

Registered Number 02190813



SARASIN INVESTMENT FUNDS LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended
31 DECEMBER 2012

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REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2012

DIRECTORS

H Grossmann
G V Matthews (Chief Executive Officer)
N Ossenbrink (Chairman)
S M Rivett-Carnac

COMPANY SECRETARY

N C Evans

REGISTERED OFFICE

Juxon House
100 St Paul's Churchyard
London EC4M 8BU

BANKERS

The Royal Bank of Scotland plc

AUDITORS

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

BUSINESS ADVISERS

Smith & Williamson Limited
Chartered Accountants
25 Moorgate
London EC2R 6AY

LAWYERS

Speechly Bircham LLP
6 New Street Square
London EC4A 3LX

REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2012

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DIRECTORS' REPORT

For the year ended 31 December 2012

The Directors submit their report and accounts for Sarasin Investment Funds Limited ("the Company") for the year ended 31 December 2012

Activities

The principal activity of Sarasin Investment Funds Limited (the Company) is that of an Authorised Corporate Director ("ACD") of Sarasin Funds ICVC, an Open Ended Investment Company ("OEIC") with twelve sub-funds, the Sarasin Fund of Funds OEIC, an OEIC with two sub-funds, and, the Sarasin Fund for Charities, an OEIC with one sub-fund. The Company is Manager of the Alpha CIF for Endowments and the Alpha CIF for Income & Reserves, common investment funds suitable for charities and also acts as ACD for the Mazener Fund.

The Company was regulated during the year by the Financial Services Authority ("FSA"). On 01 April 2013 the Financial Conduct Authority replaced the Financial Services Authority as the Company's regulator in respect of the conduct of its investment business.

Review of Affairs

2012 was a successful year of strong returns from riskier assets, driven by generous liquidity. A recovering US housing market, a dramatic narrowing of Spanish and Italian bond yields and rising asset prices suggest that US Federal Reserve and European Central Bank policy is gaining traction.

Whilst uncertainty remained a factor throughout the year, particularly in the second quarter with the Eurozone seemingly on the brink and later in the year with the US facing the "fiscal cliff", all funds were priced and accepted dealing on all business days without suspension and the Company's Fair Value Price ("FVP") policy was not invoked on any occasion.

The Company has achieved profit growth due in large part to fund performance. The following analysis relates the performance of the Company to that of the underlying funds in respect of which it acts as ACD or Manager.

Considering the year in full, flows into the ICVC funds have been disappointing on a net basis with a net outflow of over £110m which, when factoring in some positive performance figures, resulted in an overall stagnation of total assets under management ("AuM") at £1.7bn. Viewing the funds individually, one product stands out from the others as the outstanding contributory inflow of the ICVC, International Equity Income ("IEI"). The un-hedged and sterling-hedged versions of the strategy attracted net inflows in excess of £27m during the year. Other global equity funds suffered an opposite fate with EquiSar Global Thematic shedding £83m, EquiSar IIRD £22m and AgriSar, having attracted large inflows in previous years, losing £18m in outflows during 2012. GlobalSar – Cautious also suffered net outflows of £30m during the year. Flows across UK equity funds, and socially responsible global equity funds, were largely neutral.

These flow figures belie the fact that, for most sub-funds, double-digit absolute performance was generated in the calendar year. The strongest performing funds were UK equity funds with performance figures of 13% and 20% on the Thematic and Thematic Opportunities funds. Both were ahead of benchmark, particularly so in the case of the Opportunities fund (9.3% ahead). IEI rewarded its subscribers by generating 10.8% performance (14.5% on the Sterling Hedged Fund) which brought it roughly in line with benchmark. EquiSar enjoyed a reasonable 2012 with 9% and 14% growth on un-hedged and sterling-hedged versions although this was under benchmark (-2%) for the year despite making up some lost ground on this strategy toward the end of the year. The Sarasin Fund of Funds OEIC launched in June 2012 and assets had grown to £30m across two sub-funds by the year end.

The Alpha CIF funds broke through the £1bn mark for combined AuM, with both funds having attracted large net inflows during the year (Endowments £84m and Income & Reserves £16m). Both funds had strong years in performance terms (12% and 10% growth, respectively), ending the year ahead of benchmark (1% and 6%, respectively) meaning that ground lost in 2011 had been recovered.

