

Registered Number: 2190813



SARASIN INVESTMENT FUNDS LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2008

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REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2008

DIRECTORS

H. Grossmann
G.V. Matthews (Chief Executive Officer)
N. Ossenbrink (Chairman)
T.N.M. Service

COMPANY SECRETARY

N.C. Evans

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

SOLICITORS

Burges Salmon LLP
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2008

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DIRECTORS' REPORT

For the year ended 31 December 2008

The directors submit their report and accounts for Sarasin Investment Funds Limited ("the Company") for the year ended 31 December 2008.

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 eight sub-funds. 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 and the Company acts as ACD to the Mazener Fund and Carraway Fund. The Company is regulated by the Financial Services Authority (FSA) and is a member of the Investment Management Association (IMA).

On 2 January 2008, as part of a Group reorganisation the shares of the Company were transferred from SIM Partnership (London) Limited to a newly formed company Sarasin & Partners LLP, who acts as investment manager to all funds managed by the Company.

Review of Affairs

Following a successful 2007, the Company faced a series of challenges in 2008, not least the unprecedented market conditions on a global scale. However, in the face of such a volatile and difficult environment, the entire Sarasin fund range proved its robustness with all funds continuing to maintain their liquidity and be priced on a daily basis. It should also be noted that throughout this volatile period there have been no suspensions to dealing and all funds were able to meet any redemption obligations imposed on them. In the most volatile of periods, the Company elected to apply a Fair Value Pricing model to all our funds to ensure that the impact of such market instability was minimized for all shareholders.

Despite these difficult circumstances the Sarasin Investment Funds Limited ICVC continued to see consistently high levels of subscriptions and the Net inflows for the year was £280m, increasing Assets under Management (AuM) of the ICVC by some 53.4%.

Most significantly the defensive features of our "IIRD" target return funds remained an attractive proposition to investors in such unpredictable conditions and resultantly the EquiSar IIRD and GlobalSar IIRD Funds saw increases of 105% and 96% in their respective AuM's during 2008. Another major contributor to this growth was the Sarasin Agrisar Fund which enjoyed a successful launch on 31st March 2008, and by the 31st December 2008, had grown to £67m.

Sarasin's presence in the retail market space was augmented through a concerted effort to widen the distribution of our funds by making them available to investors through a range of major Fund Supermarkets and Platforms. This has facilitated a significant growth in our retail customer base and this now compares favourably to our more traditional client base of Institutional and Charitable clients.

The Alpha Common Investment Funds, marketed to registered Charities, continued to attract a high level of subscriptions with a Net inflow during 2008 of £94.1m.

The directors are confident that, despite a continuance of the extremely difficult market conditions in the early part of 2009, the Company can continue to maintain its high standard of performance and enhance its reputation during the forthcoming year.

Risk Management

Assessing and assuming risks are an integral part of any fund or asset management business. The achievement of a reasonable return on any investment inevitably entails a degree of risk tolerance in the long run, it is, therefore, particularly important to have a full overview of total risk exposure of your investment at all times. The Sarasin Group ("Sarasin") employs a clearly defined, transparent and integrated system of risk management covering all its business segments, which it continuously updates to accommodate new developments. This obviously requires considerable human and technological resources. Given the volatility of financial markets, the quality of risk management has become a crucial competitive factor in our industry. Active risk management minimises undesirable risks and allows Sarasin's capital to be employed more efficiently to the benefit of shareholders and all other stakeholders. Risk management is therefore a vital link in the value creation chain, as it flags up real and potential risks for Sarasin's decision-makers.

Risk culture

The quality of risk management achieved in a business is not simply a question of adhering to formalised internal and external regulations. The risk awareness of the decision-makers is equally important. Quantitative techniques, which often tend to be the focal point of analysis, are just one part of a comprehensive risk management system. It is equally important to develop an appropriate risk culture, as part of the overall business culture. One of the central elements of a sound risk culture is the discipline and diligence of those responsible in performing their duties in the risk management process. Here Sarasin requires integrity and risk-aware conduct from individual employees at every level, and stresses the importance of clearly defined responsibilities and powers.

DIRECTORS' REPORT

For the year ended 31 December 2008

Risk management organisation

Risk management responsibilities

The Executive Committee of the Sarasin UK Group carries ultimate responsibility in Sarasin's multi-level risk management organisation. It is responsible for formulating and implementing Sarasin's risk policy. It also defines the risk strategy, the basic risk management parameters (e.g. limits and systems), the maximum risk tolerance and the responsibilities for risk monitoring.

