

Registered Number 2190813



**SARASIN
CHISWELL**

SARASIN INVESTMENT FUNDS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended
31 DECEMBER 2006

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ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2006

DIRECTORS AND ADVISERS

DIRECTORS

G V Matthews (Chief Executive Officer)
N Ossenbrink
T N M Service
R M Wittendorfer (Chairman)

COMPANY SECRETARY

N C Fisher

REGISTERED OFFICE

Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

BANKERS

The Royal Bank of Scotland plc

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BUSINESS ADVISERS

Smith & Williamson Limited
Chartered Accountants
25 Moorgate
London
EC2R 6AY

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2006

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DIRECTORS' REPORT

For the year ended 31 December 2006

The directors submit their report and accounts for the Company for the year ended 31 December 2006

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 five sub-funds, Sarasin EquiSar Global Thematic Fund, Sarasin EquiSar IIID Fund, Sarasin GlobalSar IIID Fund, Sarasin Sterling Bond Fund and Sarasin International Equity Fund. The Company also acts as manager for the Alpha Charity Endowments Fund and the Alpha Income & Reserves Fund both of which are common investment funds 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

Despite some worrying moments midyear in 2006, global equity markets have performed well in 2006 and Sarasin's funds have delivered strong investment performance. EquiSar Global Thematic returned +10.6% for the year whilst the World Equity Index returned +5.3%. Overall the funds managed by the Company showed net subscriptions of £346m during the year and the Company now has £512m under management.

During the year the Company adopted COLL ahead of the 2007 deadline in order to take advantage of a number of changes that gave us the opportunity to operate the Company more effectively and provide greater operational and investment flexibility for the Company. The conversion to COLL took effect on 28th April 2006.

At this point the Company changed the investment objective, policy and name of Sarasin GlobalSar Balanced Fund (now known as GlobalSar IIID Fund). This new fund is part of a new range of products launched by Sarasin as the IIID Strategies funds. These investment funds aim to guard against the erosion of capital and provide a real return (inflation plus) to investors. A sister fund, Sarasin EquiSar IIID Fund was launched in early May to complement the relaunched GlobalSar IIID Fund. 2 additional subfunds were also launched in May. These were the Sarasin International Equity Income Fund and Sarasin Sterling Bond Fund.

During the year we have received significant interest in the new fund range from professional intermediaries and institutional clients alike.

The Alpha Common Investment Funds continue to move from strength to strength. By the end of 2006 these funds had generated £125m of net subscriptions and the total funds under management were £200m. Marketing efforts continue to focus on the conversion of segregated funds managed by Sarasin Chiswell as well as the winning of mandates from new Charity clients. During 2006 Sarasin Chiswell held the first Alpha Annual Review Meeting for Charity Trustees and investors where various investment presentations were made and the Funds were discussed. The success of the meeting means that we will continue to hold this event on an annual basis.

Other administrative changes to the Funds included the move to midday pricing on 16 October as well as the change of Annual Accounting Date from 30 June to 31 December.

During the first two months of 2007 the Company has launched two additional subfunds, the Sarasin UK Equity Income Fund (a sister fund of the recently launched International Equity Income Fund) and the Sarasin Real Estate Equity IIID Fund (an addition to the IIID Strategies range of products).

The Company also increased its working capital by issuing an additional £200,000 of shares on the 6 February 2007.

Based on strong investment performance during 2006 and innovative products the Directors look forward with confidence to the outlook for 2007.

Risk Management

The Sarasin Group adopts a clearly defined, transparent and integrated risk management policy for all operations. The Sarasin Group and Company's risk management process and controls are more fully set out in the notes to the accounts set out on pages 18 to 19.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2006

International Financial Reporting Standards

The basis of the preparation of the accounts is shown in full on pages 12 to 14, supported by the adopted accounting policies as shown in Note 1

Results for the Year

The Company's profit for the year to be transferred to reserves is set out in the income statement on page 8
The directors do not recommend the payment of a dividend (2005 £nil)

Directors

The directors who served during the year ended 31 December 2006, are as follows

G V Matthews (Chief Executive Officer)
N Ossenbrink
T N M Service
R M Wittendorfer (Chairman)

Mr Matthews and Mr Service held 16,697 (2005 16,697) and 21,394 (2005 21,394) shares, respectively, in SIM Partnership (London) Limited, the immediate parent company, as at 31 December 2006. None of the other directors had any beneficial interest in the share capital of the Company or other group companies requiring disclosure under the Companies Act 1985 either at the beginning or end of the year

Auditors

During the year Nexia Audit Limited resigned as auditors and Ernst & Young, LLP were appointed in their place

Statement as to disclosure of information to auditors

Each of the Directors represents that

- a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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



N.C Fisher
COMPANY SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In relation to the Directors' report and financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 financial statements 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 Members of Sarasin Investment Funds Limited

We have audited the financial statements of Sarasin Investment Funds Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the directors' 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' remuneration and other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 judgments made by the directors in the preparation of the financial statements, 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 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.

