

Annual Report & Financial Statements

31 December 2011



LCF
EDMOND DE ROTHSCHILD
ASSET MANAGEMENT LIMITED

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

Contents

	<u>Pages</u>
Officers and Professional Advisers	1
Directors' Report	2-3
Independent Auditors' Report	4-5
Profit and Loss Account	6
Statement of Retained Profits	6
Balance Sheet	7
Notes to the Financial Statements	8-12

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Mr. J B A Alexander (Retired 23 August 2011) Mr R M. Sopher Mr. R H. Briance Mr. P J. R Maddison Mr. D Van Duijn
Company Secretary	Mr P J R Maddison
Registered Office	Orion House 5 Upper St. Martin's Lane London WC2H 9EA
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT
Bankers	Lloyds TSB Bank Plc 25 Gresham Street London EC2V 7HN
Regulator	Financial Services Authority FSA Firm Code 144038

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of LCF Edmond de Rothschild Asset Management Limited, Company Number 1831706, ("the Company") for the year ended 31 December 2011.

1. BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company has continued to advise several multi-manager investment funds. The results for the Company are set out in the profit and loss account on page 6, which shows a profit on ordinary activities before tax for the year of £4.8 million (2010 £5.3m), on turnover of £10.6 million (2010 £8.3m). The management uses income and overall profitability to monitor the business, and they consider the year end financial position to be satisfactory.

2. BUSINESS ENVIRONMENT AND STRATEGY

The Company is operating in a more stable environment than of late. The Company will continue to develop its strategy of seeking out opportunities to offer its expertise in the selection of investment managers.

3. PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks of the Company are its dependence on a small number of clients, each of which is therefore significant, and its exposure to earnings in other currencies. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. The Company does not use any complex financial derivatives to manage risks. The Company's overall financial risk management strategy and activities are coordinated with the risk management activities of the immediate parent company (see note 14 below), which are described in more detail in those financial statements. The directors are satisfied that the Company has sufficient financial resources to pursue its activities.

4. DIVIDENDS

A dividend of £4,000,000 (£16 per share) in relation to the year ended 31 December 2011 was paid on 30 May 2011 (2010 – £5,000,000 £20 per share). No further dividend in relation to the year has been proposed. The profit for the financial year of £3,968,301 (2010 – profit £3,980,717) was transferred to reserves.

5. DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Independent Auditor's Report on page 4, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 2006 to prepare financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) of the state of affairs of the Company at the end of the financial year and of the profit or loss, for the financial year.

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT (Continued)

The directors consider that in preparing the financial statements set out on pages 6 to 12, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed (see Note 1 (a)), and that the financial statements have been prepared on the going concern basis

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 2006

6. DIRECTORS

The present membership of the Board is set out on Page 1 Mr. J Alexander resigned on 23 August 2011. There were no other changes during the year

7. STATEMENT OF DISCLOSURE TO INDEPENDENT AUDITORS

So far as the directors are aware, there is no relevant information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware. The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Unaudited Pillar 3 disclosures can be found at [http //www lcfr co uk/en/Pillar3.pdf](http://www.lcfr.co.uk/en/Pillar3.pdf)

BY ORDER OF THE BOARD



P. J. R. Maddison
Company Secretary

20 March 2012

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

We have audited the financial statements of LCF Edmond de Rothschild Asset Management Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Retained profits, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2-3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Jeremy Foster

Jeremy Foster (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, *22 March 2012*

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	10,571,648	8,264,726
Administrative expenses	3	(5,756,918)	(3,000,542)
Operating profit		4,814,730	5,264,184
Interest receivable and similar income		3,037	16,011
Profit on ordinary activities before taxation		4,817,767	5,280,195
Tax on profit on ordinary activities	6	(849,466)	(1,299,478)
Profit on ordinary activities after taxation		3,968,301	3,980,717

STATEMENT OF RETAINED PROFITS

	Notes	2011 £	2010 £
Balance at 1 January		5,055,558	6,074,841
Retained Profit for the financial year		3,968,301	3,980,717
Dividends	11	(4,000,000)	(5,000,000)
Balance at 31 December		£5,023,859	£5,055,558

There are no movements in shareholders' funds other than in respect of retained profit

The operating profit of the Company is derived entirely from continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

The Company has no recognised gains and losses other than those included in the profit and loss account, and therefore no separate statement of recognised gains and losses has been presented.

