

SISU CAPITAL LIMITED

Report and Accounts

30 September 2000

 ERNST & YOUNG



SISU Capital Limited

Registered No. 3413843

DIRECTORS

J V Seppala
D J Coleman

SECRETARY

J V Seppala

AUDITORS

Ernst & Young
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 ONN

SOLICITORS

Simmons & Simmons
21 Wilson Street
London EC2M 2TX

REGISTERED OFFICE

75 Grosvenor Street
London W1X 9DD

 **ERNST & YOUNG**



SISU Capital Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 2000.

RESULTS AND DIVIDENDS

The profit 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 profit of £294,335 (1999 – £109,479 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 30 September 2000 and their interests in the share capital of the company were as follows:

	<i>At 30 September 2000</i>	<i>At 1 October 1999</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 re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

J V Seppala

Director



ERNST & YOUNG

SISU Capital Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year 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.

REPORT OF THE AUDITORS
to the members of SISU Capital Limited

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

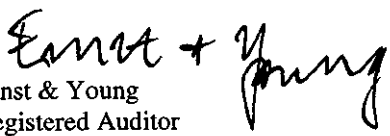
Basis of opinion

We conducted our audit in accordance with 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 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
London

20.1.01

SISU Capital Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 2000

	Notes	2000 £	1999 £
TURNOVER			
Share of Partnership income	2	2,311,400	591,421
GROSS PROFIT		2,311,400	591,421
Administrative expenses		(2,021,819)	(707,156)
OPERATING PROFIT/(LOSS)	3	289,581	(115,735)
Bank interest receivable		4,754	6,256
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		294,335	(109,479)
Tax on profit/(loss) on ordinary activities	6	—	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		294,335	(109,479)

STATEMENT OF RECOGNISED GAINS AND LOSSES

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

SISU Capital Limited

BALANCE SHEET at 30 September 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	7	42,575	61,817
CURRENT ASSETS			
Debtors	8	1,553,981	238,376
Cash at bank and in hand		384,104	182,813
		<u>1,938,085</u>	<u>421,189</u>
CREDITORS: amounts falling due within one year	9	(1,336,955)	(163,379)
NET CURRENT ASSETS		<u>601,130</u>	<u>257,810</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>643,705</u>	<u>319,627</u>
CREDITORS: amounts falling due after more than one year	10	(7,816)	(38,073)
		<u>635,889</u>	<u>281,554</u>
CAPITAL AND RESERVES			
Ordinary shares	11	25,000	25,000
Preference shares	11	615,000	615,000
Capital contribution	12	60,000	-
Profit and loss account	12	(64,111)	(358,446)
SHAREHOLDERS' FUNDS - EQUITY		<u>635,889</u>	<u>281,554</u>

J V Sappala
Director

SISU Capital Limited

CASH FLOW STATEMENT

for the year ended 30 September 2000

	<i>Notes</i>	<i>2000</i> £	<i>1999</i> £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	147,689	(143,679)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	16	4,754	6,256
TAXATION		—	780
CAPITAL EXPENDITURE	16	(11,152)	(8,786)
FINANCING	16	60,000	153,750
INCREASE IN CASH		<u>201,291</u>	<u>8,321</u>

SISU Capital Limited

NOTES TO THE ACCOUNTS

at 30 September 2000

1. ACCOUNTING POLICIES

Fixed assets

All fixed assets are recorded 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.

Leasing commitments

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

2. TURNOVER

Turnover, which is stated net of value added tax, is attributable to one continuing activity, the supply of investment management services. Fees are recognised once receivable.

In the year all turnover arose on the supply of services to a Cayman Island based fund.

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

	2000 £	1999 £
Depreciation of owned fixed assets	30,394	27,607
Auditors' remuneration:		
Audit services	12,295	9,000
Non audit services	2,000	3,000
Operating lease rentals:		
Land and buildings	72,948	72,948

4. STAFF COSTS

	2000 £	1999 £
Wages and salaries	549,594	351,068
Contribution to Employee Benefit Trust	1,163,840	-
Social security costs	51,342	38,336
	<u>1,764,776</u>	<u>389,404</u>

SISU Capital Limited

NOTES TO THE ACCOUNTS

at 30 September 2000

4. STAFF COSTS (continued)

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

	2000 No.	1999 No.
Administration/compliance	4	4
Fund management	4	4
	<u>8</u>	<u>8</u>

5. DIRECTORS' EMOLUMENTS

Emoluments paid to or due to directors in respect of the year totalled £24,000 (1999 - £60,000).

