

Registered Number: 02190813



**SARASIN**

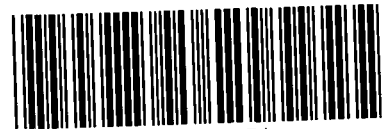
**SARASIN INVESTMENT FUNDS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended**

**31 DECEMBER 2017**

TUESDAY



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**

**DIRECTORS**

C. Bell (*appointed 7 August 2017*)  
S.A.M. Jeffries  
J. Lake (Chairman) (*appointed 8 June 2017*)  
G.V. Matthews (Chief Executive Officer)  
S.M. Rivett-Carnac (*resigned 31 August 2017*)

**REGISTERED OFFICE**

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

**BANKERS**

The Royal Bank of Scotland plc

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
Hill House  
1 Little New Street  
London EC3A 3TR  
United Kingdom

**BUSINESS ADVISER**

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

**LAWYERS**

Charles Russell Speechlys LLP  
5 Fleet Place  
London EC4M 7RD  
United Kingdom

Eversheds LLP  
1 Wood Street  
London EC2V 7WS  
United Kingdom

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**

**CONTENTS**

**Pages**

---

|                                          |         |
|------------------------------------------|---------|
| Strategic Report                         | 4 – 6   |
| Directors' Report                        | 7 – 8   |
| Statement of Directors' Responsibilities | 9       |
| Report of the Independent Auditor        | 10 - 11 |
| Statement of Comprehensive Income        | 12      |
| Statement of Financial Position          | 13      |
| Statement of Changes in Equity           | 14      |
| Statement of Cash Flows                  | 15      |
| Notes to the Financial Statements        | 16 - 27 |

## STRATEGIC REPORT

For the year ended 31 December 2017

### 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 Authorised Corporate Director ("ACD") for the following United Kingdom (U.K.) fund range: Sarasin Funds ICVC, an Open Ended Investment Company ("OEIC") with fourteen sub-funds; Sarasin Fund of Funds OEIC (four sub-funds); Sarasin Fund for Charities, an OEIC with one sub-fund, and; the Mazener Fund (OEIC). The Company is also Manager of the Alpha CIF for Endowments and the Alpha CIF for Income & Reserves (common investment funds suitable for charities).

The Company will continue to act as ACD for the U.K. fund range through the coming year, creating and changing fund structures as required by the needs of the business. Post year-end, a new charity investment vehicle has launched, as described in the Directors' Report and in Note 23.

The Company is regulated by the Financial Conduct Authority ("FCA").

### Business Review

Total Assets under Management ("AuM") increased by 6% over the year to £4.25bn as at 31 December 2017 (2016: £4.01bn), reflective of organic growth from investment performance across a broad range of fund products under management and administration. Revenue from core services grew by 12% on prior year to £38.3m (2016: £34.2m). Administrative expenses increased by £0.2m to £4.06m (2016: £3.87m) due to growth in the AuM-linked cost of fund administration, with general operating expenditure remaining flat year on year. Profit before tax has risen by 15% to £6.60m for the year (2016: £5.76m). The following analysis relates the core trading performance of the Company to that of the underlying funds in respect of which it acts as ACD or Manager.

The Sarasin Funds ICVC increased in AuM over the year by £0.11bn (5.9%) to £1.99bn as at 31 December 2017 (2016: £1.88bn) due to the positive impact of strong fund performance. All sub-funds delivered positive growth on an absolute basis with Thematic Global Equity funds, including the Responsible funds, leading the way with between 14%-16% absolute performance. On a relative basis, the best performing fund was Global Equity Real Return, 7.3% ahead of its inflation-plus target. Responsible Corporate Bond, which launched toward the end of 2016, continued to attract assets and added net £101m during the year. An increased retail distribution focus on Food & Agriculture also contributed to net inflows of £18m. GlobalSar – Strategic also added an additional £10.3m. These additions were offset by some net outflows including Global Dividend (-£82.3m), Global Higher Dividend (-£45.5m) and Thematic Global Equity (-£41.4m), contributing to a net outflow of -£76m across the fund range as a whole.

The Alpha CIF funds ended the year with combined AuM of £1.88bn, an increase of £0.13bn on prior year (2016: £1.75bn). Positive absolute returns were delivered for both funds (Endowments +10.6% and Income & Reserves +4.2%), albeit both funds were marginally behind their respective benchmarks for the year. Net investment was flat, with net £28m outflows from Endowments and net £28m inflows in Income & Reserves.