Risk Management

Assessing and assuming risks are an integral part of the Sarasin UK group's asset management business. The achievement of a reasonable return on any investment inevitably entails a degree of risk tolerance in the long run, and it is particularly important to have a full overview of total risk exposure of your investment at all times. The Bank Sarasin & Cie AG ("Bank Sarasin") group of companies ("Sarasin") therefore employs a clearly defined, transparent and integrated system of risk management covering all its business segments, which it continuously updates to accommodate new developments. This obviously requires considerable human and technological resources. Given the volatility of financial markets, the quality of risk management has become a crucial competitive factor in our industry. Active risk management minimises undesirable risks and allows the capital of Sarasin (UK) Limited and subsidiary companies (the "Group") to be employed more efficiently to the benefit of shareholders and all other stakeholders. Risk management is therefore a vital link in the value creation chain, as it flags up real and potential risks for the Group's decision-makers.

DIRECTORS' REPORT

For the year ended 31 December 2012

Risk Management (continued)

The Company is part of a Group that has a policy of identifying and controlling risk. The Group approach to risk management is discussed in detail in the Group's annual report and financial statements, which does not form part of this report.

The principal risks and uncertainties facing the Company due to its role as ACD and Manager are set out below. The risks and their management are discussed more fully in the Group annual report and financial statements.

Market Risk

Market risk refers to the risk of a loss due to changes in the market prices of securities. The Asset Management unit utilises a variety of tools to limit these risks for the benefit of our clients. Tools used across the products and client portfolios to model and limit these risks, dependant on the sophistication of the client mandate, include Value at Risk ("VaR") limits and stress analysis and limits.

Liquidity Risk

Operational liquidity management in the day-to-day running of the business is overseen by the Finance department. Its tasks include controlling payments, planning the anticipated cash flows and securing liquidity.

Counterparty Risks

Counterparty Risk is measured and monitored in the following ways:

Over the Counter ("OTC") Counterparty Risk

Trading with OTC counterparties involves the detailed analysis of, and communication with, a participating broker, under the terms of bilateral agreement. Daily OTC counterparty risk reports are utilised to manage exposure.

Agency Broker Counterparty Risk

New counterparties are subject to initial credit assessment, utilising external rating agencies, financial due diligence and approval by the Risk Committee. Trading takes place on a 'Delivery versus Payment' ("DVP") basis.

Issuer Counterparty Risk

The overall level of counterparty risk that the business is exposed to is managed by reviewing the total holdings held by clients and funds at the Group level.

Proprietary Counterparty Risk

Exposure to counterparty risk is managed via a multi-step internal process which defines a current risk assessment for all counterparties, including normal attentiveness, limits reduction, avoidance of certain counterparties and closing any exposures with certain counterparties if possible.

Operational Risks

Operational risks are defined as the risk of losses that arise through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events. This definition includes all legal risks, as well as fines levied by supervisory authorities and settlements. However, it does not include strategic and reputational risks.

The Risk Office conducts an Operational Risk Self-Assessment annually in which each division is required to rate the risks within their environment. This process creates key risk indicators that can be monitored on a continuous basis as an alert to stressed events.

Emphasis is given to the management of operational risks in the following ways:

- **Directives** – These set down the main goals for the management and control of operational risk and serve as a guide for identifying and measuring operational risk and meeting reporting obligations.
- **Education** – Group employees are obliged to deal effectively with the risks arising in their everyday work. The line manager is supported by regularly updated information on the Group's Intranet. Background information is provided to new staff.
- **Reporting** – Evaluations and analysis take place in the context of regular risk reporting to the Management Board.

The Incident Log for operational risks is a central pillar for the management and controlling of operational risks. It is used to record and categorise all operational errors or incidents that may give rise to a loss.

