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SARASIN

SARASIN INVESTMENT FUNDS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended
31 DECEMBER 2013

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ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2013

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

Deloitte LLP
2 New Street Square
London EC4A 3BZ

BUSINESS ADVISERS

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

LAWYERS

Speechly Bircham LLP
6 New Street Square
London EC4A 3LX

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2013

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STRATEGIC REPORT

For the year ended 31 December 2013

Cautionary Statement

This Strategic Report has been prepared solely to provide additional information to assess Sarasin Investment Funds Limited's ("the Company's") strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Activities

The principal activity of the Company is that of an Authorised Corporate Director ("ACD") of Sarasin Funds ICVC, an Open Ended Investment Company ("OEIC") with fourteen 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). The Company also acts as ACD for the Mazener Fund.

The Company will continue to act as ACD for the UK fund range through the coming year, creating and changing fund structures as required by the needs of the business.

The Company was regulated during the year by the Financial Conduct Authority ("FCA") (previously the Financial Services Authority) in respect of the conduct of its investment business.

Business Review

2013 saw strong investment markets, particularly from developed world equities, although emerging market equities, UK government bonds and commodities such as gold fared less well.

Against this backdrop, market performance has contributed in large part to an 11% growth in revenue and a 23% growth in profit before tax over the year. The balance sheet has contracted slightly year on year with net profit of £4.3m offset by the payment of prior year final and current year interim dividends. 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.

Flows into the Sarasin Funds ICVC have been disappointing overall with net outflows in excess of £18m (2012: £110m outflow), although when factoring in fund performance figures, total Assets under Management ("AuM") have grown from £1.7bn to £1.9bn. Viewing the funds individually, the largest contributors to outflows were Sarasin GlobalSar – Strategic (previously Sarasin GlobalSar – Cautious) and Sarasin AgriSar, with net redemptions of £26m and £23m, respectively. Sarasin EquiSar Global Thematic bucked the trend and received over £14m of new investment and there were also more modest inflows into both Sarasin EquiSar – UK Thematic sub-funds. Two new sub-funds were launched during the year, extending the global equity income range, with seeding predominantly from switches from existing funds.

These investment flow figures belie the fact that, for most sub-funds, double-digit absolute performance was generated in the year, whilst performance relative to benchmark and peer group was more challenging. The strongest performing funds were UK equity funds with performance figures of 24% and 31% for the Sarasin EquiSar – UK Thematic and Sarasin EquiSar – UK Thematic Opportunities funds, respectively. Both sub-funds were also ahead of benchmark.

Sarasin EquiSar – Global Thematic also generated good performance in 2013, with 21% and 22% growth on the un-hedged and sterling-hedged sub-funds. Performance relative to benchmark (the newly-implemented MSCI ACWI) was behind benchmark by 2% and 5% for the un-hedged and sterling-hedged sub-funds, respectively. The Sarasin EquiSar – Socially Responsible funds performed similarly to the Global Thematic funds.

Sarasin Global Higher Dividend (previously Sarasin International Equity Income) and Sarasin Global Higher Dividend (Sterling Hedged) (previously Sarasin Global Equity Income (Sterling Hedged)) generated 17% and 18% absolute performance, respectively, albeit 7.5% and 10.5% behind their respective benchmarks.

Sarasin AgriSar had a poor year relative to benchmark, ending 21% behind the MSCI World benchmark.

The Sarasin Fund of Funds OEIC, launched in June 2012 and with AuM of £30m across two sub-funds at the start of the year, grew to almost £75m at the end of 2013. This was achieved via a combination of £36m in new investment and impressive performance figures of 24% for the Sarasin Global Equity Fund of Funds and 14% for the Sarasin Global Diversified Fund of Funds.

The Alpha CIF funds continued to attract new investment and broke through the £1.25bn mark for combined AuM, with both funds having attracted further net inflows during the year (Endowments £69m inflow and Income & Reserves £8m inflow). Both funds had strong years in performance terms (17% and 5% growth, respectively), ending the year ahead of their composite benchmarks.