The Sarasin Fund of Funds OEIC decreased in AuM by 1.8% to £87.1m as at 31 December 2017 (2016: £88.7m), with net redemptions (-£10.1m across the four sub-funds) marginally outweighing the value growth delivered in positive absolute returns over the year. Performance was challenging on a relative basis however.

The Company's Statement of Financial Position has grown in net asset terms by 12% to £9.2m (2016: £8.2m), reflective of the trading impact generated by the growth in AuM. Cash reserves have increased by 13% to £10.2m (2016: £9.0m).

The United Kingdom's potential withdrawal from the European Union ("E.U."), known as 'Brexit', has created uncertainty for investment management businesses in the UK in terms of the shape of regulation post-Brexit, the extent of future E.U. market access, and potential arrangements surrounding a transition agreement. The Company is part of the Sarasin (U.K.) Limited group of companies ('the Group'). The Group is monitoring events closely and will take the necessary steps to ensure that, post-Brexit, the Group, including the Company, continues to be able to service its client base.

## STRATEGIC REPORT

For the year ended 31 December 2017

### Business Review (continued)

Post year-end, a new charity umbrella unit trust structure has been established - Sarasin Charity Authorised Investment Funds ("Sarasin CAIF"). The Company is the appointed Operator. Further details are provided in the Subsequent Events section of the Directors' Report and in Note 23. Further development of the product range will continue in the coming year.

The Directors look forward with confidence to the outlook for 2018.

### Risk Management

Assessing and assuming risks are an integral part of any asset management business. The Company is part of a group that has a policy of identifying and controlling risk. 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 the Group's business segments, including those of the Company. This requires considerable human and technological resources.

The ICAAP identifies and monitors all risks, their likelihood of occurrence and mitigating factors that Management have put in place such as internal control processes and insurance arrangements. The ICAAP is 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 monitors core operational risk using a risk matrix which is updated as new concerns arise. Operational Risk Self-Assessment is utilised, whereby business units rate the risks within their environment, creating key risk indicators that are then monitored on an ongoing 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; and
- 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 latest ICAAP, are:

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

##### 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.

## STRATEGIC REPORT

For the year ended 31 December 2017

### Risk Management (continued)

#### Credit Risk

Credit risk is the risk of loss caused by the failure of a counterparty to fulfil their contractual obligations. Concentration of assets with a particular counterparty can contribute to an increase in the level of risk. The Company is exposed to credit risk through cash deposits and trade and other receivables. Credit risk exposure is managed in accordance with the risk appetite of the business via the application of policy set in relation to the type of counterparty used, the level of concentration allowed, and in the case of cash deposits, counterparty limits set.

#### Foreign Exchange Risk

Foreign exchange risk is the risk that arises from a change in the price of one currency against another. It is defined as the risk that exchange rates will change unfavourably, particularly where there are assets or income flows in different currencies and their positions are not hedged. The Company is exposed to foreign exchange risk through its assets, liabilities, income and expenses denominated in currencies other than Sterling. Exposure is mainly restricted to the major global currencies, and risk is managed via the regular monitoring of the level and duration of contractual exposure to those currencies and movements in rates of exchange to Sterling.

Further disclosure in respect of financial risks is provided in Note 22.

#### 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.

### 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 12 to 27.

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:



G.V. Matthews

Chief Executive Officer

12 April 2018

## DIRECTORS' REPORT

For the year ended 31 December 2017

The Directors present their Annual Report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2017.

### Dividends

The Company's profit for the year to be transferred to reserves is set out in the Statement of Comprehensive Income on page 12. The Directors recommend the payment of a final dividend of 1,692p per share (2016: 1,520p) which, together with an interim dividend of 200p per share (2016: 160p) paid during the year, makes a total of 1,892p per share (2016: 1,680p) for the year.

### Financial Risk Management

Financial risk management objectives and policies and financial exposures are disclosed in the Risk Management section of the Strategic Review and Note 22.

### Pillar III Disclosures

Unaudited Pillar III disclosures required by the FCA are prepared at the Sarasin (U.K.) Limited level on a consolidated basis. Sarasin (U.K.) Limited is a parent undertaking of the Company. Disclosures are located on the Group's website at [www.sarasinandpartners.com/important-information](http://www.sarasinandpartners.com/important-information).

### Subsequent Events

A new charity non-UCITS, FCA authorised, umbrella unit trust has been established called Sarasin Charity Authorised Investment Funds ("Sarasin CAIF"). The Company is the appointed Operator. Sub-fund launches and a merger of existing funds in to the new structure are described in Note 23.