The Executive Committee are responsible for implementing the risk management and risk controlling principles approved by the Executive Committee. To ensure holistic risk management, the Executive Committee has appointed an independent Consultant to Chair an Internal Risk committee to deal with risks, to promote risk awareness and ensure compliance with the approved risk standards and draw the attention of the Executive Committee to any risks that it perceives are not being fully addressed.

The Risk Committee ("Committee") is responsible for reviewing counterparty risks, investment and market risk and monitoring liquidity risks. The committee comprises of representatives from all business units, including staff from the relevant specialist units (Compliance and the Risk Office). The Committee meets at least once a month.

Risk controlling is the responsibility of the Risk Office, Compliance and Internal Audit departments, which report directly to the Executive Committee and are therefore independent, from an organisational perspective, of the business entities that actively manage risk. This separation of functions ensures that the business units which reach decisions about the level and extent of risk exposure act totally independently of the departments that analyse the risks and monitor adherence to internal controls and limits. This is intended to avoid potential conflicts of interest and differences in objectives as early and as effectively as possible.

The Compliance business unit advises Sarasin's senior management, in meeting its regulatory responsibility and ensures that Sarasin's business activities in the UK and abroad comply with the applicable legal and regulatory framework, together with the generally accepted market standards and codes of conduct. Compliance puts in place the appropriate operational measures and precautions, and in particular ensures that an appropriate system of policy and procedure exists. It also makes arrangements for the involvement of all staff in the maintenance of compliance at the appropriate level. The Compliance function ensures that Sarasin's structure and business processes adhere to a legally acceptable format, especially in the areas of provision of services to clients and product marketing. As far as compliance and legal risks are concerned, there is also regular and comprehensive risk reporting to the Executive Committee.

The Risk Office performs in-depth analysis of Sarasin's market, counterparty and operational risks, assesses the opportunities and risk potential, and takes any measures needed to adjust the Company's risk profile. It is responsible for ensuring compliance with the risk management process. The Risk Office submits individual reports to the Executive Committee and those responsible for risk.

Risk categories

The business activities in which the Company is involved are basically exposed to the following investment management risks:

- Market risks
- Liquidity risks
- Counterparty risks
- Operational risks

Risk management process

A clearly structured and transparent risk management process ensures that the principal risks are identified in good time and are fully documented, and that they can be visualised, limited and monitored in a suitable fashion. The process is applied to all risk categories, both individually and collectively. Especially when introducing new business transactions and new procedures, the risk management process is the basis for comprehensive assessment and rating of the risks associated with a new activity or new process. Sarasin has established a clear process for analysing and checking actual or potential risks before entering into any new business. This process involves all divisions, including Logistics (IT, Operations, etc.), Compliance, Accounting and the Risk Office. The involvement of all these divisions at an early stage ensures a comprehensive, cross-discipline assessment of every new business transaction or process and its associated risks.

The purpose of risk identification is to detect the emergence of new risks or any change to existing risks, and to analyse their impact.

Risk measurement makes it possible to evaluate and limit identified risks with the help of suitable methods and models, on the basis of systematically recorded and continuously reviewed data.

Risk reporting covers the comprehensive, continuous and timely reporting of risk to management (Executive Committee and heads of division) and the various stakeholders.

DIRECTORS' REPORT

For the year ended 31 December 2008

The Risk Office seeks to control certain risks and ensure they comply with the approved limits and guidelines. In terms of organisation, the Risk Office must be separated from the operational divisions to reduce or minimise conflicts of interest

Market and liquidity risks

Market risks

The market risk refers to the risk of a loss due to changes in the market prices of interest-rate products, currencies, equities and other securities. Sarasin & Partners LLP, the investment manager, utilises a variety of tools to limit these risks for the benefit of our clients. Tools used across our funds to model and limit these risks, dependant on the sophistication of the fund objective and investment powers include:

- Value at Risk (VaR) limits: The risk measure VaR quantifies the potential future loss of a portfolio over the holding period in question which is most probably not exceeded under normal market conditions. The VaR method applied is based on the variance/covariance approach and assumes a 99% confidence interval with a holding period of one day.
- Stress analysis and limits: In order to be able to assess the market risk under abnormal market conditions. This technique is based on historic events and calculates the theoretical loss incurred by revaluing the positions based on those events. We use this analysis in our derivatives based investment mandates, in order to estimate and contain the loss potential following abnormal and combined changes in the market. The stress scenarios are continuously reviewed to make sure they are up to date and are the most appropriate scenarios to test our products and portfolios.