The notes on pages 8 to 12 form part of these financial statements

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011	2010
		£	£
FIXED ASSETS			
Investments	7	84,195	84,195
CURRENT ASSETS			
Debtors	8	5,668,393	5,194,405
Cash at bank		421,270	519,961
		<u>6,089,663</u>	<u>5,714,366</u>
CREDITORS			
Amounts falling due within one year	9	(899,999)	(493,003)
Net current assets		5,189,664	5,221,363
Total assets less current liabilities		<u><u>£5,273,859</u></u>	<u><u>£5,305,558</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	250,000	250,000
Profit and loss account		5,023,859	5,055,558
Total shareholders' funds		<u><u>£5,273,859</u></u>	<u><u>£5,305,558</u></u>

These financial statements on pages 6 to 12 were approved by the Board at its meeting on 7 March 2012 and were signed on its behalf by

 20/3/12
R H Briance (Director)

 20/3/12
P J R Maddison (Director)

The notes on pages 8 to 12 form part of these financial statements

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(b) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the month in which the transaction occurred. Profits and losses on exchange arising in the ordinary course of business are taken to the profit and loss account.

(c) Turnover

Turnover represents fees charged for the provision of advisory services net of retrocessions payable to counterparties recognised on an accruals basis. The balance is stated exclusive of VAT and other related taxes.

Performance fees and final dividends receivable are recorded on a cash basis when final calculations are not available at year end.

(d) Fixed Asset Investments

Investments, which are held as fixed assets, are included in the balance sheet at cost. The directors believe that the carrying value of the investments is supported by their underlying net assets.

(e) Debtors and Creditors

Trade debtors relate to unpaid fees and invoices for services provided. Amounts owed by Group companies relate to LCF Edmond de Rothschild Securities Limited, a fellow subsidiary company. The creditors relate to retrocessions to be paid in accordance with normal business arrangements.

(f) Taxation

The charge for taxation is based on the profit for the year, as adjusted for disallowable items. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. Full provision is made for all tax timing differences.

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

(g) Cash Flow Statement

As permitted by FRS 1 (revised 1996) "Cashflow Statements", these financial statements do not include a cash flow statement, because the consolidated financial statements of Edmond de Rothschild Limited, which include this company as a wholly owned subsidiary and which are publicly available, include a consolidated cash flow statement dealing with the cash flows of the group.

(h) Related Party Disclosure

Advantage has been taken of the exemption in FRS 8, which permits a wholly owned subsidiary undertaking, which is included in the consolidated financial statements of a group, which are publicly available, from disclosing any transactions with other entities which are wholly owned within the group

(i) Financial Instruments Disclosure

Advantage has been taken of the exemption in FRS 29 which permits a subsidiary where at least 90% of the voting rights are held within the group, to omit disclosures concerning financial instruments under that standard.

2 SEGMENTAL AND GEOGRAPHICAL ANALYSIS

The Company's services are provided to a world market and the Company operates in one category of business, that of the provision of advisory financial services. Further segmental information is provided in the accounts of the ultimate parent

3 ADMINISTRATIVE EXPENSES

Administrative expenses include a management charge of £5,700,000 (2010 - £3,000,000) from the immediate parent company This includes directors' emoluments for management services, as detailed below, and audit fees of £30,000 (2010 - £29,000).