### Directors

The Directors who served during the year ended 31 December 2017 and up to the date of signing of the Annual Report and financial statements are as follows:

C. Bell (appointed 7 August 2017)

G.V. Matthews Chief Executive Officer

S.A.M Jeffries

S.M. Rivett-Carnac (resigned 31 August 2017)

J. Lake Chairman (appointed 8 June 2017)

### Remuneration Disclosure

The provisions of the Undertakings for Collective Investment in Transferable Securities ("UCITS") Remuneration Code and the Alternative Investment Fund Managers Directive ("AIFMD") require the fund manager, the Company, to establish and apply remuneration policies and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, prospectuses, trust deeds and deeds of constitution of the funds to which it has been appointed (the "Funds") nor impair compliance with the Company's duty to act in the best interests of the Funds.

As the nature and range of the Company's activities, its internal organisation and operations are, in the Directors' opinion, limited in their nature, scale and complexity, that is, to the business of a management company engaging in collective portfolio management of investments of capital raised from the public, this is reflected in the manner in which the Company has addressed certain requirements regarding remuneration imposed upon it by the regulations.

The board of directors of the Company (the "Board") consists of four directors (each a Director). The Company has no additional employees.

The Company has delegated the performance of the investment and re-investment of the assets of the Funds to Sarasin & Partners LLP (the "Investment Manager").

## DIRECTORS' REPORT

For the year ended 31 December 2017

### Remuneration Disclosure (continued)

As noted below, the Company relies on the remuneration policies and procedures of each delegate to ensure that their remuneration structures promote a culture of investor protection and mitigate conflicts of interest.

The regulations provide that the remuneration policies and practices shall apply to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Funds.

The Company has appointed the Board and has no additional employees. The four Directors are therefore considered to be those that have a material impact on the risk profile of the Funds. Accordingly, the remuneration provisions of the regulations only affect the Company with regard to the Board.

Each Director is entitled to be paid a fixed director's fee based on an expected number of meetings and the work required to oversee the operations of the Company, which is considered to be consistent with the powers, tasks, expertise and responsibility of the Directors. The fee payable to each Director is reviewed from time to time, based on the evolution of the Company's activities and the aggregate fees payable are disclosed in the prospectus of the Funds. The Directors do not receive performance-based variable remuneration, therefore avoiding any potential conflicts of interest. In addition, three of the Directors have waived the fees to which they would otherwise be entitled. As a result, the total fixed and variable remuneration of the four Directors of the Board who are considered to comprise the entire staff of the Company for the financial year ending 31 December 2017 is £6,102, comprising wholly of fixed remuneration. Further disclosure is provided in Note 19.

Given the internal organisation of the Company, and considering its size with the limited nature, scope and complexity of its activities, it is not considered proportionate for the Company to set up a remuneration committee. The Board notes that the net assets of the Funds and the legal structure of the Company as a management company with a Board of Directors and no other employees are factors supporting the view that a remuneration committee would not be considered appropriate for the Company.

The Board receives confirmation from the Investment Manager on an annual basis that there has been no material change to its remuneration policy, or if there has been a material change, receives details of those changes to the Board. The Remuneration Policies of the Company and of Sarasin & Partners LLP are available at [www.sarasinandpartners.com/important-information](http://www.sarasinandpartners.com/important-information).

### Directors' Indemnities

Sarasin & Partners LLP maintains professional indemnity and directors' and officers' liability insurance for itself and its subsidiaries (including the Company).

### Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2016.

### Approval

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



G.V. Matthews

Chief Executive Officer

12 April 2018

## 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## REPORT OF THE INDEPENDENT AUDITOR

### To the Members of Sarasin Investment Funds Limited

#### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sarasin Investment Funds Limited (the 'Company') 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 25.

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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## REPORT OF THE INDEPENDENT AUDITOR

### To the Members of Sarasin Investment Funds Limited

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

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.

