

SEI Investments (Europe) Limited

Financial Statements
for the year ended 31 December 2002

Registered number: 3765319



Directors' report

For the year ended 31 December 2002

The directors present their annual report on the affairs of SEI Investments (Europe) Limited ("the Company"), together with the accounts and auditors' report, for the year ended 31 December 2002.

Principal activities

The principal activity of the Company comprises of asset management services operating through the Company's London offices.

Business review

SEI Investments (Europe) Limited continued to capitalise on three major trends in the global marketplace: privatisation of pension funds, increased wealth accumulation among affluent investors and the elimination of barriers to global investing. Using the same asset management disciplines that have benefited U.S. clients, SEI Investments (Europe) Limited provide investment management programs tailored to the needs of institutional and affluent individual investors. Both the level of business and the year end financial position were satisfactory and the directors expect an increased level of business activity in the future.

During the year, the Company issued a further 7,300,000 £1 ordinary shares with the Company remaining wholly controlled by the parent company. Details of significant events since the balance sheet date are contained in note 19 to the accounts.

The directors of the Company have also received a letter of support from SEI Investments Company, who control the Company, which provides that SEI Investments Company will continue to ensure that the Company has sufficient financial resources for the 12 month period subsequent to the date of these financial statements and will support the Company until it makes a profit.

Results and dividends

The audited accounts for the year ended 31 December 2002 are set out on pages 6 to 15. The result for the year after taxation was a loss of £5,536,227. (2001: loss of £4,277,214).

The directors did not recommend any dividend payments to be made for the year (2001: nil).

Directors

The directors who served during the year were as follows:

Todd Cipperman
Carl Guarino
Joseph Ujobai
Patrick Disney
Robert Nesher

Directors' report (continued)

For the year ended 31 December 2002

Directors' interests The directors who held office at 31 December 2002 had no interests in the shares of SEI Investments (Europe) Limited. The Company is a wholly owned subsidiary of SEI Investments Company. The following is a list of directors that have share options in the ultimate parent company, SEI Investments Company.

Director	Number of share options at 12/31/2001	Number of share options exercisable at 12/31/01	Share options granted during 2002	Share options exercised during 2002	Number of share options at 12/31/2002	Number of share options exercisable at 12/31/02
Todd Cipperman	126,000	78,000	6,000	--	132,000	102,000
Carl Guarino	517,000	454,000	20,000	106,000	431,000	373,500
Joseph Ujobai	106,500	--	30,000	--	126,500	34,500
Patrick Disney	76,000	30,000	20,000	--	96,000	60,000
Robert Nesher	88,000	63,500	4,000	--	92,000	78,000

Mr. Guarino exercised 106,000 shares at an average market price of \$26.87 and a cost of \$2.48

The following is a list of directors that have ordinary shares in the ultimate parent company, SEI Investments Company
The following :

Director	2002	2001
Todd Cipperman	1,857	1,228
Carl Guarino	411,769	360,386
Joseph Ujobai	5,807	4,773
Patrick Disney	1,400	900
Robert Nesher	288,526	288,526

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Directors' responsibilities

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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;

Directors' report (continued)

For the year ended 31 December 2002

- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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 which enables them to ensure that the 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.

SEI Investments (Europe) Limited
4th Floor, The Economist Building
25 St James's Street
London
SW1A 1HA

By order of the Board,



Patrick Disney
Director
29 April 2003

Independent auditors' report

Independent auditors' report to the members of SEI Investments (Europe) Limited

We have audited the financial statements which comprises the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with the Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers LLP', is written in dark ink.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

29 April 2003

3765319

Profit and loss account

For the year ended 31 December 2002

	Notes	Year ended 2002 £	Year ended 2001 £
Turnover	2	7,727,611	5,092,287
Operating expenses		(13,361,740)	(9,425,305)
Operating loss		(5,634,129)	(4,333,018)
Interest receivable	3	97,902	55,804
Loss on ordinary activities before taxation	4	(5,536,227)	(4,277,214)
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year		<u>(5,536,227)</u>	<u>(4,277,214)</u>

All activities derive from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(5,536,227)	(4,277,214)
Total recognised losses relating to the year	(5,536,227)	(4,277,214)
Total losses recognised since last annual report	(5,536,227)	(4,277,214)