DIRECTORS' REPORT

For the year ended 31 December 2012

Pillar III Disclosures

Please refer to the annual report and financial statements of Sarasin (UK) Limited, a parent undertaking for which consolidated FSA returns are made, for Pillar III disclosures as required by the FSA

Capital Management

Please refer to the annual report and financial statements of Sarasin (UK) Limited, a parent undertaking for which consolidated FSA returns are made, for full details of the Group's capital management

International Financial Reporting Standards

The basis of preparation of the accounts is shown in full in Note 2, supported by the adopted accounting policies as shown in Note 3

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business above. The financial position of the Company, its cash flows and liquidity position are reflected on the financial statements on pages 10 to 22

The Company has considerable financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Results for the Year

The Company's profit for the year to be transferred to reserves is set out in the statement of comprehensive income on page 10. The Directors recommend the payment of a dividend of 1,400p per share (2011: 160p)

Directors

The Directors who served during the year ended 31 December 2012 are as follows

H Grossmann

G V Matthews *Chief Executive Officer*

N Ossenbrink *Chairman*

S M Rivett Carnac

None of the Directors had any beneficial interest in the share capital of the Company during the year other than their beneficial interest in the parent, Sarasin & Partners LLP

Supplier Payments

In respect of all of its suppliers, it is the Company's policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction, ensure that those suppliers are made aware of the terms of payment, and abide by the terms of payment

DIRECTORS' REPORT

For the year ended 31 December 2012

Directors' Indemnities

Sarasin (U K) Limited and all its subsidiaries (including Sarasin & Partners LLP and the Company) have directors' and officers' liability insurance maintained by J Safra Holding International (Luxembourg) S A , the holding company of its parent company, Bank Sarasin & Co Limited

Auditors

Statement as to disclosure of information to auditors

Each of the Directors represents that

- a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

APPROVED BY THE BOARD OF DIRECTORS AND
SIGNED ON BEHALF OF THE BOARD



N C Evans

COMPANY SECRETARY

18 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES in relation to the Directors' report and financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS")

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirement in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 INDEPENDENT AUDITORS

To the Members of Sarasin Investment Funds Limited

We have audited the financial statements of Sarasin Investment Funds Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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.

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 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.

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.



Michael-John Albert (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 April 2013

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2012
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	Notes	2012 £	2011 £
Revenue	7	31,390,003	28,450,372
Cost of sales		(23,204,878)	(24,604,906)
Gross profit		8,185,125	3,845,466
Administrative expenses		(3,627,593)	(2,995,642)
Profit from operations	8	4,557,532	849,824
Interest income	9	32,330	48,763
Finance costs	10	(8,212)	(35,093)
Profit before taxation		4,581,650	863,494
Taxation	11	(1,122,504)	(228,826)
Total comprehensive income for the year		3,459,146	634,668

All the Company's operations are classed as continuing and there were no items of other comprehensive income in either year

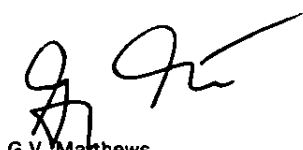
The annexed notes from 1 to 23 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012	2011
Assets		£	£
Current assets			
Investment securities at fair value through profit or loss	13	105,170	50,069
Trade and other receivables			
Amounts due from Trustee & Depository		1,055,750	4,462,317
Amounts due from customers		5,075,862	2,576,325
Accrued income and prepaid expenses		4,906,734	9,823
Other receivables		56,671	50,375
Cash and cash equivalents	14	4,607,387	8,644,952
Total assets		15,807,574	15,793,861
Liabilities and shareholders' equity			
Current liabilities			
Current tax liabilities		988,537	71,764
Trade and other payables			
Amounts due to Trustee and Depository		1,632,235	2,341,007
Amounts due to customers		912,127	8,058,572
Other liabilities	15	379,080	457,731
Accrued expenses		5,455,400	1,483,738
Total liabilities		9,367,379	12,412,812
Shareholders' equity			
Issued capital	16	250,000	250,000
Retained earnings		6,190,195	3,131,049
Total shareholders' equity		6,440,195	3,381,049
Total liabilities and shareholders' equity		15,807,574	15,793,861

The annexed notes from 1 to 23 form an integral part of these financial statements

The accounts were approved by the Board of Directors on 18 April 2013 and authorised for issue and signed on its behalf by



G V Matthews

Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2012

	Notes	Issued capital	Retained earnings	Total
		£	£	£
Balance at 1 January 2011		250,000	2,996,381	3,246,381
Total comprehensive income for 2011			634,668	634,668
Dividend Paid	12		(500,000)	(500,000)
Balance at 31 December 2011		250,000	3,131,049	3,381,049
Total comprehensive income for 2012			3,459,146	3,459,146
Dividend Paid	12	-	(400,000)	(400,000)
Balance at 31 December 2012		250,000	6,190,195	6,440,195