#### Report on other legal and regulatory requirements

##### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

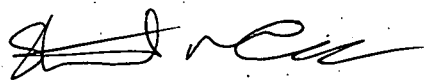
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

##### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Stuart McLaren CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

12 April 2018

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

|                                                           | Notes    | 2017<br>£         | 2016<br>£        |
|-----------------------------------------------------------|----------|-------------------|------------------|
| Revenue                                                   | 6        | 38,288,547        | 34,246,321       |
| Cost of sales                                             |          | (27,645,497)      | (24,655,092)     |
| <b>Gross profit</b>                                       |          | <b>10,643,050</b> | <b>9,591,229</b> |
| Administrative expenses                                   |          | (4,061,338)       | (3,871,649)      |
| <b>Profit from operations</b>                             | <b>7</b> | <b>6,581,712</b>  | <b>5,719,580</b> |
| Interest income                                           | 8        | 27,675            | 40,080           |
| Finance costs                                             | 9        | (4,457)           | (3,308)          |
| <b>Profit before taxation</b>                             |          | <b>6,604,930</b>  | <b>5,756,352</b> |
| Taxation                                                  | 10       | (1,271,449)       | (1,151,160)      |
| <b>Profit and total comprehensive income for the year</b> |          | <b>5,333,481</b>  | <b>4,605,192</b> |

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 25 form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

|                                                            | Notes | 2017<br>£         | 2016<br>£         |
|------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                                              |       |                   |                   |
| <b>Non-current assets</b>                                  |       |                   |                   |
| Investment in subsidiaries                                 | 11    | 1,000             | 1,000             |
| <b>Current assets</b>                                      |       |                   |                   |
| Investment securities at fair value through profit or loss | 12    | 41,693            | 32,109            |
| Trade and other receivables:                               |       |                   |                   |
| Amounts due from Trustee & Depository                      |       | 561,342           | 2,773,732         |
| Amounts due from customers                                 |       | 1,115,769         | 2,280,420         |
| Accrued income and prepaid expenses                        |       | 3,499,942         | 3,309,886         |
| Other receivables                                          | 13    | 186,518           | 60,365            |
| Cash and cash equivalents                                  | 14    | 10,214,408        | 8,988,797         |
| <b>Total assets</b>                                        |       | <b>15,620,672</b> | <b>17,446,309</b> |
| <b>Liabilities and shareholder's equity</b>                |       |                   |                   |
| <b>Current liabilities</b>                                 |       |                   |                   |
| Trade and other payables:                                  |       |                   |                   |
| Amounts due to Trustee and Depository                      |       | 964,583           | 2,183,809         |
| Amounts due to customers                                   |       | 648,280           | 2,822,373         |
| Other liabilities                                          | 15    | 1,202,841         | 743,912           |
| Accrued expenses                                           |       | 2,967,057         | 2,939,854         |
| Current tax liabilities                                    |       | 614,823           | 566,754           |
| <b>Total liabilities</b>                                   |       | <b>6,397,584</b>  | <b>9,256,702</b>  |
| <b>Shareholder's equity</b>                                |       |                   |                   |
| Issued capital                                             | 16    | 250,000           | 250,000           |
| Retained earnings                                          |       | 8,973,088         | 7,939,607         |
| <b>Total shareholder's equity</b>                          |       | <b>9,223,088</b>  | <b>8,189,607</b>  |
| <b>Total liabilities and shareholder's equity</b>          |       | <b>15,620,672</b> | <b>17,446,309</b> |

The annexed notes from 1 to 25 form an integral part of these financial statements. The financial statements were approved by the Board of Directors of Sarasin Investment Funds Limited (Company no. 02190813) on 12 April 2018 and authorised for issue and signed on its behalf by:



**G.V. Matthews**  
Chief Executive Officer

|                                                                                     |
|-------------------------------------------------------------------------------------|
| <b>STATEMENT OF CHANGES IN EQUITY</b><br><b>For the year ended 31 December 2017</b> |
|-------------------------------------------------------------------------------------|

|                             | Notes | Issued capital | Retained earnings | Total       |
|-----------------------------|-------|----------------|-------------------|-------------|
|                             |       | £              | £                 | £           |
| Balance at 1 January 2016   |       | 250,000        | 8,124,415         | 8,374,415   |
| Total comprehensive income  |       | -              | 4,605,192         | 4,605,192   |
| Dividend paid               | 17    | -              | (4,790,000)       | (4,790,000) |
| Balance at 31 December 2016 |       | 250,000        | 7,939,607         | 8,189,607   |
| Total comprehensive income  |       | -              | 5,333,481         | 5,333,481   |
| Dividends paid              | 17    | -              | (4,300,000)       | (4,300,000) |
| Balance at 31 December 2017 |       | 250,000        | 8,973,088         | 9,223,088   |

The annexed notes from 1 to 25 form an integral part of these financial statements.

