SISU Capital Limited

Report and Accounts

31 March 2004

Ernst & Young

LD4
COMPANIES HOUSE
LN5F7ZQO 0297
28/10/04

Registered No: 3413843

Directors
J V Seppala
D J Coleman

Secretary
J V Seppala

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

Bankers
NatWest Bank
Charing Cross and Piccadilly Circus Branch
Business Centre
2nd Floor Comell House
2a Charing Cross Road
London WC2H ONN

Solicitors
Simmons & Simmons
CityPoint
1 Ropemaker Street
London EC2Y 9SS

Registered Office
11-12 Hanover Street
London W1S 1YQ

Directors' report

The directors present their report and accounts for the year ended 31 March 2004.

Results and dividends

The loss for the year is set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend. A loss of £36,436 (2003 - £21,291 loss) has been transferred to reserves.

Principal activity and review of the business

The principal activity is the provision of fund management services. The directors are encouraged by the result for the year and are optimistic about the future of the company.

Directors and their interests

The directors at 31 March 2004 and their interests in the share capital of the company were as follows:

	At 31 March 2004 Ordinary shares	*At 31 March 2003 Ordinary shares*
D J Coleman	10,000	10,000
J V Seppala	15,000	15,000

No directors held an interest in the preference shares at either date.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

D. Coleman

Director

30 July 2004

Statement of directors' responsibilities in respect of the accounts

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; and
- 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 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.

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Independent auditors' report

to the members of SISU Capital Limited

We have audited the company's accounts for the year ended 31 March 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 19. These accounts have been prepared on the basis of 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 United Kingdom law and 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 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 affairs of the company as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
30 July 2004

Profit and loss account

for the year ended 31 March 2004

	Notes	2004 £	2003 £
Turnover			
Reimbursement of expenses	2	3,534,070	1,432,538
Gross profit		3,534,070	1,432,538
Administrative expenses		(3,580,694)	(1,461,377)
Operating loss	3	(46,624)	(28,839)
Bank interest receivable		10,188	7,548
Loss on ordinary activities before taxation		(36,436)	(21,291)
Tax on loss on ordinary activities	6	–	–
Loss on ordinary activities after taxation		(36,436)	(21,291)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss attributable to the shareholders of the company. All amounts are in respect of continuing operations.

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Balance sheet
at 31 March 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	7	189,279	50,818
Investments	8	2,036,701	2,112,985
		2,225,980	2,163,803
Current assets			
Debtors	9	1,302,655	280,775
Cash at bank and in hand		328,563	326,591
		1,631,218	607,366
Creditors: amounts falling due within one year	10	(1,163,992)	(35,293)
Net current assets		467,226	572,073
Total assets less current liabilities		2,693,206	2,735,876
Provisions for liabilities and charges			
Employee Benefit Trust	11	(2,036,701)	(2,112,985)
Rental costs	12	(70,050)	–
		586,455	622,891
Capital and reserves			
Ordinary shares	13	25,000	25,000
Preference shares	13	615,000	615,000
Capital contribution	14	181,025	181,025
Profit and loss account	14	(234,570)	(198,134)
Shareholders' funds - equity		586,455	622,891

Director

30 July 2004

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Cash flow statement

for the year ended 31 March 2004

	Notes	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	17	203,613	(186,094)
Returns on investments and servicing of finance	18	10,188	7,548
Capital expenditure	18	(211,829)	(49,891)
Financing	18	–	121,025
Increase /(decrease) in cash	19	1,972	(107,412)

Notes to the accounts

at 31 March 2004

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Financial Reporting Standard 2 requires the exclusion of a subsidiary from consolidation if severe long term restrictions substantially hinder the exercise of the parent undertakings' rights over the subsidiary undertakings' assets or management. The directors believe that such restrictions exist over their control of SISU Capital Limited Partnership and SISU Capital Limited Partnership II and accordingly the accounts of that entity have not been consolidated.

Fixed assets

All fixed assets are recorded at cost. The investments of the Employee Benefit Trust are stated at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Software	-	25%
Office equipment	-	25%
Fixtures and fittings	-	25%

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with rules of the scheme.

Deferred tax

The charge for taxation is based on the loss/profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profit in the future against which the deferred tax asset can be offset.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the accounts

at 31 March 2004

2. Turnover

Turnover, which is stated net of value added tax, is attributable to the reimbursement of expenses incurred on behalf of the SISU Capital Limited Partnerships. Reimbursements are recognised once receivable.

Turnover categorised as the share of partnership income within the prior year's accounts has been reclassified as reimbursement of expenses to reflect the substance of the amounts received.

3. Operating loss

This is stated after charging:

	2004	*2002*
	£	*£*
Depreciation of owned fixed assets	73,368	25,264
Auditors' remuneration:		
Audit services	13,500	13,500
Non audit services	35,373	32,975
Operating lease rentals:		
Land and buildings	117,419	72,948

4. Staff costs

	2004	*2003*
	£	*£*
Wages and salaries	2,373,287	769,411
Social security costs	304,686	82,668
	2,677,973	852,079

The average number of employees during the year was as follows:

	No.	*No.*
Administration/compliance	5	5
Fund management	10	10
	15	15

Notes to the accounts
at 31 March 2004

5. Directors' emoluments
Emoluments paid to or due to directors in respect of the year totalled £46,034 (2003 - £46,762).