The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet

As at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	8	<u>260,821</u>	<u>297,673</u>
Current assets			
Debtors	9	1,389,053	1,277,059
Investments	10	8,718	10,000
Cash at bank and in hand		<u>4,204,530</u>	<u>3,191,107</u>
		5,602,301	4,468,166
Creditors: Amounts falling due within one year	11	<u>(3,265,801)</u>	<u>(3,942,291)</u>
Net assets		<u>2,597,321</u>	<u>833,548</u>
Capital and reserves			
Called-up share capital	12	11,800,000	4,500,000
Profit and loss account		<u>(9,202,679)</u>	<u>(3,666,452)</u>
Total shareholders' funds	13	<u>2,597,321</u>	<u>833,548</u>

The accounts on pages 6 to 15 were approved by the board of directors on 29 April 2003 and were signed on its behalf by:



Patrick Disney
Director

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts

For the year ended 31 December 2002

1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	10 years

Deferred taxation

Financial Reporting Standard 19 'Deferred tax' (FRS 19) has been adopted during the year. The Standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. There is no material effect on current and prior year loss after tax as under the previous accounting policy deferred tax was provided in full for such items. The additional disclosures required by FRS are provided in Note 5 to the Financial Statements.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

A deferred tax asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Cash Flow Statement

The Company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 (revised 1996) because it is a wholly owned subsidiary of SEI Investments Company which prepares consolidated accounts which are publicly available.

Turnover

Turnover is recognised on an accrual basis.

Notes to the accounts (continued)

For the year ended 31 December 2002

Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investments

Investments held are considered current assets and are stated at market value, with the change from historical cost included in the profit and loss account.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the year to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter year is used.

2. Turnover

Turnover represents investment advisory services and is recognised on an accrual basis.

	2002 £	2001 £
Fees for advisory services	7,727,611	5,092,287

3. Interest receivable

During the year ended 31 December 2002, interest income of £97,902 (2001: £55,804) was earned on a UK Treasury Reserve deposits and deposits with banks.

4. Result on ordinary activities before taxation

The result on ordinary activities before taxation is stated after charging:

	2002 £	2001 £
Auditors' remuneration for audit services	6,849	18,000
Auditors' remuneration for non-audit services	11,734	13,200
Depreciation and amounts written off tangible fixed assets – owned	78,357	63,745
Operating lease rentals	1,143,413	740,846
Loss on investment	1,282	--

Notes to the accounts (continued)

For the year ended 31 December 2002

5. Tax on loss on ordinary activities

	2002	2001
	£	£
(a) UK corporation tax on losses for the year	--	--

The charge for corporation tax and the credit for deferred tax have been calculated by reference to corporation tax at a rate of 30% (2001: 30%)

(b) Factors affecting tax charge for the year	2002	2001
	£	£
Loss on ordinary activities before tax	(5,536,227)	(4,277,214)
Loss on ordinary activities multiplied by corporation tax at the UK standard rate of 30% (2001:30%)	(1,660,868)	(1,283,164)
Effects of:		
Losses carried forward from prior year	(2,479,622)	(1,213,521)
Depreciation	23,507	7,175
Expenses not deductible for tax purposes	4,520	4,976
Tax losses carried forward	4,112,463	2,475,102
Current tax charge for the year	--	--

At 31 December 2002 there is an unrecognised deferred tax asset measured at the standard rate of corporation tax of 30% of £4,112,463 (2001: £2,475,102). It has not been recognised as the Company cannot predict with certainty when profits will be generated.

Notes to the accounts (continued)

For the year ended 31 December 2002

6. Staff costs

The average number of employees (including executive directors) during the year was:

	2002 Number	2001 Number
Investment Management	7	6
Sales	10	5
Administration	13	6
	<u>30</u>	<u>17</u>

Their aggregate remuneration comprised:

	2002 £	2001 £
Wages and salaries	3,157,151	2,350,344
Social security costs	683,917	700,325
Other pension costs (see note 14)	133,437	114,425
	<u>3,974,505</u>	<u>3,165,094</u>

7. Directors' remuneration and transactions*Remuneration*

The remuneration of the directors included in staff costs above was as follows:

	2002 £	2001 £
Emoluments	432,500	661,388
Company contributions to money purchase pension schemes	<u>16,204</u>	<u>16,204</u>

Pensions

The number of directors who were members of pension schemes during the year was 2 (2001: 2).