|                                                                              |
|------------------------------------------------------------------------------|
| <b>STATEMENT OF CASH FLOWS</b><br><b>For the year ended 31 December 2017</b> |
|------------------------------------------------------------------------------|

|                                                             | Notes | 2017<br>£          | 2016<br>£          |
|-------------------------------------------------------------|-------|--------------------|--------------------|
| <b>Operating activities</b>                                 |       |                    |                    |
| Profit before taxation                                      |       | 6,604,930          | 5,756,352          |
| Interest income                                             |       | (27,675)           | (40,080)           |
| Finance costs                                               |       | 4,457              | 3,308              |
| Operating cash flows before movements in working capital    |       | 6,581,712          | 5,719,580          |
| Decrease/(increase) in receivables                          |       | 3,060,832          | (2,676,703)        |
| (Decrease)/increase in payables                             |       | (2,907,187)        | 2,535,857          |
| Cash generated by operations                                |       | 6,735,357          | 5,578,734          |
| Corporation tax paid                                        |       | (1,223,380)        | (1,196,571)        |
| <b>Net cash flows from operating activities</b>             |       | <b>5,511,977</b>   | <b>4,382,163</b>   |
| <b>Investing activities</b>                                 |       |                    |                    |
| (Increase)/decrease in current asset investments            |       | (9,584)            | 17,377             |
| Interest received                                           |       | 27,675             | 40,080             |
| <b>Net cash flows from investing activities</b>             |       | <b>18,091</b>      | <b>57,457</b>      |
| <b>Financing activities</b>                                 |       |                    |                    |
| Dividends paid                                              |       | (4,300,000)        | (4,790,000)        |
| Interest paid                                               |       | (4,457)            | (3,308)            |
| <b>Net cash flows used in financing activities</b>          |       | <b>(4,304,457)</b> | <b>(4,793,308)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>1,225,611</b>   | <b>(353,688)</b>   |
| Cash and cash equivalents at beginning of year              |       | 8,988,797          | 9,342,485          |
| <b>Cash and cash equivalents at end of year</b>             | 14    | <b>10,214,408</b>  | <b>8,988,797</b>   |

The annexed notes from 1 to 25 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. CORPORATE INFORMATION

The Company is a private Company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is disclosed on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 6.

### 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.

These financial statements present information about the Company as an individual undertaking and not about the group of which this Company is parent. The Company is exempt from the obligation to prepare and deliver consolidated group financial statements under section 400 of the Companies Act 2006 and IFRS 10, as it has been included in the consolidated financial statements of its intermediate parent companies S.I.M. Partnership (London) Limited and Sarasin (U.K.) Limited, which are registered in the U.K. and comply with IFRS.

The principal accounting policies adopted, which have been applied consistently in the current and prior year, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2017

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Taxation (continued)**

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.

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.

##### **Investments in Subsidiaries**

Investments in subsidiaries are recognised at cost less any provision for impairment.

##### **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 including amounts due from Trustee and Depository in respect of liquidation debtors. 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: Trade and Other Payables**

Trade and other payables, which include amounts due to Trustee and Depository in respect of creation creditors, 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments: Derecognition

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

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. For the purpose of these financial statements, no significant judgements or estimates have been made that would affect reported amounts or disclosures.

### 5. 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. Also, in the current year, the Company's application of new and revised IFRSs has not resulted in material effects on the information in the Statement of Financial Position as at 1 January 2016. Accordingly, no third Statement of Financial Position has been presented.

#### Amendments

##### *IAS 12: Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)*

The amendments to IAS 12 clarify that unrealised losses on debt instruments measured at fair value for financial reporting purposes but at cost for tax purposes can give rise to a deductible temporary difference and how such a temporary difference should be assessed in determining whether a deferred tax asset should be recognised. These amendments do not impact upon the Company.

##### *IAS 7: Statement of Cash Flows (Disclosure Initiative)*

The amendments to IAS 7 require disclosure of both cash and non-cash changes in liabilities arising from financing activities (being liabilities for which cash flows were, or future cash flows will be, classified as being from financing activities). The Company complies with the requirements of these amendments.