The Risk Office is responsible for independent risk monitoring and risk reporting to the various decision-makers. Where limits are overrun, clear escalation and reporting procedures are defined to ensure that the limits are restored immediately.

Liquidity risks

Operational liquidity management in the day-to-day running of the business is overseen by our Finance department. Its tasks include controlling payments, planning the anticipated cash flows and securing liquidity in the day-to-day business.

Counterparty risks

Identification of counterparty risk occurs ex ante through involvement in the opening of new business relationships, and ex post via review by the Risk Office.

The analysis of Counterparty risk involves the characterisation of the counterparty risk and a quantification of the amount, probability of default, and term. Another key aspect of our analysis is the initial credit assessment for new counterparties and the regular reassessment of the credit rating of existing counterparties. When assessing credit standing, Sarasin relies on ratings from external rating agencies wherever possible. In addition, we may, if necessary, perform our own analysis of data published by counterparties.

Limits are monitored on a daily basis by the Risk Office.

Sarasin dealt swiftly and proactively with the uncertainties in the interbank market created by the subprime crisis in the summer of 2008. With a rapidly implemented package of measures, the counterparty risks were diversified as broadly as possible and focused more sharply on counterparties with excellent credit ratings.

At the heart of these measures lies a multi-step internal process which defines a current risk assessment for all counterparties in the light of a potential threat from the sub-prime crisis. This process ties in with appropriate arrangements made by Rabobank and includes the following four steps:

- Normal attentiveness
- Limits reduction
- Avoidance of certain counterparties
- Closing any exposures with certain counterparties if possible

The risk rating of each counterparty is performed by the Bank Sarasin's Risk Office in close collaboration with a number of different bodies. The most important support is provided by Rabobank's Bank Analysis Department. Following these assessments, Bank Sarasin issues suitable short-term measures which are applicable across the entire Sarasin Group. These are followed by Sarasin, where relevant. The appropriate communication channels are well established and function in a smooth and timely fashion. Sarasin Research may, if required, perform analysis of individual counterparties, which are also taken into account in risk assessment along with analysis published by external rating agencies.

The measures taken from the middle of 2008 onwards have already had a positive impact within a short space of time. Sarasin has successfully weathered the storm of the sub-prime crisis in 2008 and is well equipped to do so again in 2009.

DIRECTORS' REPORT

For the year ended 31 December 2008

Operational risks

Dealing with operational risks is nothing new in the world of fund management – they have always been an integral part of our business, irrespective of the type of business activity pursued. To this extent, this type of risk has for many years been part of Sarasin's internal risk analysis. Certain operational risks, for example as part of compliance activity, complaints management or IT contingency planning, have been addressed and subjected to the relevant analysis processes.

The increasing complexity of the asset management business, the Company's expansion into new markets, the use of innovative products, alternative distribution channels and the associated changes prompted Sarasin to increase their activities in Operational Risk Management during 2008 and to organise them into a separate department.

Operational risks (OR) are defined as the risk of losses that arise through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events. This definition includes all legal risks, as well as fines levied by supervisory authorities and settlements. However, it does not include strategic risks and risks to Sarasin's reputation.

To date, the financial services industry still lacks common standards or generally accepted management solutions and concepts for operational risks. This is chiefly attributable to the enormous complexity of these risks, which present significant difficulties even when it comes to searching for an accurate definition and a clear distinction from other types of risk.

When developing management and controlling elements in the area of operational risks, special emphasis was given to the consideration to central aspects, such as the identification, analysis, controlling and management of operational risks in the form of the following instruments.

Management of operational risks

- **Directives**
The directives in the field of operational risk set down the main goals for the management and controlling of operational risks, and the use of these instruments. At the same time, they serve as a guide for identifying and measuring operational risks and meeting the relevant reporting obligations. One aspect particular to operational risk is the combination of central and decentralised responsibilities. The Risk Office is given responsibility for recording and assessing operational risks.
- **Education**
In view of the diverse nature of operational risks and the way they affect the entire organisation, all employees are obliged to deal effectively with the risks arising in the course of their everyday work. The line manager is supported in his personal and management responsibility by regularly updated information on Sarasin's Intranet and background information provided to all new staff.
- **Reporting**
Evaluations and analysis relating to Sarasin's operational risks take place in the context of regular risk reporting to the Executive Committee. Other reports destined for the relevant recipients are currently in the process of being compiled.