STRATEGIC REPORT

For the year ended 31 December 2013

Risk Management

The Company is part of a group that has a policy of identifying and controlling risk. The Sarasin (UK) Limited group of companies ("the Group") employs a clearly-defined, transparent and integrated system of risk management, as set out in the Internal Capital Adequacy Assessment Process document ("ICAAP"), covering all of its business segments. This requires considerable human and technological resources. The ICAAP identifies and monitors all risks, their probability of occurrence and mitigating factors that Management have put in place such as internal control processes and insurance arrangements. The ICAAP is continuously updated to accommodate new developments in the business. Active risk management minimises undesirable risks and allows the capital of the Group to be employed as efficiently as possible to the benefit of shareholders and 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. The Group approach to risk management is discussed in further 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 are set out below.

Direct Risks to the Company

Operational Risk

Operational risk is defined as the risk of loss, resulting from inadequate or failed internal processes, people or systems, or as a consequence of external events. This definition includes legal risks, breach of regulation and trading error. These risks may have material strategic and reputational effects.

The Risk Office conducts regular Operational Risk Self-Assessment 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 control of operational risk. It is used to record and categorise all operational errors or incidents that may give rise to a loss.

The most significant operational risks facing the Company, as documented in the ICAAP, are:

- Regulatory breach;
- Trading error; and
- Investment process breach (including pre-trade compliance and asset valuation).

Liquidity Risk

Liquidity risk is the risk that the Company, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. 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.

Indirect Risks to the Company

In addition to the principal direct risks detailed above, the Company is also exposed to indirect risks arising from investments made, and assets managed, on behalf of customers. The primary source of revenue for the Company is directly linked to the value of the investments managed on behalf of customers (AuM) which is primarily driven by two factors: the relative performance of the investments held on behalf of customers and the ability to retain and acquire customer assets (which is itself driven in part by investment performance). 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 an investment at all times. Given the volatility of financial markets, the quality of risk management in this area has become a crucial competitive factor in the industry, and the integrated system of risk management employed ensures that the Company is well placed to effectively manage these risks.

STRATEGIC REPORT

For the year ended 31 December 2013

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 in the financial statements on pages 10 to 23.

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.

Approval

This report was approved by the Board of Directors and signed on its behalf by:



N.C. Evans

Company Secretary

26 February 2014

DIRECTORS' REPORT

For the year ended 31 December 2013

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2013.

Dividends

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 final dividend of 880p per share (2012: 1,400p) which, together with an interim dividend of 840p per share (2012: £nil) paid in September 2013 makes a total of 1,720p per share (2012: 1,400p) for the year.

Pillar III Disclosures

Please refer to the Annual Report and Financial Statements of Sarasin (UK) Limited, a parent undertaking for which consolidated FCA returns are made, for Pillar III disclosures as required by the FCA.

Directors

The Directors who served during the year ended 31 December 2013 are as follows:

H. Grossmann

G.V. Matthews *Chief Executive Officer*

N. Ossenbrink *Chairman*

S.M. Rivett-Carnac

Directors' Indemnities

Sarasin (UK) 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 J. Safra Sarasin AG.

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/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Deloitte LLP were appointed during the year in accordance with Section 485 of the Companies Act 2006.

Approval

This report was approved by the Board of Directors and signed on its behalf by:



N.C. Evans

Company Secretary

26 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES in relation to the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 AUDITOR

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 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 24. 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, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and 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.



Stuart McLaren (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

26 February 2014

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 £	2012 £
Revenue	7	34,714,943	31,390,003
Cost of sales	•	(25,318,854)	(23,204,878)
Gross profit		9,396,089	8,185,125
Administrative expenses		(3,817,024)	(3,627,593)
Profit from operations	8	5,579,065	4,557,532
Interest income	9	48,852	32,330
Finance costs	10	(14,564)	(8,212)
Profit before taxation		5,613,353	4,581,650
Taxation	11	(1,316,649)	(1,122,504)
Profit and total comprehensive income for the year		4,296,704	3,459,146

All the Company's operations are classed as continuing and there were no items of other comprehensive income* in the current or prior year.