Opinion

In our opinion:

- P the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- P the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- P the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

London

Date 19th April 2007

INCOME STATEMENT**For the year ended 31 December 2006**

	Notes	2006 £	2005 £
Revenue	4	3,057,328	1,726,125
Cost of sales		(2,457,853)	(1,365,440)
Gross Profit		599,475	360,685
Administrative expenses		(498,444)	(323,692)
Profit from operations	5	101,031	36,993
Investment income	6	129,210	62,625
Finance costs	7	(2,386)	(61)
Profit before taxation		227,855	99,557
Taxation	8	(73,291)	(31,421)
Profit for the period		154,564	68,136
Attributable to:			
Equity holders of the parent		154,564	68,136

All the Company's operations are classed as continuing and there were no recognised gains or losses in either year other than those included in the income statement

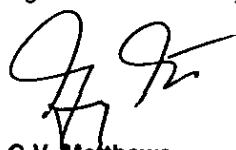
The annexed notes from 1 to 20 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2006

Assets	Notes	2006 £	2005 £
Cash and cash equivalents	9	3,167,107	1,672,854
Trade and other receivables			
Due from Trustee & Depository		340,994	393,176
Due from customers		6,437,860	899,140
Accrued income and prepaid expenses		-	3,299
Other financial assets		287	1,600
Investment securities at fair value through profit or loss	10	52,759	46,144
Total assets		9,999,007	3,016,213
Liabilities and shareholders' equity			
Liabilities			
Current tax liabilities		52,712	24,671
Bank overdraft	9	-	356,774
Trade and other payables			
Amounts due to Trustee and Depository		6,727,698	1,066,797
Other amounts due to customers		1,250,462	455,355
Other liabilities	11	973,062	366,200
Accrued expenses and deferred income		238,698	144,605
Total liabilities		9,242,632	2,414,402
Shareholders' equity			
Share capital	12	50,000	50,000
Retained earnings brought forward	13	551,811	483,675
Profit for the period	13	154,564	68,136
Total shareholders' equity		756,375	601,811
Total liabilities and shareholders' equity		9,999,007	3,016,213

The annexed notes from 1 to 20 form an integral part of these financial statements

The accounts were approved by the Board of Directors on 22 March 2007 and authorised for issue and signed on its behalf by



G V. Matthews
Managing Director

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2006

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 January 2005		50,000	483,675	533,675
Net profit for 2005	13	-	68,136	68,136
Balance at 31 December 2005		50,000	551,811	601,811
Net profit for 2006	13	-	154,564	154,564
Balance at 31 December 2006		50,000	706,375	756,375

The annexed notes from 1 to 20 form an integral part of these financial statements

CASH FLOW STATEMENT For the year ended 31 December 2006
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	Notes	2006 £	2005 £
OPERATING ACTIVITIES			
Profit from operations		101,031	36,993
Adjustments for (Decrease)/increase in fair value of Investment securities		(6,616)	7,925
		94,415	44,918
Operating cash flows before movements in working capital			
Increase in receivables		(5,498,853)	(446,542)
Increase in payables		7,143,890	493,175
Cash generated by operations		1,739,452	91,551
Corporation tax paid		(15,520)	(10,827)
NET CASH FROM OPERATING ACTIVITIES		1,724,202	80,724
INVESTING ACTIVITIES			
Interest received		129,210	62,625
NET CASH FROM INVESTING ACTIVITIES		129,210	62,625
FINANCING ACTIVITIES			
Interest paid		(2,386)	(61)
NET CASH USED IN FINANCING ACTIVITIES		(2,386)	(61)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,851,026	143,288
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,316,080	1,172,792
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	3,167,106	1,316,080

The annexed notes from 1 to 20 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. STATEMENT OF COMPLIANCE WITH IFRS

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2006

2. GENERAL INFORMATION

The Company is incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 4.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared in accordance with IFRSs as adopted by the European Union and applied in accordance with the provisions of the Companies Act 1985.