##### *IFRS 12: Disclosure of Interests in Other Entities*

The amendments to IFRS 12 introduced in the 2014-2016 annual improvement cycle clarify that all requirements of that Standard (other than those covered by an existing exemption from disclosure of summarised financial information on interests in subsidiaries, joint ventures and associates) apply to interests classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments do not impact upon the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2017

#### 5. ADOPTION OF NEW AND REVISED STANDARDS (continued)

##### Standards issued but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs which were in issue but not yet effective and in some cases had not yet been adopted by the EU:

|                                                    |                                                                                                                                |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| IFRS 2 (amendments)                                | Classification and Measurement of Share-based Payment Transactions                                                             |
| IFRS 4 (amendments)                                | Insurance Contracts                                                                                                            |
| IFRS 9 (and amendments)                            | Financial Instruments                                                                                                          |
| IFRS 15 (and clarifications)                       | Revenue from Contracts with Customers                                                                                          |
| IFRS 16                                            | Leases                                                                                                                         |
| IFRS 17                                            | Insurance Contracts                                                                                                            |
| IAS 19 (amendments)                                | Employee Benefits                                                                                                              |
| IAS 28 (amendments)                                | Investments in Associates and Joint Ventures                                                                                   |
| IAS 40 (amendments)                                | Investment Property                                                                                                            |
| Annual Improvements to IFRSs:<br>2014 – 2016 Cycle | Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates. |
| Annual Improvements to IFRSs:<br>2015 – 2017 Cycle | Amendments to: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs        |
| IFRIC 22                                           | Foreign Currency Transactions and Advance Consideration                                                                        |
| IFRIC 23                                           | Uncertainty over Income Tax Treatments                                                                                         |

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 Company in future periods, except as that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these Standards and Interpretations until a detailed review has been completed.

#### 6. REVENUE

|                                                                        | 2017       | 2016       |
|------------------------------------------------------------------------|------------|------------|
|                                                                        | £          | £          |
| The Company's revenue is stated net of VAT and is analysed as follows: |            |            |
| Management fees                                                        | 33,889,127 | 30,164,607 |
| Administration fees                                                    | 4,330,886  | 4,009,867  |
| Profit on sale of units including initial charges                      | 2,935      | 4,249      |
| Other income                                                           | 65,599     | 67,598     |
|                                                                        | 38,288,547 | 34,246,321 |

Revenue arises from services provided in the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**7. PROFIT FROM OPERATIONS**

|                                                                                                                                  | 2017           | 2016           |
|----------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                  | £              | £              |
| Profit from operations has been arrived at after charging:                                                                       |                |                |
| Auditor remuneration (see analysis below)                                                                                        | 175,966        | 182,666        |
| Net foreign exchange gain                                                                                                        | (2,751)        | (47,851)       |
| The analysis of auditor remuneration is set out below:                                                                           |                |                |
| Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements            | 15,000         | 16,000         |
| Fees payable to the Company's auditor and their associates for other services to the Group: audit of the Company's managed funds | 129,466        | 133,416        |
| <b>Total audit fees</b>                                                                                                          | <b>144,466</b> | <b>149,416</b> |
| Audit-related assurance services <sup>1</sup>                                                                                    | 31,500         | 26,000         |
| Taxation advisory services <sup>2</sup>                                                                                          | -              | 4,000          |
| Other assurance services <sup>2</sup>                                                                                            | -              | 3,250          |
| <b>Total non-audit fees</b>                                                                                                      | <b>31,500</b>  | <b>33,250</b>  |
| <b>Total audit and non-audit fees</b>                                                                                            | <b>175,966</b> | <b>182,666</b> |

<sup>1</sup> Audit-related assurance services comprise client asset assurance services ("CASS") in the current and prior year.

<sup>2</sup> Taxation advisory and other assurance services are in respect of the Company's managed funds.

**8. INTEREST INCOME**

|                          | 2017   | 2016   |
|--------------------------|--------|--------|
|                          | £      | £      |
| Interest on cash at bank | 27,675 | 40,080 |

**9. FINANCE COSTS**

|                            | 2017         | 2016         |
|----------------------------|--------------|--------------|
|                            | £            | £            |
| Interest - bank overdrafts | 4,029        | 3,308        |
| Interest - other           | 428          | -            |
|                            | <b>4,457</b> | <b>3,308</b> |

# **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2017**

## **10. TAXATION**

|                                                                                                           | 2017             | 2016             |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                           | £                | £                |
| Current tax:                                                                                              |                  |                  |
| U.K. corporation tax based on profit for the year                                                         | 1,271,449        | 1,151,372        |
| Tax over-provided in previous years                                                                       |                  | (212)            |
| <b>Total tax</b>                                                                                          | <b>1,271,449</b> | <b>1,151,160</b> |
| Tax reconciliation:                                                                                       |                  |                  |
| Profit before tax                                                                                         | 6,604,930        | 5,756,352        |
| Profit for the year, multiplied by the standard rate of corporation tax in the U.K. of 19.25% (2016: 20%) | 1,271,449        | 1,151,271        |
| Expenses not deductible for tax purposes                                                                  |                  | 101              |
| Tax over-provided in previous years                                                                       |                  | (212)            |
| <b>Total tax expense reported in the Statement of Comprehensive Income</b>                                | <b>1,271,449</b> | <b>1,151,160</b> |
| <b>Effective tax rate for the year</b>                                                                    | <b>19.25%</b>    | <b>20.0%</b>     |

The effective tax rate for the year has fallen in comparison to prior year due to the drop in statutory tax rate.