The annexed notes from 1 to 23 form an integral part of these financial statements

STATEMENT OF CASH FLOWS For the year ended 31 December 2012
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	Notes	2012	2011
		£	£
Operating activities			
Profit before taxation		4,581,650	863,494
Interest received		(32,330)	(48,763)
Finance costs		8,212	35,093
Operating cash flows before movements in working capital		4,557,532	849,824
(Increase)/decrease in receivables		(3,996,177)	3,979,881
(Decrease)/increase in payables		(3,962,206)	748,411
(Increase) in current asset investments		(55,101)	(40,914)
Cash (used in)/generated by operations		(3,455,952)	5,537,202
Corporation tax paid		(205,731)	(125,213)
Net cash flows (used in)/from operating activities		(3,661,683)	5,411,989
Investing activities			
Interest received		32,330	48,763
Net cash flows from investing activities		32,330	48,763
Financing activities			
Dividends paid		(400,000)	(500,000)
Interest Paid		(8,212)	(35,093)
Net cash flows from financing activities		(408,212)	(535,093)
Net (decrease)/increase in cash and cash equivalents		(4,037,565)	4,925,659
Cash and cash equivalents at beginning of year		8,644,952	3,719,293
Cash and cash equivalents at end of year	14	4,607,387	8,644,952

The annexed notes from 1 to 23 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 CORPORATE INFORMATION

The Company is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 4.

2 BASIS OF PREPARATION

The accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. The accounts have been prepared on the historical cost basis, except for investment securities at fair value through profit or loss, which are carried at fair value. The principal accounting policies adopted are set out below.

3 SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognised to the extent it is probable that future economic benefits will flow to the Company and can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, trail fees, VAT and other sales related taxes.

Service-related fees are reported when the services concerned are rendered. Asset management and advisory fees and other fees calculated on the percentage of assets under management or on the basis of time spent are recorded on a pro-rata basis throughout the time the corresponding service is rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign Currencies

The functional and presentational currency of the Company is pounds sterling ("£"). Any foreign currency translation took place at the following exchange rates:

	2012 Year end	2012 Average	2011 Year end	2011 Average
Euro (EUR)	1 2330	1 2308	1 1972	1 1518
US Dollar (USD)	1 6255	1 5898	1 5541	1 6067
Swiss Francs (CHF)	1 4879	1 4826	1 4532	1 4194

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined and those carried at historical cost are translated at rates prevailing at the date of the initial transaction. All differences are recognised in the statement of comprehensive income.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

The tax expense represents the sum of the tax currently payable and any deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carry-forwards of unused tax credits and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the statement of comprehensive income. When it relates to items charged or credited directly to other comprehensive income the deferred tax is also recorded as other comprehensive income.

Financial Instruments Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification as described below. The Company's financial assets include investment securities at fair value through profit or loss, trade and other receivables and cash and cash equivalents.

Financial Assets Investment Securities at Fair Value through Profit or Loss

Investment securities at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recorded in the statement of comprehensive income.

Financial Assets Trade and Other Receivables

Trade and other receivables at the balance sheet date comprise amounts receivable from the provision of asset management and advisory services. Trade and other receivables are classified as loans and receivables on initial recognition, and are subsequently measured at amortised cost using the effective interest rate method, less impairment. Losses arising from impairment, if any, are recognised in the statement of comprehensive income. The Directors consider that the carrying amount of trade and other receivables approximate their fair value.

Financial Assets Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less and foreign currencies held by the Company. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification as described below. The Company's financial liabilities comprise trade and other payables. These are classified as loans and borrowings at initial recognition. The Company has no financial liabilities classified as financial liabilities at fair value through profit or loss and derivatives designated as hedging instruments.

Financial Liabilities Trade and Other Payables

Trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised as well as through the effective interest rate method amortisation process.

Financial Instruments De-recognition

Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is taken to income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year and the accompanying disclosures. The nature of estimation means that actual outcomes could differ from those estimates. The assumptions and estimates, which are continuously reviewed, are based on past experience and other factors, including expectations regarding likely developments in the future.

For the purpose of these financial statements, no significant judgements or estimates have been made that would affect reported amounts or disclosures.

5 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The accounting policies adopted are consistent with those of the previous financial year.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9: Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This amendment will have no material impact on the Company's financial position or performance and becomes effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

These improvements will be effective once endorsed by the European Union.

