

SISU Capital Limited

Report and Accounts

31 March 2003



SISU Capital Limited

Registered No: 3413843

Directors

J V Seppala
D J Coleman

Secretary

J V Seppala

Auditors

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Bankers

NatWest Bank
Charing Cross and Piccadilly Circus Branch
Business Centre
2nd Floor Comell House
2a Charing Cross Road
London WC2H 0NN

Solicitors

Simmons & Simmons
CityPoint
1 Ropemaker Street
London EC2Y 9SS

Registered Office

75 Grosvenor Street
London W1X 9DD

Directors' report

The directors present their report and accounts for the year ended 31 March 2003.

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 £21,291 (2002 - £112,732 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 2003 and their interests in the share capital of the company were as follows:

	<i>At 31 March 2003</i>	<i>At 31 March 2002</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
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



Director

29 July 2003

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.

Independent auditors' report

to the members of SISU Capital Limited

We have audited the company's accounts for the period ended 31 March 2003 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 18. 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.

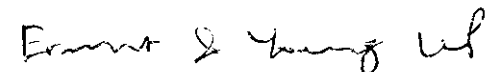
Basis of audit opinion

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 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
29 July 2003

Profit and loss account

for the year ended 31 March 2003

		<i>Year ended 31 March 2003</i>	<i>18 month period ended 31 March 2002</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover			
Reimbursement of expenses	2	1,432,538	2,696,071
Gross profit		<u>1,432,538</u>	<u>2,696,071</u>
Administrative expenses		(1,461,377)	(2,821,672)
Operating loss	3	<u>(28,839)</u>	<u>(125,601)</u>
Bank interest receivable		7,548	12,869
Loss on ordinary activities before taxation		<u>(21,291)</u>	<u>(112,732)</u>
Tax on loss on ordinary activities	6	—	—
Loss on ordinary activities after taxation		<u>(21,291)</u>	<u>(112,732)</u>

Statement of recognised gains and losses

There are no recognised gains or losses other than the loss attributable to the shareholders of the company.

Balance sheet

at 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	7	50,818	26,191
Investments	8	2,112,985	2,215,912
		<u>2,163,803</u>	<u>2,242,103</u>
Current assets			
Debtors	9	280,775	134,994
Cash at bank and in hand		326,591	434,003
		<u>607,366</u>	<u>568,997</u>
Creditors: amounts falling due within one year	10	(35,293)	(72,031)
Net current assets		<u>572,073</u>	<u>496,966</u>
Total assets less current assets		<u>2,735,876</u>	<u>2,739,069</u>
Provisions for liabilities and charges			
Employee Benefit Trust	11	(2,112,985)	(2,215,912)
		<u>622,891</u>	<u>523,157</u>
Capital and reserves			
Ordinary shares	12	25,000	25,000
Preference shares	12	615,000	615,000
Capital contribution	13	181,025	60,000
Profit and loss account	13	(198,134)	(176,843)
Shareholders' funds - equity		<u>622,891</u>	<u>523,157</u>



Director

29 July 2003

Cash flow statement

for the year ended 31 March 2003

		<i>Year ended 31 March 2003</i>	<i>18 month period ended 31 March 2002</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Net cash (outflow)/inflow from operating activities	16	(186,094)	68,746
Returns on investments and servicing of finance	17	7,548	12,869
Taxation	17	–	(4,909)
Capital expenditure	17	(49,891)	(26,807)
Financing	17	121,025	–
(Decrease)/increase in cash	18	<u>(107,412)</u>	<u>49,899</u>

Notes to the accounts

at 31 March 2003

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention.

The accounts do not comply with the requirements to present consolidated accounts of the company and of SISU Capital Limited Partnership and SISU Capital Limited Partnership II (the LPs), as required under s227 of Companies Act 1985 and Financial Reporting Statement 2 (FRS2). This reflects the substance of the state of affairs rather than the legal form. The directors are of the opinion that SISU Capital Limited exerts control over the LPs only for the purpose of being allowed to run the day-to-day affairs of the partnership, without deriving any significant economic benefit. Had the company consolidated the LPs, the "Group" results would have been unaffected, as SCL did not receive a share of the LPs' profit allocation.

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 2003

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:

	<i>Year ended 31 March 2003 £</i>	<i>18 month period ended 31 March 2002 £</i>
Depreciation of owned fixed assets	25,264	43,191
Auditors' remuneration:		
Audit services	13,500	13,500
Non audit services	32,975	99,825
Operating lease rentals:		
Land and buildings	72,948	109,422
Contribution to Employee Benefit Trust	—	1,052,072
	<u> </u>	<u> </u>

4. Staff costs

	<i>Year ended 31 March 2003 £</i>	<i>18 month period ended 31 March 2002 £</i>
Wages and salaries	769,411	812,428
Social security costs	82,668	85,999
	<u> </u>	<u> </u>
	852,079	898,427
	<u> </u>	<u> </u>

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

	<i>No.</i>	<i>No.</i>
Administration/compliance	5	6
Fund management	10	6
	<u> </u>	<u> </u>
	15	12
	<u> </u>	<u> </u>

Notes to the accounts

at 31 March 2003

5. Directors' emoluments

Emoluments paid to or due to directors in respect of the year totalled £46,762 (2002 - £36,000).