The annexed notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 £	2012 £
Assets			
Current assets			
Investment securities at fair value through profit or loss	12	72,736	105,170
Trade and other receivables			
Amounts due from Trustee & Depository		3,083,956	1,055,750
Amounts due from customers		2,571,801	1,284,332
Accrued income and prepaid expenses		4,838,310	4,906,734
Other receivables	13	66,185	3,848,201
Cash and cash equivalents	14	10,787,730	5,303,164
Total assets		21,420,718	16,503,351
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts	14	753,636	695,777
Trade and other payables			
Amounts due to Trustee and Depository		4,432,089	696,349
Amounts due to customers		3,464,891	1,632,585
Other liabilities	15	2,363,543	594,508
Accrued expenses		4,658,986	5,455,400
Current tax liabilities		610,674	988,537
Total liabilities		16,283,819	10,063,156
Shareholders' equity			
Issued capital	16	250,000	250,000
Retained earnings		4,886,899	6,190,195
Total shareholders' equity		5,136,899	6,440,195
Total liabilities and shareholders' equity		21,420,718	16,503,351

The annexed notes from 1 to 24 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 26 February 2014 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 2013

	Notes	Issued capital £	Retained earnings £	Total £
Balance at 1 January 2012		250,000	3,131,049	3,381,049
Total comprehensive income		-	3,459,146	3,459,146
Dividend paid	17	-	(400,000)	(400,000)
Balance at 31 December 2012		250,000	6,190,195	6,440,195
Total comprehensive income		-	4,296,704	4,296,704
Dividends paid	17	-	(5,600,000)	(5,600,000)
Balance at 31 December 2013		250,000	4,886,899	5,136,899

The annexed notes from 1 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS For the year ended 31 December 2013
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	Notes	2013 £	2012 £
Operating activities			
Profit before taxation		5,613,353	4,581,650
Interest income		(48,852)	(32,330)
Finance costs		14,564	8,212
Operating cash flows before movements in working capital		5,579,065	4,557,532
Decrease/(increase) in receivables		534,765	(3,996,177)
Increase/(decrease) in payables		6,540,667	(3,962,206)
Decrease/(increase) in current asset investments		32,434	(55,101)
Cash generated by/(used in) operations		12,686,931	(3,455,952)
Corporation tax paid		(1,694,512)	(205,731)
Net cash flows from/(used in) operating activities		10,992,419	(3,661,683)
Investing activities			
Interest received		48,852	32,330
Net cash flows from investing activities		48,852	32,330
Financing activities			
Dividends paid		(5,600,000)	(400,000)
Interest paid		(14,564)	(8,212)
Net cash flows used in financing activities		(5,614,564)	(408,212)
Net increase/(decrease) in cash and cash equivalents		5,426,707	(4,037,565)
Cash and cash equivalents at beginning of year		4,607,387	8,644,952
Cash and cash equivalents at end of year	14	10,034,094	4,607,387

The annexed notes from 1 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 Strategic Report on page 4.

2. BASIS OF PREPARATION

The financial statements 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 financial statements 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 ("£"). 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 financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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, or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All other financial liabilities are recognised initially at fair value net of 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 and bank overdrafts and are classified as other financial liabilities.

Financial Liabilities: Other Financial Liabilities

Trade and other payables and bank overdrafts 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification of Prior Year Balances

Certain prior year balances in the statement of financial position have been reclassified for consistency with current year presentation. None of the reclassifications impact key ratios of the business, or shareholders' equity and are therefore not considered to be material to an understanding of the financial statements. Accordingly, no third statement of financial position has been presented under IAS 1. £3,791,530 relating to amounts due from Group entities has been reclassified from 'Amounts due from customers' to 'Other receivables'; £695,777 relating to bank overdrafts has been separately presented as a liability and reclassified from 'Cash and cash equivalents' to 'Bank overdrafts'; £1,632,235 relating to repurchase creditors has been reclassified from 'Amounts due to Trustee and Depository' to 'Amounts due to customers'; £696,349 relating to creation creditors has been reclassified from 'Amounts due to customers' to 'Amounts due to Trustee and Depository'; and £215,428 relating to amounts owed to Group entities has been reclassified from 'Amounts due to customers' to 'Other liabilities'.