7 REVENUE

	2012	2011
	£	£
The Company's revenue is stated net of VAT and is analysed as follows		
Profit on sale of units/shares including initial charges	28,302	121,186
Management fees	25,223,590	24,585,071
Performance fees	2,252,836	(61,525)
Administration fees	3,821,149	3,787,268
Other income	64,126	18,372
	31,390,003	28,450,372

Revenue arises from services provided in the United Kingdom.

8 PROFIT FROM OPERATIONS

	2012	2011
	£	£
Profit from operations has been arrived at after charging		
Auditors' remuneration for audit services	15,100	18,000

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2011: £nil).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012
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9 INTEREST INCOME

	2012	2011
	£	£
Interest on cash at bank	32,330	48,763

10 FINANCE COSTS

	2012	2011
	£	£
Interest on bank overdrafts	8,212	35,093

11 TAX

	2012	2011
	£	£
Current tax		
UK corporation tax at 24.5% (2011: 26.5%) based on the profit for the year	1,122,504	228,826
Tax reconciliation		
Profit before tax	4,581,650	863,494
Profit for the year, multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	1,122,504	228,826
Total corporation tax charge calculated from profit before tax and tax expense reported in the statement of comprehensive income	1,122,504	228,826
Effective tax rate for the year	24.5%	26.5%

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012
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12 DIVIDENDS

	2012	2011
	£	£
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2011 160p	400,000	-
Final dividend for the year ended 31 December 2010 200p	-	500,000
	400,000	500,000
Proposed final dividend for the year ended 31 December 2012 1,400p (2011 160p)	3,500,000	400,000

13 INVESTMENT SECURITIES

	2012	2011
	£	£
Investments at fair value	105,170	50,069

These investments are considered level one investments from an IFRS perspective as their value is based on quoted market prices in liquid markets

14 CASH AND CASH EQUIVALENTS

	2012	2011
	£	£
Cash at bank	5,303,164	8,807,488
Bank overdrafts	(695,777)	(162,536)
	4,607,387	8,644,952

Cash at bank earns interest at the UK base rate plus 0.15% (2011 0.1%) The bank overdrafts do not accrue interest due to the establishment of an account netting arrangement for interest purposes

15 OTHER LIABILITIES

	2012	2011
	£	£
Other payables	379,080	457,731

All other liabilities are repayable on demand or within one year

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

16 SHARE CAPITAL

	2012	2011
	£	£
Authorised		
Ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid		
250,000 (2011: 250,000) Ordinary shares of £1 each	250,000	250,000

17 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Directors were employed and remunerated as directors or executives of Bank Sarasin & Co Limited and its subsidiaries ("the group") in respect of their services to the group as a whole and their remuneration has been paid by other group companies. It is estimated that, had the Directors been remunerated for their services to the Company in the year, this would have amounted to £12,000 for each Director, totalling £48,000 (2011: £48,000).

18 EMPLOYEES

The Company had no employees in the year (2011: nil).

19 FINANCIAL INSTRUMENTS RISKS

The main risks associated with the Company's financial assets and liabilities are set out below.

Credit Risk

Credit risk is the risk of financial loss of outstanding credit minus the proceeds from the sale of collateral and any bankruptcy or liquidation dividend that might be paid due to a counterparty's failure to honour its obligation. It arises principally in relation to transactions where the Company provides goods or services on deferred terms and invests or deposits surplus cash. The Company's principal financial assets are cash at bank balances and trade and other receivables. These represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade and other receivables including amounts due from associated companies. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies or are associated companies.

The Company has no significant concentration of credit risk as exposures are spread over a large number of counterparties and customers.