The accounts have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

General principles

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Those assumptions and estimates, which are continuously reviewed, are based on past experience and other factors, including expectations regarding likely developments in the future.

Revenue Recognition

Revenue comprises profits on the sale of units/shares, management fees, performance fees and commissions derived from the management of investment portfolios. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, trail fees, VAT and other sales related taxes.

Profits on the disposal of units/shares are recognised on a trade date basis and management and advisory charges are recognised when the services concerned are rendered. Management fees are calculated on the percentage of assets under management and commission is calculated on a percentage of a subscription.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign Currencies

The functional and presentational currency of the Company is pounds sterling. Any foreign currency translation took place at the following exchange rates:

	2006 Year end	2006 Average	2005 Year end	2005 Average
Euro (EUR)	1.4842	1.4698	1.4554	1.43515
US Dollar (USD)	1.9572	1.8370	1.7168	1.8238
Swiss Franc (CHF)	2.3891	2.3259	2.2626	2.2224

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in equity.

Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income.

Financial Assets

Financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or as available-for-sale financial assets, as appropriate. The company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss - Investment securities

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term.

Investments are recognised at market value where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned and are initially measured at fair value. Investments are subsequently measured at fair value and gains and losses arising from the changes in fair value are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables include amounts due from the trustee and depository, amounts due from customers, accrued income, prepaid expenses and other financial assets. These are recorded in the balance sheet at fair value. These do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables include accrued expenses, deferred income and other liabilities. These are recorded at fair value within the balance sheet. These are classified according to the substance of the contractual arrangement entered into.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less and foreign currencies held by the Company. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are only made in the balance sheet when the Company has an obligation to a third party connected with a past event, when it seems probable that economically useful resources will have to be used to meet that liability and when the liability can be reliably quantified.

Amounts due to banks

Interest bearing overdrafts are recorded at cost being the fair value of amounts overdrawn. Finance charges are accounted for on an accruals basis in the income statement using effective interest method and are added to the carrying value of the liability to the extent that they are not settled in the period in which they arise.

4. REVENUE

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

	2006 £	2005 £
Profits on sale of units/shares including initial charges	43,839	15,740
Management fees	3,012,169	1,671,164
Other income	1,320	39,221
	3,057,328	1,726,125

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging

	£	£
Auditors' remuneration for audit services (see below)	18,000	13,500

Administration costs consist of expenditure associated in the running of the business

Amounts payable to Ernst & Young LLP and their associates by the Company and its UK undertakings in respect of non-audit services were £Nil (2005 £Nil) Up until the appointment of Ernst & Young LLP on 11 October 2006, Nexia Audit Limited were paid £6,305 (2005 £2,050) in respect of non-audit services

A more detailed analysis of auditors' remuneration is provided below

	2006 £	%	2005 £	%
Audit services				
- statutory audit	18,000	100	13,500	87
	18,000		13,500	87
Tax services				
- advisory services	-	-	2,050	13
	-	-	2,050	13
Other services				
- general financial advice	-	-	-	-
	-	-	-	-
Total auditors' remuneration	18,000	100	15,550	100

6. INVESTMENT INCOME

	2006 £	2005 £
Interest on bank deposits	129,210	62,625

7. FINANCE COSTS

	2006 £	2005 £
Interest on bank overdrafts	2,386	61

All overdrafts are unsecured and are repayable on demand

8. TAX

	2006 £	2005 £
Current tax		
UK corporation tax at 30% (2005 30%) based on the profit for the year	71,737	31,421
Under-provision in respect of previous years	1,554	-
	73,291	31,421

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

8. TAX (Continued)

	2006	2005
	£	£
Tax reconciliation		
Profit before tax	227,855	99,557
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	68,356	29,867
<i>Tax effects of</i>		
Expenses not deductible for tax purposes	3,381	1,554
Under-provision in respect of previous years	1,554	-
Total current tax charge	73,291	31,421
Effective tax rate for the year	32.2%	31.6%

Deferred Tax

The Company had neither a deferred tax asset nor liability as at the 31 December 2006 or 31 December 2005