Risk identification, analysis and management

- **Error/Incident log**
The Error/Incident Log for operational risks is a central pillar for the management and controlling of operational risks. It is used to record and categorise all operational error or incidents that may give rise to a loss. The systematic recording of errors/incidents is the cornerstone of reactive risk management. By "learning from mistakes", the data helps to answer the question of how this matter should be dealt with in the future. One of the benefits of recording these events is therefore the possibility of improving processes and internal controls and to ensure these are not systemic problems.

A smoothly functioning and efficient risk management system for operational risks and a risk and controlling culture that employees are fully engaged with constitute a vital success factor for a modern company. Sarasin therefore directs its efforts at rigorously applying the elements of this risk management process in the area of operational risks, as well as continuously improving it.

DIRECTORS' REPORT

For the year ended 31 December 2008

Pillar III Disclosure

Please refer to the financial statements of Sarasin (UK) Limited, a parent undertaking for which group consolidated FSA returns are made, for Pillar III disclosures as required by the FSA.

International Financial Reporting Standards

The basis of the preparation of the accounts is shown on pages 13 to 15, 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 9. The directors recommend the payment of a dividend of £900,000 (2007: £nil).

Directors

The directors who served during the year ended 31 December 2008, are as follows:

H. Grossmann	<i>Non executive (Appointed on 7 January 2008)</i>
G.V. Matthews	<i>(Chief Executive Officer)</i>
N. Ossenbrink	<i>Non executive (Chairman)</i>
T.N.M. Service	

Mr Matthews and Mr Service held 23,324 (2007: 23,833) 10p ordinary shares and 30,019 (2007: 30,622) 10p ordinary shares, respectively, in SIM Partnership (London) Limited, the Company's intermediate parent company, as at 31 December 2008. Both Mr Matthews and Mr Service are Partners of Sarasin & Partners LLP, the Company's immediate parent company. 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

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. Evans
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. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards. The financial statements are required by law to 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 (the Company) for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 19. 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 in our opinion 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

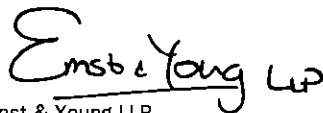
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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:

- 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
London

14/4/09

INCOME STATEMENT**For the year ended 31 December 2008**

	Notes	2008 £	2007 £
Revenue	4	12,829,742	7,425,112
Cost of sales		(10,200,918)	(5,922,393)
Gross Profit		2,628,824	1,502,719
Administrative expenses		(937,039)	(561,149)
Profit from operations	5	1,691,785	941,570
Investment income	6	244,546	114,318
Finance costs	7	(33,434)	(3,669)
Profit before taxation		1,902,897	1,052,219
Taxation	8	(542,906)	(314,691)
Profit for the period		1,359,991	737,528
Attributable to:			
Equity holders of the parent		1,359,991	737,528

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.

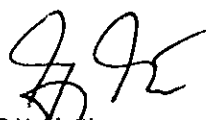
The annexed notes from 1 to 19 form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2008

Assets	Notes	2008 £	2007 £
Cash and cash equivalents	9	6,150,711	748,525
Trade and other receivables			
Due from Trustee & Depository		3,492,250	1,978,970
Due from customers		8,045,051	3,792,786
Accrued income and prepaid expenses		11,394	823,734
Other financial assets		148,665	-
Investment securities at fair value through profit or loss	10	57,849	67,639
Total assets		17,905,920	7,411,654
Liabilities and shareholders' equity			
Liabilities			
Current tax liabilities		190,067	271,466
Trade and other payables			
Amounts due to Trustee and Depository		2,927,204	1,088,462
Other amounts due to customers		10,892,888	3,298,048
Other liabilities	11	519,659	114,196
Accrued expenses and deferred income		322,208	945,579
Total liabilities		14,852,026	5,717,751
Shareholders' equity			
Share capital	12	250,000	250,000
Retained earnings brought forward	13	1,443,903	706,375
Profit for the period	13	1,359,991	737,528
Total shareholders' equity		3,053,894	1,693,903
Total liabilities and shareholders' equity		17,905,920	7,411,654

The annexed notes from 1 to 19 form an integral part of these financial statements.