The Company has no deferred tax assets or liabilities in either the current or prior year.

## **11. INVESTMENT IN SUBSIDIARIES**

|                         | 2017  | 2016  |
|-------------------------|-------|-------|
|                         | £     | £     |
| SIF Nominees UK Limited | 1,000 | 1,000 |

The Company has one direct subsidiary investment, SIF Nominees UK Limited, which is valued at cost less provision for impairment. The subsidiary is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The registered address of the subsidiary is Juxon House, 100 St. Paul's Churchyard, London, EC4M 8BU, United Kingdom. Further details are set out below:

| Company                 | Description of shares held | Proportion of ownership interest and voting power | Principal activity                                                                                                                                        |
|-------------------------|----------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| SIF Nominees UK Limited | £1 Ordinary shares         | 100%                                              | Nominee company which is the named account holder for Luxembourg and Ireland fund units subscribed to via administrative wrappers offered by the Company. |

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2017

#### 12. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                            | 2017   | 2016   |
|------------------------------------------------------------|--------|--------|
|                                                            | £      | £      |
| Investment securities at fair value through profit or loss | 41,693 | 32,109 |

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

The fair value hierarchy, which reflects the level of judgement involved in estimating fair values, is as follows:

- Level 1: The unadjusted quoted price in an active market for an identical instrument that the entity can access at the measurement date.
- Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e., developed using market data).
- Level 3: Valuation techniques using unobservable inputs (i.e., for which market data is unavailable).

These investments are classified as level 2 as value is readily observable and is based on quoted market price in markets where trading frequency is less than daily. The size of the holding in the share class of each fund is small relative to total fund size and is held for the short-term in order to launch/maintain a fund share class. Given the size of holding in each fund share class, the Company's exposure to loss associated with its interests in these funds is considered to be low. Further analysis of investment holdings by asset class is provided in Note 21.

#### 13. OTHER RECEIVABLES

|                                 | 2017    | 2016   |
|---------------------------------|---------|--------|
|                                 | £       | £      |
| Amounts due from Group entities | -       | 30,217 |
| Other receivables               | 186,518 | 30,148 |
|                                 | 186,518 | 60,365 |

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

#### 14. CASH AND CASH EQUIVALENTS

|              | 2017       | 2016      |
|--------------|------------|-----------|
|              | £          | £         |
| Cash at bank | 10,214,408 | 8,988,797 |

All balances are unsecured and repayable on demand. Cash at bank earns interest at between U.K. base rate -0.25% to U.K. base rate +0.1%. 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 U.K. base rate +2%.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**15. OTHER LIABILITIES**

|                                   | 2017             | 2016           |
|-----------------------------------|------------------|----------------|
|                                   | £                | £              |
| Trade creditors                   | 227,499          | 127,437        |
| Amounts payable to Group entities | 324,473          | 1,000          |
| Other payables                    | 650,869          | 615,475        |
|                                   | <b>1,202,841</b> | <b>743,912</b> |

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

**16. SHARE CAPITAL**

|                                                    | 2017    | 2016    |
|----------------------------------------------------|---------|---------|
|                                                    | £       | £       |
| Authorised:                                        |         |         |
| Ordinary shares of £1 each                         | 250,000 | 250,000 |
| Allotted, called up and fully paid:                |         |         |
| 250,000 (2016: 250,000) Ordinary shares of £1 each | 250,000 | 250,000 |

**17. DIVIDENDS**

|                                                                                    | 2017             | 2016             |
|------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                    | £                | £                |
| Amounts recognised as distributions to the equity holder in the year:              |                  |                  |
| Interim dividend for the year ended 31 December 2017: 200p                         | 500,000          | -                |
| Final dividend for the year ended 31 December 2016: 1,520p                         | 3,800,000        | -                |
| Interim dividend for the year ended 31 December 2016: 160p                         | -                | 400,000          |
| Final dividend for the year ended 31 December 2015: 1,756p                         | -                | 4,390,000        |
|                                                                                    | <b>4,300,000</b> | <b>4,790,000</b> |
| Proposed final dividend for the year ended 31 December 2017: 1,692p (2016: 1,520p) | <b>4,230,000</b> | <b>3,800,000</b> |

The payment of the proposed final dividend will not have any tax consequences for the Group.