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

No UK corporation tax is due in respect of the year ended 30 September 2000 (1999 - £Nil)

7. TANGIBLE FIXED ASSETS

	Software £	Office equipment £	Furniture and fixtures £	Total £
Cost:				
At 1 October 1999	30,748	26,623	53,055	110,426
Additions	604	6,959	3,589	11,152
At 30 September 2000	<u>31,352</u>	<u>33,582</u>	<u>56,644</u>	<u>121,578</u>
Depreciation:				
At 1 October 1999	13,937	11,447	23,225	48,609
Charge for the year	7,838	8,395	14,161	30,394
At 30 September 2000	<u>21,775</u>	<u>19,842</u>	<u>37,386</u>	<u>79,003</u>
Net book value	<u>9,577</u>	<u>13,740</u>	<u>19,258</u>	<u>42,575</u>
At 30 September 2000				
At 1 October 1999	<u>16,811</u>	<u>15,176</u>	<u>29,830</u>	<u>61,817</u>

SISU Capital Limited

NOTES TO THE ACCOUNTS

at 30 September 2000

8. DEBTORS

	2000	1999
	£	£
Trade debtors	126,658	155,962
Other debtors	69,573	69,873
VAT recoverable	—	2,125
Prepayments and accrued income	1,357,750	10,416
	<u>1,553,981</u>	<u>238,376</u>

Accrued income of £1,342,014 is due from the SISU Capital Limited Partnership.

Included within other debtors is an amount of £69,573 (1999 - £69,573) which is receivable after more than one year.

9. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Trade creditors	8,659	4,086
Corporation tax	—	—
Other taxes and social security	2,516	13,380
Other creditors	25,046	1,230
Accruals	1,295,523	139,473
Provisions for liabilities and charges	5,211	5,210
	<u>1,336,955</u>	<u>163,379</u>

10. CREDITORS: amounts falling due after more than one year

	2000	1999
	£	£
Other creditors	—	25,046
Provision for liabilities and charges	7,816	13,027
	<u>7,816</u>	<u>38,073</u>

SISU Capital Limited

NOTES TO THE ACCOUNTS

at 30 September 2000

11. SHARE CAPITAL

	<i>Authorised 2000 No.</i>	<i>Issued and fully paid 2000 £</i>	<i>Authorised 1999 No.</i>	<i>Issued and fully paid 1999 £</i>
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 redeemable preference shares, are redeemable at par in three annual tranches, from the fifth anniversary of issue which was 1998, providing that fee income has exceeded levels laid out in the shareholder agreement.

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

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

12. 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 October 1999	25,000	615,000	—	(358,446)	281,554
Capital contribution	—	—	60,000	—	60,000
Profit for the year	—	—	—	294,335	294,335
At 30 September 2000	25,000	615,000	60,000	(64,111)	635,889

13. 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. The company is the general partner of the SISU Capital Limited Partnership which provides investment management services to the SISU Capital Fund Limited. The limited partners are J V Seppala, D J Coleman and Wynacre Limited.

SISU Capital Limited

NOTES TO THE ACCOUNTS

at 30 September 2000

14. OTHER FINANCIAL COMMITMENTS

At 30 September the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>Land and buildings 2000 £</i>	<i>Land and buildings 1999 £</i>
Operating leases which expire:		
Less than 5 years	78,159	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 is for a five year term and after the rent free period an annual rent of £78,159 is payable quarterly in advance on the usual quarter days in each year. Lease obligations are being charged on the basis that operating lease payments are amortised over the lease term including the rent free period.

15. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	<i>2000 £</i>	<i>1999 £</i>
Operating profit/(loss)	289,581	(115,735)
Depreciation charges	30,394	27,607
Increase in debtors	(1,315,605)	(161,880)
Increase in creditors	1,143,319	106,329
Net cash inflow/(outflow) from operating activities	147,689	(143,679)

16. GROSS CASH FLOWS

	<i>2000 £</i>	<i>1999 £</i>
Returns on Investments and Servicing of Finance		
Interest received	4,754	6,256
Capital expenditure		
Payments to acquire tangible fixed assets	11,152	8,786
Financing		
Capital contribution	60,000	—
Issue of preference share capital	—	153,750
	60,000	153,750

17. ANALYSIS OF CHANGES IN CASH

	<i>30 September 1999 £000</i>	<i>Cash flows 2000 £000</i>	<i>30 September 2000 £000</i>
Cash in hand and at bank	182,813	201,291	384,104