The accounts were approved by the Board of Directors on 31 March 2009 and authorised for issue and signed on its behalf by:



G.V. Matthews
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2008
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	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 January 2007		50,000	706,375	756,375
Net profit for 2007	13	-	737,528	737,528
Share issue		200,000	-	200,000
Balance at 31 December 2007		250,000	1,443,903	1,693,903
Net profit for 2008	13	-	1,359,991	1,359,991
Balance at 31 December 2008		250,000	2,803,894	3,053,894

The annexed notes from 1 to 19 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 £	2007 £
OPERATING ACTIVITIES			
Profit from operations		1,691,785	941,570
Adjustments for:			
Decrease/(increase) in fair value of Investment securities		9,790	(14,880)
		1,701,575	926,690
Operating cash flows before movements in working capital:			
(Increase)/decrease in receivables		(4,871,871)	183,651
(Decrease) / increase in payables		8,985,675	(3,743,635)
Cash (used in) / generated by operations		5,815,379	(2,633,294)
Corporation tax paid		(624,305)	(95,937)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES		5,191,074	(2,729,231)
INVESTING ACTIVITIES			
Interest received		244,546	114,318
NET CASH FROM INVESTING ACTIVITIES		244,546	114,318
FINANCING ACTIVITIES			
Issue of Shares		-	200,000
Interest paid		(33,434)	(3,669)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES		(33,434)	196,331
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5,402,186	(2,418,582)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		748,525	3,167,107
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	6,150,711	748,525

The annexed notes from 1 to 19 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 2008.

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. The 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:

	2008 Year end	2008 Average	2007 Year end	2007 Average
Euro (EUR)	1.0343	1.2508	1.3553	1.4620
US Dollar (USD)	1.4377	1.8309	1.9929	2.0012
Swiss Franc (CHF)	1.5303	1.9760	2.2500	2.3940

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (Continued)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currencies (continued)

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 de-recognition 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 2008 (continued)

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.

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 2009:

Title	Issued date	Effective date
IFRS 8 - Operating Segments	November 2006	1 January 2009
IAS 23R - Borrowing Costs	March 2007	1 January 2009
IFRIC 13 - Customer Loyalty Programmes	June 2007	1 July 2009
IAS 1R - Presentation of Financial Statements	September 2007	1 January 2009
IAS 27 Amendment - Consolidated and Separate Financial Statements (referred to herein as IAS 27R)	January 2008	1 July 2009
2008 Annual Improvements to IFRS	May 2008	1 January 2009

While the above standards, interpretations and amendments will have no impact on the Company's results or net assets they are likely to result in certain changes in the presentation of the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008 (continued)

4. REVENUE

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

	2008 £	2007 £
Profit/(loss) on sale of units/shares including initial charges	223,634	(20,797)
Management fees	10,667,042	6,531,239
Performance Fees	1,756,598	573,734
Other income	182,468	340,936
	12,829,742	7,425,112

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2008 £	2007 £
Auditors' remuneration for audit services	18,000	18,088

Amounts payable to Ernst & Young LLP and their associates by the Company and its UK undertakings in respect of non-audit services were £Nil (2007: £Nil). Ernst & Young LLP are also appointed auditors for the funds to which they have received remuneration of £110,674 (2007: £67,749)

6. INVESTMENT INCOME

	2008 £	2007 £
Interest on bank deposits	244,546	114,318

7. FINANCE COSTS

	2008 £	2007 £
Interest on bank overdrafts	33,434	3,669

All overdrafts are unsecured and are repayable on demand.

8. TAX

	2008 £	2007 £
Current tax:		
UK corporation tax at 28.5% (2007: 30%) based on the profit for the year	542,906	314,691
	542,906	314,691

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)
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8. TAX (Continued)

	2008	2007
	£	£
Tax reconciliation		
Profit before tax	1,902,897	1,052,219
Profit for the first three months, multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	69,899	57,940
Profit for the last nine months, multiplied by the standard rate of corporation tax in the UK of 28.0% (2007: 30%)	467,571	257,726
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes		-
Under/(over)-provision in respect of previous years	5,436	(975)
Total current tax charge	542,906	314,691
Effective tax rate for the year	28.3%	29.9%

Deferred Tax

The Company had neither a deferred tax asset nor liability as at the 31 December 2008 or 31 December 2007.