9. CASH AND CASH EQUIVALENTS

	At 1 January 2006 £	Cash Flow £	At 31 December 2006 £
Cash at bank	1,672,854	1,494,253	3,167,107
Bank overdraft	(356,774)	356,774	-
	1,316,080	1,851,027	3,167,107

Cash at bank earns interest at the UK Base rate less 1% The Bank Overdraft accrues interest at the UK Base rate plus 2%

10. INVESTMENT SECURITIES

	2006 £	2005 £
Investments at market value	52,759	46,144

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

11. OTHER LIABILITIES

	2006 £	2005 £
Amounts owed to fellow subsidiary undertakings	48,373	231,435
Other payables	924,689	134,765
	973,062	366,200

All other liabilities are repayable on demand or within one year

12. SHARE CAPITAL

Authorised

	£	£
Ordinary shares of £1 each	99,999	99,999
Allotted, called up and fully paid		
50,000 (2005 50,000) Ordinary shares of £1 each	50,000	50,000

13. RETAINED EARNINGS

	£	£
Balance at 1 January	551,811	483,675
Net Profit for the year	154,564	68,136
Balance at 31 December	706,375	551,811

14. REMUNERATION OF KEY MANAGEMENT PERSONNEL

All remuneration to the directors and key management, with the exception of Mr Wittendorfer, an Independent, Non-Executive Director, is borne by Sarasin Investment Management Limited, a fellow subsidiary, and disclosed in that company's accounts £11,500 was payable to Mr Wittendorfer for the year ended 31 December 2006 (2005 £7,500)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

15. RISK MANAGEMENT OBJECTIVES, POLICIES AND STRATEGIES

RISK MANAGEMENT

a) General considerations

Assessing and taking risks is in the nature of a financial institution. No transaction can take place without a risk being incurred. For this reason, we adopt a clearly defined, transparent and integrated risk management policy for all our operations and adapt it continuously to the latest knowledge. Substantial human and technological resources are made available for this purpose. Risk management has become a decisive factor in the Bank Sarasin Group's ("Group") and the Company's competitiveness. Active risk management should make it possible to minimise undesirable risks and to make optimum use of our capital for the benefit of our shareholders and other stakeholders. Risk management is therefore an important link in the wealth-creation chain, in that it makes existing and potential risks obvious to decision makers.

b) Risk culture

The standard of risk management achieved by a financial institution is not simply a question of compliance with formalised internal and external rules. Of equal, if not even greater, significance is the risk awareness of decision-makers. The quantitative criteria on which attention frequently centers are only one component of a comprehensive risk management system. The development of an appropriate risk culture as part of a financial institution's overall culture is just as important. A central element of such a risk culture is the discipline and thoroughness with which participants respond to their tasks in the risk management process. Integrity and risk awareness, on the part of everyone concerned at all levels of Group, as well as clearly defined responsibilities and competencies, are the pillars that support our risk culture.

c) Organisation of our risk management

The Board of Directors is responsible for the formulation and implementation of the Group's risk policy. It lays down the Group's and the Company's risk strategy, the organisational framework for risk management such as limits and systems, the maximum risk tolerance and respective responsibilities. This risk policy is reviewed annually to ensure its appropriateness and consistency with the policies of the Bank Sarasin Group.

The Executive Board of Sarasin Chiswell ("Executive Board"), is responsible for implementing the risk management and risk control principles laid down by the Group. The Executive Board has set up committees for two risk categories, an

- Risk Committee which is independent of the investment management activities, and conducts an assessment of the Group's operational and counterparty risks, evaluates the potential of different opportunities and risks and, where appropriate makes proposals to the Executive Board regarding the risk models to be used. It is responsible for ensuring compliance with our risk management process, which consists of risk identification, risk measurement, risk reporting and risk control, and
- Investment Risk Committee which again is independent of the investment management activities. This committee is formulated to specifically review the risk management process of investment products with higher levels of derivative usage than the Group's standard investment products. It is also responsible for ensuring compliance with the risk management process associated with these products, which consists of risk identification, risk measurement, risk reporting and risk control.

Both of these committees supply the Board of Directors, the Executive Board and the responsible risk-bearers with individual reports where appropriate. Both committees are composed of members of the management and staff from the various areas concerned and they meet at least monthly and are chaired by an Independent Consultant.