4 DIRECTORS' EMOLUMENTS

	2011	2010
	£	£
Aggregate emoluments	2,592,283	2,361,751
Aggregate value of company contributions to defined contribution pension scheme (in respect of 5 directors) (2010:5)	29,534	26,548
	<u>2,621,817</u>	<u>2,388,299</u>
Highest paid director		
Aggregate emoluments	1,916,198	973,690
Company pension contributions to defined contribution pension	10,779	9,432

The notes on pages 8 to 12 form part of these financial statements

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2011

5 EMPLOYEES

No staff were employed directly by the Company during the year (2010 – None)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011	2010
	£	£
Profit on ordinary activities before tax	4,817,767	5,280,195
Profit on ordinary activities multiplied by standard rate in UK 26.5% (2010 - 28%)	1,276,708	1,478,455
Effect of Group Relief	(427,242)	0
Adjustments in respect of prior periods	0	(178,977)
Current tax charge for the year	£849,466	£1,299,478

The standard rate of Corporate Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26.5% and will be taxed at 25% in the future. There are no deferred tax assets/liabilities (2010 – none)

7 FIXED ASSET INVESTMENTS

<u>Name</u>	<u>Country of Registration or Incorporation</u>	<u>Description and amount of Shares Held</u>	<u>Proportion of Nominal Value of Issued Shares Held</u>	<u>Principal Activity</u>
-------------	---	--	--	-------------------------------

(a) Held by the Company and included in the balance sheet at cost:

Other Investments

ACH Management S A	Luxembourg	300 Ordinary Shares of EUR 41.67 each	10%	Fund Adviser
ECH Investments Limited	Cayman Islands	5,000 Ordinary Shares of EUR 1 each	5%	Fund Adviser
ECH Investments Limited	Cayman Islands	7,500 Preference 'E' Shares of EUR 1 each	100%	Fund Adviser
ECH Investments Limited	Cayman Islands	778 Participating Preferred Shares of EUR 1 each	77.8%	Fund Adviser
L C H Investments N V	Curaçao	5 Ordinary Shares of USD 1 each	0.5%	Fund Adviser

The notes on pages 8 to 12 form part of these financial statements

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2011**

7 FIXED ASSET INVESTMENTS (Continued)

(b)	Other Investments £
Cost and net book value	
At 1 January 2011	84,195
Addition	<u>0</u>
At 31 December 2011	<u>84,195</u>
At 31 December 2010	<u>84,195</u>

8 DEBTORS

	2011 £	2010 £
Trade debtors		
- group companies	272,338	344,221
- other companies	4,946,910	2,298,311
Other amounts owed by group companies	449,145	2,551,873
	<u>£5,668,393</u>	<u>£5,194,405</u>

9 CREDITORS - amounts falling due within one year

	2011 £	2010 £
Retrocessions payable	<u>899,999</u>	<u>493,003</u>

10 CALLED UP SHARE CAPITAL

	<u>Ordinary Shares of £1 each</u>	
	2011 £	2010 £
250,000 (2010: 250,000) Shares Authorised, allotted and fully paid	<u>£250,000</u>	<u>£250,000</u>

The notes on pages 8 to 12 form part of these financial statements

LCF EDMOND DE ROTHSCHILD ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2011

11 DIVIDENDS

	2011 £	2010 £
Ordinary final dividend paid in the year £16 per share (2010 £20 per share)	<u>£4,000,000</u>	<u>£5,000,000</u>

12 RELATED PARTY TRANSACTIONS

	2011 £	2010 £
Transactions with ECH Investments Ltd		
- Dividends received	2,378,576	1,618,737
- Fees and recoverable expenses received	13,483	17,340
	<u>£2,392,059</u>	<u>£1,636,077</u>

LCF Edmond de Rothschild Asset Management Limited provides services to ECH Investments Ltd. The ultimate controlling party of LCF Edmond de Rothschild Asset Management Limited has a controlling shareholding in ECH Investments Ltd, and it is accordingly consolidated into the ultimate controlling party's accounts

13 CONTINGENT LIABILITIES

There are no contingent liabilities known to the directors (2010 – Nil)

14 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Edmond de Rothschild Limited

The ultimate parent undertaking and controlling party is Edmond de Rothschild Holding S A , a company incorporated in Switzerland.

Edmond de Rothschild Holding S A is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Edmond de Rothschild Holding S.A can be obtained from Edmond de Rothschild Holding S A , Case Postale 5254, 1211 Genève 11, Switzerland

Edmond de Rothschild Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Edmond de Rothschild Ltd can be obtained from Edmond de Rothschild Ltd, Orion House, 5 Upper St. Martin's Lane, London WC2H 9EA