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. ADOPTION OF NEW AND REVISED STANDARDS

Standards affecting the financial statements

In the current year, no new and revised Standards and Interpretations were adopted that had a significant impact on the amounts reported in these financial statements.

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. ADOPTION OF NEW AND REVISED STANDARDS (continued)

IFRS 13 Fair Value Measurement (continued)

Due to the nature of financial and non-financial instruments held by the Company, the application of IFRS 13 has not had any material impact on the disclosures or amounts recognised in the financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Company's application of new and revised IFRSs (see the discussion above), has not resulted in material effects on the information in the statement of financial position as at the beginning of the preceding period. Accordingly, no third statement of financial position has been presented.

Refer to Note 3 'Reclassification of Prior Year Balances' for an analysis of prior year reclassification of line items in the statement of financial position and the presentational approach adopted.

Amendments to IFRS 7 Disclosures

The Group has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Company does not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27 (revised in 2011)	Separate Financial Statements
IAS 28 (revised in 2011)	Investments in Associates and Joint Ventures
IAS 36 (amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

7. REVENUE

	2013	2012
	£	£
The Company's revenue is stated net of VAT and is analysed as follows:		
Profit on sale of units/shares including initial charges	47,032	28,302
Management fees	28,566,448	25,223,590
Performance fees	1,793,259	2,252,836
Administration fees	4,241,017	3,821,149
Other income	67,187	64,126
	34,714,943	31,390,003

Revenue arises from services provided in the United Kingdom.

8. PROFIT FROM OPERATIONS

	2013	2012
	£	£
Profit from operations has been arrived at after charging:		
Auditors' remuneration for audit services	6,800	15,100

Amounts payable to Deloitte LLP and their associates by the Company in respect of non-audit services were £nil (2012: £nil). All amounts payable in respect of the prior year were paid to Ernst & Young LLP and their associates.

9. INTEREST INCOME

	2013	2012
	£	£
Interest on cash at bank	48,852	32,330

10. FINANCE COSTS

	2013	2012
	£	£
Interest on bank overdrafts	14,564	8,212

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

11. TAXATION

	2013	2012
	£	£
Current tax:		
UK corporation tax at 23.25% (2012: 24.5%) based on the profit for the year	1,305,407	1,122,504
Tax under-provided in previous years	11,242	-
	1,316,649	1,122,504
Tax reconciliation:		
Profit before tax	5,613,353	4,581,650
Profit for the year, multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	1,305,105	1,122,504
Tax underprovided in previous years	11,242	-
Expenses disallowable for tax purposes	302	-
	1,316,649	1,122,504
Total tax expense reported in the statement of comprehensive income	1,316,649	1,122,504
Effective tax rate for the year	23.46%	24.50%

12. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	£	£
Investment securities at fair value through profit or loss	72,736	105,170

Investment securities at fair value through profit or loss comprise seed holdings in Sarasin funds.

These investments are considered level 1 investments from an IFRS perspective as their value is based on quoted market prices in liquid markets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

13. OTHER RECEIVABLES

	2013	2012
	£	£
Amounts due from Group entities	-	3,791,530
Other amounts receivable	66,185	56,671
	66,185	3,848,201

All other receivables are payable on demand or within one year.

14. CASH AND CASH EQUIVALENTS

	2013	2012
	£	£
Cash at bank	10,787,730	5,303,164
Bank overdrafts	(753,636)	(695,777)
	10,034,094	4,607,387

All balances are unsecured and repayable on demand. Cash at bank earns interest at the UK base rate plus 0.15% (2012: 0.15%). Sterling bank overdrafts do not accrue interest due to the establishment of an account netting arrangement for interest purposes. Euro bank overdrafts accrue interest at 3%.

15. OTHER LIABILITIES

	2013	2012
	£	£
Amounts payable to Group entities	1,910,141	215,429
Other amounts payable	453,402	379,079
	2,363,543	594,508

All other liabilities are repayable on demand or within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. SHARE CAPITAL

	2013	2012
	£	£
Authorised:		
Ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid:		
250,000 (2012: 250,000) Ordinary shares of £1 each	250,000	250,000

17. DIVIDENDS

	2013	2012
	£	£
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2013: 840p	2,100,000	-
Final dividend for the year ended 31 December 2012: 1,400p	3,500,000	-
Final dividend for the year ended 31 December 2011: 160p	-	400,000
	5,600,000	400,000
Proposed final dividend for the year ended 31 December 2013: 880p (2012: 1,400p)	2,200,000	3,500,000

18. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Directors were employed and remunerated as directors or executives of the Bank J. Safra Sarasin AG group of companies in respect of their services to the Group as a whole.

