11,832	2,338
Prepayments and accrued income	807	4,597
	£ 349,980	£ 333,785

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

	£	£
Bank overdrafts	-	88,483
Trade creditors	579,200	487,878
Due to depository for creation of shares	58,278	193,915
Amount owed to group undertakings:		
- Ultimate holding company	-	5,938
- Fellow subsidiaries	249,495	176,052
Corporation tax payable	8,283	-
Accruals and deferred income	196,956	85,808
Other creditors	830	-
	£ 1,093,042	£ 1,038,074

10. **SHARE CAPITAL**

Authorised:

99,999 Ordinary shares of £1 each	£ 99,999	£ 99,999
Allotted, called up and fully paid:		
50,000 Ordinary shares of £1 each	£ 50,000	£ 50,000

NOTES TO THE ACCOUNTS For the year ended 31 December 2003
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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

	2003 £	2002 £
Operating (loss)/profit	(11,638)	4,557
(Increase)/decrease in debtors	(16,670)	1,066,900
Increase/(decrease) in creditors	135,168	(636,846)
Net cash inflow from operating activities	£ 106,860	£ 434,611

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

	£	£
Increase in cash	122,764	450,915
Net cash inflow/(outflow) from management of liquid resources	20,354	(11,808)
Change in net funds resulting from cash flows	143,118	439,107
Opening net funds	1,124,105	684,998
Closing net funds	£ 1,267,223	£ 1,124,105

NOTES TO THE ACCOUNTS For the year ended 31 December 2003
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(Continued)

14. **ANALYSIS OF NET FUNDS**

	At 1 January 2003 £	Cash Flow £	At 31 December 2003 £
Cash at bank	1,189,236	34,281	1,223,517
Bank overdrafts	(88,483)	88,483	-
Current asset investment	23,352	20,354	43,706
	£ 1,124,105	£ 143,118	£ 1,267,223

15. **RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	2003 £	2002 £
Opening shareholder's funds	508,299	492,196
Profit for the financial year	15,862	16,103
Closing shareholder's funds	£ 524,161	£ 508,299

16. **CONTINGENT LIABILITIES**

As at 31 December 2003 there were no contingent liabilities (2002: £Nil).