In accordance with the terms of the Employee Benefit Trust, amounts payable to directors are at the discretion of the trustees. Until such time as an allocation is made, amounts payable to directors are uncertain, and have not been included in the above emoluments.

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:

	<i>Year ended 31 March 2003 £</i>	<i>18 month period ended 31 March 2002 £</i>
Loss on ordinary activities before tax	(21,291)	(112,732)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK at 20% (2002 - 20%)	(4,045)	(22,546)
Effects of:		
Expenses not deductible for tax purposes	-	2,081
Depreciation on non-qualifying assets	-	1,595
Unrelieved tax losses	4,045	-
Losses carried forward	-	15,029
Capital allowances in excess of depreciation	-	3,841
Current tax charge - note 6(a)	-	-

Notes to the accounts

at 31 March 2003

7. Tangible fixed assets

	Software £	Office equipment £	Furniture and fixtures £	Total £
Cost:				
At 1 April 2002	35,518	49,156	63,711	148,385
Additions	46,350	974	2,567	49,891
At 31 March 2003	81,868	50,130	66,278	198,276
Depreciation:				
At 1 April 2002	30,928	34,612	56,654	122,194
Charge for the period	13,498	6,809	4,957	25,264
At 31 March 2003	44,426	41,421	61,611	147,458
Net book value	37,442	8,709	4,667	50,818
At 31 March 2003				
At 31 March 2002	4,590	14,544	7,057	26,191

8. Investments

Investments held by Employee Benefit Trust

	2003 £	2002 £
Cost:		
At 31 March 2002	2,215,912	1,163,840
Additions	—	1,052,072
Disposals	(102,927)	—
At 31 March 2003	2,112,985	2,215,912

9. Debtors

	2003 £	2002 £
Capital contribution	121,025	—
Other debtors	44,527	44,527
Corporation tax recoverable	4,909	4,909
VAT recoverable	3,784	8,283
Prepayments and accrued income	106,530	77,275
	280,775	134,994

Accrued income includes £49,756 due from the SISU Capital Limited Partnership and £47,243 receivable from SISU Capital Limited Partnership II.

Included within other debtors is an amount of £Nil (2002 - £44,527) which is receivable after more than one year.

Notes to the accounts

at 31 March 2003

10. Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	15,575	47,784
Other taxes and social security	—	—
Other creditors	1,835	976
Accruals	17,883	18,060
Deferred rent credit	—	5,211
	<u>35,293</u>	<u>72,031</u>

11. Employee benefit trust

In accordance with FRS 5 "Reporting the substance of the transaction", the company has provided £2,112,985 (2002 - £2,215,912) 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. Share capital

	<i>Authorised</i> 2003 <i>No.</i>	<i>Issued and fully paid</i> 2003 £	<i>Authorised</i> 2002 <i>No.</i>	<i>Issued and fully paid</i> 2002 £
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.

13. Reconciliation of shareholders' funds and movements on reserves

	<i>Ordinary shares</i> £	<i>Preference shares</i> £	<i>Capital contribution</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 April 2002	25,000	615,000	60,000	(176,843)	523,157
Loss for the year	—	—	—	(21,291)	(21,291)
Capital contribution	—	—	121,025	—	121,025
At 31 March 2003	<u>25,000</u>	<u>615,000</u>	<u>181,025</u>	<u>(198,134)</u>	<u>622,891</u>

Notes to the accounts

at 31 March 2003

14. 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 Ltd. 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.

15. Other financial commitments

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

	<i>Land and buildings</i>	<i>Land and buildings</i>
	<i>2003</i>	<i>2002</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
Less than 5 years	—	78,159

Under the terms of the lease for the company's office premises at 75 Grosvenor Street there was a rent free period from 1 April 1998 to 31 July 1998. The lease was for a five year term and after the rent free period an annual rent of £78,159 was payable quarterly in advance. Lease obligations have been charged on the basis that operating lease payments are amortised over the lease term including the rent free period.

The lease expired on 31 March 2003, but has been extended on a month to month basis whilst the Company searches for new premises.

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

	<i>Year ended</i>	<i>18 month period ended</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2002</i>
	<i>£</i>	<i>£</i>
Operating loss	(28,839)	(125,601)
Depreciation charges	25,264	43,191
(Increase)/decrease in debtors	(145,781)	1,423,896
Decrease in creditors	(36,738)	(1,272,740)
Net cash (outflow)/inflow from operating activities	(186,094)	68,746

Notes to the accounts

at 31 March 2003

17. Gross cash flows

	<i>Year ended 31 March 2003 £</i>	<i>For the period ended 31 March 2002 £</i>
Returns on Investments and Servicing of Finance		
Interest received	7,548	12,869
Taxation		
Corporation tax paid	–	4,909
Capital expenditure		
Payments to acquire tangible fixed assets	49,891	26,807
Financing		
Capital contribution	121,025	–

18. Analysis of changes in cash

	<i>1 April 2002 £000</i>	<i>Cash flows £000</i>	<i>31 March 2003 £000</i>
Cash in hand and at bank	434,003	(107,412)	326,591