19. EMPLOYEES

The Company had no employees in the year (2012: nil).

20. RELATED PARTY TRANSACTIONS

Transactions between the Company and other group companies are disclosed below.

	Revenues		Expenses		Amounts Owed to / (by) Related Parties	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
Sarasin & Partners LLP	63,000	63,000	25,621,254	23,524,778	1,854,142	(3,607,226)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. RELATED PARTY TRANSACTIONS (continued)

Revenues received from Sarasin & Partners LLP, the Company's immediate parent entity, 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 and management charges for provision of staff, property facilities, information services, legal and compliance and other administrative costs.

The amounts outstanding are unsecured and will be settled in cash. An additional amount of £55,999, not disclosed in the table above, relates to a Group VAT payment owed to Sarasin (UK) Limited.

The Company paid dividend distributions during the year to its immediate parent, Sarasin & Partners LLP, totalling £5.6m (2012: £0.4m).

The Company is a beneficiary of a £2.1m overdraft facility guarantee from its immediate parent entity. 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. FINANCIAL INSTRUMENTS

Categories and Accounting Policies

Details of the categories of financial instruments and their respective accounting policies are disclosed in note 3.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company's overall strategy remains unchanged from the prior year. The capital structure of the Company consists entirely of equity, comprising issued capital and retained earnings as disclosed in the statement of financial position.

Financial Risk Management

The Group's corporate Finance and Risk functions provide services to the Company and monitor/manage the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market Risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Company does not take material proprietary positions and therefore its exposure to other market risks is limited to the financial impact of the performance of its investment products and commercial success.

Market Risk: Foreign Currency Risk

The Company's exposure to foreign currency risk is limited to the balances that are required for the settlement of transactions within the Company's funds denominated in foreign currencies. These balances are normally held for a maximum of four days and are always held in the currency ultimately payable or receivable. These balances are reviewed regularly and Management do not consider this exposure to be significant.

Market Risk: Interest Rate Risk

Interest rate risk in respect of the balance sheet is reviewed on a regular basis. With the exception of the overdrafts held for the settlement of transactions in the Company's fund products, the Company does not have any interest rate obligations. Overdrafts are reviewed regularly and could be cleared immediately should interest rates rise. Management do not consider this exposure to be significant.

Credit Risk

Credit risk arises principally in relation to transactions where the Company provides goods or services on deferred terms and where the Company deposits cash. The Company's principal financial assets, and therefore its primary source of credit risk, are cash at bank balances and trade and other receivables.

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 credit risk arising from transactions in fund products is limited as these transactions normally settle within four days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

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

Credit exposures are reviewed regularly and Management do not consider this exposure to be significant.

Liquidity and Financial Solvency Risk

Liquidity risk arises on the liabilities held within the statement of financial position. All current liabilities are due to be settled within twelve months. The Company's solvency is monitored and maintained within the framework of the regulations laid down by the FCA.

Fair Value Measurements

For all financial instruments the carrying value is an approximation of fair value.

22. 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 2013.

23. PARENT UNDERTAKINGS

The parent undertaking of the smallest group of undertakings for which consolidated financial statements are prepared and of which the Company is a member is Sarasin (UK) Limited, a company registered in the United Kingdom. Copies of the financial statements 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 J. Safra Sarasin AG, a company incorporated in Switzerland. Copies of the financial statements of Bank J. Safra Sarasin AG can be obtained from Elisabethenstrasse 62, 4002 Basel, Switzerland.

The ultimate shareholder of Bank J. Safra Sarasin AG is Mr Joseph Y. Safra.

24. CONTINGENT LIABILITIES

As at 31 December 2013 there were no contingent liabilities (2012: £nil).