In addition, Sarasin Chiswell prepares a FRAG 21 Report in accordance with the guidance set out by the Audit Faculty of the Institute of Chartered Accountants England & Wales, which sets out the control objectives, internal policies and controls in place for the Company during the period. This report provides additional comfort to external parties and senior management that such controls have operated throughout that period.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006 (continued)
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FINANCIAL INSTRUMENTS RISKS

The main risks associated with the Company's financial assets and liabilities are set out below

Credit Risk

The risk of financial loss due to a counterparty's failure to honour its obligation arises principally in relation to transactions where the company provides goods or services on deferred terms and invests or deposits surplus cash. The Company's principle financial assets are bank balances and cash and trade and other receivables. These represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies or are associated companies.

The Company has no significant concentration of credit risk as exposures are spread over a large number of counterparties and customers.

Credit risk means the risk that the Company might sustain losses due to the insolvency of a counterparty. Such losses usually consist of the outstanding credit minus the proceeds from the sale of collateral and any bankruptcy or liquidation dividend that might be paid. For the purpose of the Company's dealings with brokers, the Company uses a rating system to determine the selection of counterparties and the dealing volumes for them. The criteria are such that only first-class counterparties are considered. New relationships with brokers are discussed within the Chief Investment Office Committee of Sarasin Chiswell, which then define and approve the necessary dealing volumes provided the rating conditions are satisfied. With regard to Banks and custodians a full review of such counterparties is undertaken by the Risk Committee on an annual basis.

Market risk

The Company does not take material proprietary positions and therefore its exposure to market risk is limited to the performance of its investment products and commercial success.

Liquidity and financial solvency risk

The Company's solvency is monitored and maintained within the framework of the regulations laid down by UK's Financial Services Authority.

Interest rate risk

Interest rate risk in respect of the balance sheet is reviewed on a regular basis. At the balance sheet date interest obligations in respect of the cash balances were at LIBOR minus 1%.

Litigation risk

In the course of the Company's normal business, the Company may be involved in various types of litigation. The Company makes provisions for such contingencies if the directors and its legal advisers consider that the Company is likely to have to make payments and if the amount of those payments can be estimated. All provisions for risks connected with litigation would be included in the Company's balance sheet under "other provisions". With regard to potential claims against the Company of which the management may become aware, where the management and its legal advisers consider that such claims are without merit, can be successfully defended or will not have a significant impact on the Company's financial situation or operating results no provision will be made.

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2006 (continued)**

16 RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties are disclosed below

	Expenses		Amounts owed to related parties	
	Year ended 2006 £	Year ended 2005 £	2006 £	2005 £
Sarasin (UK) Limited	30,800	25,922	-	-
Sarasin Investment Management Limited	2,457,853	1,365,441	48,373	231,435

The amounts paid to Sarasin Investment Management Limited, a fellow subsidiary of the UK Group, are in respect of services for investment management and distribution of the OEIC sub funds and the Alpha Common Investment Funds

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. All transactions were carried out on an arms length basis.

17. POST BALANCE SHEET EVENTS

No events have occurred since the balance sheet date that have an impact on the balance sheet or income statement for 2006. On the 6 February 2007, the Company increased in authorized and issued share capital to £250,000 to increase its working capital.

The Board of Directors discussed and approved the accounts at its meeting on 22 March 2007.

18. PARENT UNDERTAKINGS

The ultimate holding company is Bank Sarasin & Co. Limited, a company incorporated in Switzerland. Copies of the accounts of Bank Sarasin & Co. Limited accounts can be obtained from Elisabethenstrasse 62, 4002 Basel, Switzerland.

The parent undertaking of the smallest group of undertakings for which consolidated accounts are prepared and of which the company is a member is Sarasin (UK) Limited, a company registered in Great Britain. Copies of the accounts of Sarasin (UK) Limited can be obtained from Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU.

19. CONTINGENT LIABILITIES

As at 31 December 2006 there were no contingent liabilities (2005: £nil).

20. RECENT ACCOUNTING DEVELOPMENTS

The following standards / interpretations and amendments to existing standards have been published by IASB and IFRIC that are effective for accounting periods beginning on or after 1 January 2007:

- i IFRS 7 Financial Instruments Disclosures
- ii IFRS 8 Operating Segments
- iii IAS 1 Amendment- Presentation of Financial Statements Capital Disclosures
- iv IFRIC 8 Scope of IFRS 2

Adoption of the above standards/interpretations and amendments will only impact the extent of disclosures presented in the financial statements.