For the purpose of the Company's dealings with brokers in its capacity as ACD and Manager, the Company uses a rating system to determine the selection of counterparties and the dealing volumes for them. The criteria are such that only first-class counterparties are considered. New relationships with brokers are discussed within the Chief Investment Office Committee of Sarasin, which then defines and approves the necessary dealing volumes provided the rating conditions are satisfied. With regard to banks and custodians, a full review of such counterparties is undertaken by the Sarasin Risk Committee on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

19 FINANCIAL INSTRUMENTS RISKS (continued)

Foreign Exchange Risk

The Company's exposure to foreign exchange risk is limited to the balances that are required for the settlement of outstanding fees receivable in foreign currencies

Currency	Change in currency rate	2012 Effect on profit £	31 12 2012 Effect on equity £	Change in currency rate	2011 Effect on profit £	31 12 2011 Effect on equity £
EUR	+10 %	57,194	57,194	+10 %	64,632	64,632
EUR	-10 %	(69,904)	(69,904)	10 %	(52,880)	(52,880)
USD	+10 %	5,375	5,375	+10 %	12,851	12,851
USD	-10 %	(4,398)	(4,398)	-10 %	(10,541)	(10,541)

The table above illustrates currency rate sensitivity for the most important foreign currencies for the Company by modelling the impact of a $\pm 10\%$ movement of those currencies against sterling, assuming net positions in each currency were unchanged at the balance sheet date. If sterling had weakened by 10% against each currency (+10% in the table), pre tax profit and equity for the year would have increased. If sterling had strengthened by 10% against the USD (-10% in the table), pre tax profit and equity for the year would have decreased.

Market Risk

The Company does not take material proprietary positions. Its exposure to market risk is principally related to the performance of its investment products and commercial success.

Liquidity and Financial Solvency Risk

The Company's solvency is monitored and maintained within the framework of the regulations laid down by UK's Financial Services Authority. All current liabilities are due to be settled within 12 months.

Interest Rate Risk

Interest rate risk in respect of the balance sheet is reviewed on a regular basis. At the balance sheet date there were no interest obligations in respect of overdrafts. The Company does not have any interest rate obligations on any of its other liabilities.

Currency	Change in interest rate Basis points	2012 Effect on profit £	31 12 2012 Effect on equity £	Change in interest rate Basis points	2011 Effect on profit £	31 12 2011 Effect on equity £
GBP	+100	46,074	46,074	+100	86,450	86,450
GBP	-100	(46,074)	(46,074)	-100	(86,450)	(86,450)

Interest sensitivity illustrates the impact of a parallel shift in the yield curve of ± 100 basis points (bps) assuming other factors are not changed. If the interest rate is assumed to increase by 100 basis points (1%) it would produce the illustrated effects on the income statement and shareholders' equity. A negative value has a negative impact on the income statement or shareholders' equity, while a positive value results in a higher profit or an increase in shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

20 RELATED PARTY TRANSACTIONS

Transactions between the Company and other group companies are disclosed below

	Income		Expenses		Amounts owed	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
Sarasin & Partners LLP	63,000	-	23,524,778	24,604,906	3,607,226	-

Income received from Sarasin & Partners LLP, the Company's immediate parent company, relates to provision of fund administrative services

Expenses paid to Sarasin & Partners LLP are in respect of services for investment management and distribution of the OEIC sub funds and the Alpha Common Investment Funds

The amounts outstanding are unsecured and will be settled in cash. The Company is a beneficiary of a £2.1m overdraft facility guarantee from its immediate parent company. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. All transactions were carried out on an arms-length basis.

21 POST BALANCE SHEET EVENTS

No events have occurred since the balance sheet date that have an impact on the statement of financial position or statement of comprehensive income for 2012.

22 PARENT UNDERTAKINGS

The parent undertaking of the smallest group of undertakings for which consolidated accounts are prepared and of which the Company is a member is Sarasin (UK) Limited, a company registered in Great Britain. Copies of the accounts of Sarasin (UK) Limited can be obtained from Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.

Sarasin (UK) Limited's intermediate holding company is Bank Sarasin & Co Limited, a company incorporated in Switzerland. Copies of the accounts of Bank Sarasin & Co Limited accounts can be obtained from Elisabethenstrasse 62, 4002 Basel, Switzerland.

Rabobank previously owned 46.06% of the share capital of Bank Sarasin & Co Limited and held 68.63% of the voting rights, making it majority shareholder in Bank Sarasin & Co Limited as at 31 December 2011. J. Safra Sarasin Holding AG acquired Rabobank's holding during 2012. As at 31 December 2012, J. Safra Sarasin Holding AG owned 99.26% of the share capital of Bank Sarasin & Co Limited and held 99.57% of the voting rights, making it majority shareholder in Bank Sarasin & Co Limited.

23 CONTINGENT LIABILITIES

As at 31 December 2012 there were no contingent liabilities (2011: £nil).