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2002 £	2001 £
Emoluments	232,500	404,212
Company contributions to money purchase schemes	<u>12,468</u>	<u>4,729</u>
	<u>244,468</u>	<u>408,941</u>

Notes to the accounts (continued)

For the year ended 31 December 2002

8. Tangible fixed assets

	Computer equipment £	Office furniture £	Leasehold improvements £	Total £
Cost or valuation				
At 1 January 2002	80,474	185,043	116,829	382,346
Additions	20,493	16,452	7,515	44,460
Retirements	--	(8,812)		(8,812)
At 31 December 2002	100,967	192,683	124,344	417,994
Depreciation				
At 1 January 2002	36,035	40,783	7,855	84,673
Charge for the year	28,453	38,221	11,683	78,357
Retirements	--	(5,857)	--	(5,857)
At 31 December 2002	64,488	73,147	19,538	157,173
Net book value				
At 31 December 2001	44,439	144,260	108,974	297,673
At 31 December 2002	36,479	119,536	104,806	260,821

9. Debtors

	2002 £	2001 £
VAT receivable	16,568	281,181
Prepayments and accrued income	584,707	176,460
Amounts due from group companies	43,762	--
Trade debtors	744,016	819,418
	<u>1,389,053</u>	<u>1,277,059</u>

10. Investments

Investments represent investments in SEI Investments sponsored funds and were originally purchased for £10,000 and had a market value of £8,718 and £10,000 at 31 December 2002 and 2001, respectively.

11. Creditors: Amounts falling due within one year

	2002 £	2001 £
Other taxation and social security	34,635	33,473
Amounts owed to the parent	1,883,232	2,137,294
Accruals and deferred income	1,347,934	1,771,524
	<u>3,265,801</u>	<u>3,942,291</u>

Notes to the accounts (continued)

For the year ended 31 December 2002

12. Called-up share capital

	2002 £	2001 £
<i>Authorised</i>		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
11,800,000 ordinary shares of £1 each	<u>11,800,000</u>	<u>4,500,000</u>

During the year the Company allotted 7,300,000 ordinary shares with a nominal value of £1 for forgiveness of £4,500,000 of intercompany debt and £2,300,000 for cash consideration.

13. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Loss for the year	(5,536,227)	(4,277,214)
Issue of ordinary share capital	7,300,000	3,450,000
Capital contribution	-	-
Net addition to shareholders' funds	<u>1,763,773</u>	<u>(827,214)</u>
Opening shareholders' funds	<u>833,548</u>	<u>1,660,762</u>
Closing shareholders' funds	<u>2,597,321</u>	<u>833,548</u>

	Called up share capital £	Profit and loss Account £	Total equity shareholders funds £
At 1 January 2002	4,500,000	(3,666,452)	833,548
Loss for the year	-	(5,536,227)	(5,536,227)
Issue of ordinary share capital	7,300,000	-	7,300,000
At 31 December 2002	<u>11,800,000</u>	<u>(9,202,679)</u>	<u>2,597,231</u>

14. Pension arrangements

The Company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £133,437 (2001: £114,425).

Notes to the accounts (continued)

For the year ended 31 December 2002

15. Ultimate controlling party

The directors regard SEI Global Investment Corporation, a company incorporated in the United States of America, as the parent company and 100 percent owner of SEI Investments (Europe) Limited. SEI Investments Company is the ultimate parent company and 100 percent owner of SEI Global Investment Corp. Copies of the accounts of SEI Investments Company are available from One Freedom Valley Drive, Oaks, Pennsylvania, USA 19456.

16. Lease commitments

At 31 December 2002, the company has annual commitments under non-cancellable operating leases expiring as follows:

	2002	2001
Within one year	£ 447,572	£ 406,275
Within two to five years	386,918	244,084
After five years	--	--
	<u>£834,490</u>	<u>£650,359</u>

17. Related party transactions

As a subsidiary undertaking of SEI Investments Company, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by SEI Investments Company. Apart from intergroup transactions, no related parties transactions were entered into.

18. Financial resources

The directors of the Company have also received a letter of support from SEI Investments Company, who controls the Company, which provides that SEI Investments Company will continue to ensure that the Company has sufficient financial resources to meet FSA's regulatory requirements for the 12 month period subsequent to the date of these financial statements.

19. Subsequent event

On 26 March 2003 the Company allotted 2,000,000 ordinary shares with a nominal value of £1 for forgiveness of £2,000,000 of intercompany debt.