9. CASH AND CASH EQUIVALENTS

	At 1 January 2008 £	Cash Flow £	At 31 December 2008 £
Cash at bank	748,525	5,402,186	6,150,711
	748,525	5,402,186	6,150,711

Cash at bank earns interest at the UK Base rate less 1%.

10. INVESTMENT SECURITIES

	2008 £	2007 £
Investments at fair value	57,849	67,639

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)
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11. OTHER LIABILITIES

	2008 £	2007 £
Other payables	519,659	114,196
	<u>519,659</u>	<u>114,196</u>

All other liabilities are repayable on demand or within one year.

12. SHARE CAPITAL

	£	£
Authorised:		
250,000 Ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid:		
250,000 Ordinary shares of £1 each	250,000	250,000

13. RETAINED EARNINGS

	£	£
Balance at 1 January	1,443,903	706,375
Net Profit for the year	1,359,991	737,528
Balance at 31 December	<u>2,803,894</u>	<u>1,443,903</u>

14. REMUNERATION OF KEY MANAGEMENT PERSONNEL

All remuneration to the directors and key management is borne by Sarasin & Partners LLP (formerly Sarasin Investment Management Limited) and Bank Sarasin & Co. Ltd, a immediate parent and parent company respectively, and are disclosed in those company accounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008 (continued)

15. 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 principal 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 & Partners LLP, which then defines and approves 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 Sarasin & Partner LLP's 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.

Foreign exchange risk

The Company does not take material propriety positions and therefore its exposure to foreign exchange risk is limited to the debit and credit balances that are required for the settlement of outstanding trades in foreign currencies.

Currency	Change in currency rate %	Effect on profit £	31.12.2008 Effect on equity £	Change in currency rate %	Effect on profit £	31.12.2007 Effect on equity £
EUR	+10%	(10,274)	(10,274)	+10%	247,752	247,752
EUR	-10%	8,406	8,406	-10%	(202,707)	(202,707)
USD	+10%	11,032	11,032	+10%	(24,306)	(24,306)
USD	-10%	(9,026)	(9,026)	-10%	19,887	19,887

The analysis above includes the most important foreign currencies for the Company and illustrates the effects on the income statements and shareholders' equity. The analysis models the effect of those foreign currencies strengthening 10% versus Sterling and weakening by 10% against Sterling, assuming net positions in each currency were unchanged at the balance sheet date.

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)

15. FINANCIAL INSTRUMENTS RISKS (continued)

Interest rate risk

Interest rate risk in respect of the balance sheet is reviewed on a regular basis. At the balance sheet date there were no interest obligations in respect of overdrafts. The Company does not have any interest rate obligations on any of its other liabilities.

Currency	Change in basis points	Sensitivity income statement £	31.12.2008 Sensitivity of equity £	Change in basis points	Sensitivity income statement £	31.12.2007 Sensitivity of equity £
GBP	+100	61,507	61,507	+100	7,485	7,485
GBP	-100	(61,507)	(61,507)	-100	(7,485)	(7,485)

Interest sensitivity illustrates the impact of a parallel shift in the yield curve of ± 100 basis points (bps) assuming other factors are not changed. If the interest rate is assumed to increase by 100 basis points (1%) it would produce the illustrated effects on the income statements and shareholders' equity. A negative value has a negative impact on the income statement or shareholders' equity, while a positive value results in a higher profit or an increase in shareholders' equity.

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.

Fair Value

For all financial assets and liabilities held, the carrying value was the same as the fair value at the balance sheet date.

16. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties are disclosed below.

	Expenses		Amounts owed to related parties	
	Year ended 2008 £	Year ended 2007 £	2008 £	2007 £
Sarasin (UK) Limited	6,500	9,266	-	-
Sarasin & Partners LLP	9,737,472	N/a	-	N/a
Sarasin Investment Management Limited	N/a	5,553,503	N/a	-

The amounts paid to Sarasin & Partners LLP (formerly Sarasin Investment Management Limited), the company's immediate parent company, 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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)
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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 2008.

The Board of Directors discussed and approved the accounts at its meeting on 31 March 2009.

18. PARENT UNDERTAKINGS

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.

Sarasin (UK) Limited's intermediate 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.

Rabobank, the triple-A rated Dutch financial services group, owns 46.06% of the share capital of Bank Sarasin & Co. Limited and holds 68.63% of the voting rights, making it majority shareholder in Bank Sarasin & Co. Ltd.

19. CONTINGENT LIABILITIES

As at 31 December 2008 there were no contingent liabilities (2007: £nil).