6. Tax on loss on ordinary activities
(a) Analysis of tax charge in the year

There is no tax charge for the year, see note 6(b).

(b) Factors affecting tax charge for year

The tax assessed for the period is higher than the standard smaller companies rate of corporation tax in the UK (20%). The differences are explained below:

	2004 £	*2003* £
Loss on ordinary activities before tax	(36,436)	(21,291)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK at 19% (2003 – 20%)	(6,923)	(4,045)
Effects of:		
Unrelieved tax losses	6,923	4,045
Current tax charge – note 6(a)	–	–

7. Tangible fixed assets

	Software £	*Office equipment* £	*Furniture and fixtures* £	*Total* £
Cost:				
At 1 April 2003	81,868	50,130	66,278	198,276
Additions	625	20,159	191,045	211,829
At 31 March 2004	82,493	70,289	257,323	410,105
Depreciation:				
At 1 April 2003	44,426	41,421	61,611	147,458
Charge for the year	12,860	10,067	50,441	73,368
At 31 March 2004	57,286	51,488	112,052	220,826
Net book value				
At 31 March 2004	25,207	18,801	145,271	189,279
At 31 March 2003	37,442	8,709	4,667	50,818

Notes to the accounts

at 31 March 2004

8. Investments

Investments held by Employee Benefit Trust

	2004	2003
	£	£
Cost:		
At 31 March 2003	2,112,985	2,215,912
Disposals	(76,284)	(102,927)
At 31 March 2004	2,036,701	2,112,985

9. Debtors

	2004	2003
	£	£
Reimbursement of expenses	1,251,304	–
Capital contribution	–	121,025
Other debtors	25,650	44,527
Corporation tax recoverable	–	4,909
VAT recoverable	11,592	3,784
Prepayments and accrued income	14,109	106,530
	1,302,655	280,775

10. Creditors: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	1,147,302	15,575
Other creditors	669	1,835
Accruals	16,021	17,883
	1,163,992	35,293

11. Employee benefit trust

In accordance with FRS 5 "Reporting the substance of the transaction", the company has provided £2,036,701 (2003 - £2,112,985) to reflect both the rights and obligations of the trust at the year end. The asset has been reflected in note 8 and the liability is reflected as a provision for liabilities and charges. The directors are of the opinion that they do not control the assets and liabilities of the trust.

12. Provision for rental costs

	£
At 1 April 2003	–
Charge for the year	70,050
At 31 March 2003	70,050

The provision for rental costs represents the amounts accrued over the rent free period of the company's office lease agreement (note 16).

Notes to the accounts

at 31 March 2004

13. Share capital

	Authorised 2004 No.	*Issued and fully paid 2004 £*	*Authorised 2003 No.*	*Issued and fully paid 2003 £*
Ordinary shares of £1 each	250,000	25,000	250,000	25,000
Preference shares of £1 each	750,000	615,000	750,000	615,000

The preference shares are perpetual shares.

The preference shares have no rights to dividends and carry no votes at meetings.

On a winding up of the company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share.

14. Reconciliation of shareholders' funds and movements on reserves

	Ordinary shares £	*Preference shares £*	*Capital contribution £*	*Profit and loss account £*	*Total £*
At 1 April 2003	25,000	615,000	181,025	(198,134)	622,891
Loss for the year	–	–	–	(36,436)	(36,436)
At 31 March 2004	25,000	615,000	181,025	(234,570)	586,455

15. Related party transactions

The directors of the company are also directors of the SISU Capital Fund Limited and SISU Capital International Limited which manages the SISU Capital Fund Limited and SISU Capital Fund Limited II. The company is the general partner of the SISU Capital Limited Partnership (SCLP) and SISU Capital Limited Partnership II (SCLP II) which provides investment management services to the SISU Capital Fund Limited. The limited partners of SCLP are J V Seppala, D J Coleman and Wynacre Limited and that of SCLP II are J V Seppala and D J Coleman.

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Notes to the accounts

at 31 March 2004

16. Other financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	Land and buildings 2004	*Land and buildings 2003*
	£	*£*
Operating leases which expire:		
In over 5 years	140,094	–

Under the terms of the lease for the company's office premises at 11-12 Hanover Street there was a rent free period from 1 October 2003 to 31 August 2004. The lease was for an eight year term and after the rent free period an annual rent of £158,445 is payable. Lease obligations have been charged on the basis that operating lease payments are amortised over the lease term including the rent free period.

17. Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	31 March 2004	*31 March 2003*
	£	*£*
Operating loss	(46,624)	(28,839)
Depreciation charges	73,368	25,264
Increase in debtors	(1,021,880)	(145,781)
Increase/(decrease) in creditors	1,198,749	(36,738)
Net cash inflow/(outflow) from operating activities	203,613	(186,094)

18. Notes to the statement of cash flows

	2004	*2003*
	£	*£*
Returns on Investments and Servicing of Finance		
Interest received	10,188	7,548
Capital expenditure		
Payments to acquire tangible fixed assets	211,829	49,891
Financing		
Capital contribution	–	121,025

Notes to the accounts
at 31 March 2004

19. Analysis of changes in cash

	1 April 2003	*Cash flows*	*31 March 2004*
	£	*£*	*£*
Cash in hand and at bank	326,591	1,972	328,563