**18. EMPLOYEES**

The Company had no employees in the year (2016: nil).

# **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2017**

## **19. REMUNERATION OF KEY MANAGEMENT PERSONNEL**

|                                    | 2017  | 2016 |
|------------------------------------|-------|------|
|                                    | £     | £    |
| In respect of qualifying services: |       |      |
| Director fees – J. Lake            | 6,102 | -    |

All other Directors were employed and remunerated as directors or executives of Sarasin (U.K.) Limited and its subsidiaries (the "Group") in respect of their services to the Group as a whole. Disclosure is provided in the consolidated financial statements of Sarasin (U.K.) Limited.

## **20. RELATED PARTY TRANSACTIONS**

Transactions between the Company and fellow Group companies are disclosed below.

|                        | Revenues |        | Expenses   |            | Amounts owed from/(to) Related Parties |        |
|------------------------|----------|--------|------------|------------|----------------------------------------|--------|
|                        | 2017     | 2016   | 2017       | 2016       | 2017                                   | 2016   |
|                        | £        | £      | £          | £          | £                                      | £      |
| Sarasin & Partners LLP | 63,000   | 63,000 | 27,676,393 | 24,899,191 | (323,473)                              | 30,217 |

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

Expenses paid to Sarasin & Partners LLP relate to services for the investment management and distribution of funds and management charges for the provision of staff, property facilities, information, legal and compliance services and other administrative costs.

In addition to the amounts disclosed in the table above:

- Accrued expenditure of £2,278,910 (2016: £2,160,990) payable to Sarasin & Partners LLP in respect of services for investment management and distribution of funds is disclosed within accrued expenses in the Statement of Financial Position;
- A liability of £1,000 (2016: £1,000) is owed to subsidiary SIF Nominees UK Limited relating to investment in share capital;
- The Company paid dividends during the year to its immediate parent, Sarasin & Partners LLP, totalling £4.3m (2016: £4.79m);
- The Company is a beneficiary of a £2.1m overdraft facility guarantee from its immediate parent entity (2016: £2.1m);
- The Company has entered into a subordinated loan facility with its immediate parent, Sarasin & Partners LLP, in the amount of £2m (2016: £2m); and
- J. Lake received £6,102 during the year for director services (2016: £nil).

Amounts outstanding are unsecured and will be settled in cash. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2017

### 21. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity designed so that its activities are not governed by way of voting rights, for example where contractual arrangements are the dominant factor in affecting an investor's returns. The Company has evaluated such exposures and concluded that where the Company holds a seed investment in, or has a contractual fee arrangement with, a collective investment scheme ("CIS"), this represents an interest in a structured entity. The activities of these entities are governed by investment management agreements.

The Company is the ACD and Manager for several CIS's which are considered to be structured entities within the definition of IFRS 12, and which are not consolidated. The Company holds an interest in these CIS's through the receipt of management fee and fixed operating charge income and the holding of seed investment positions.

The CIS's are constituted as open-ended investment companies (OEICs) and collective investment schemes for charities (Common Investment Funds, or CIFs). These entities invest in a range of asset classes as detailed in the table below which discloses, by asset class, fund AuM, carrying value of the Company's interests in CIS's as recognised in the Statement of Financial Position and the income earned from managing and administering CIS's as recognised in the Statement of Comprehensive Income.

The CIS's have various investment objectives and policies and are subject to the terms and conditions of their offering documentation. However, all entities invest capital from investors in a portfolio of assets in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold. The CIS's are financed through equity capital provided by investors.

| Asset Class   | Total AUM    |              | Revenue <sup>1</sup> |                   |
|---------------|--------------|--------------|----------------------|-------------------|
|               | 2017         | 2016         | 2017                 | 2016              |
|               | £m           | £m           | £                    | £                 |
| Equity        | 1,548        | 1,571        | 17,917,414           | 16,859,721        |
| Multi-asset   | 2,336        | 2,165        | 17,755,665           | 15,074,866        |
| Fund of funds | 87           | 89           | 1,034,148            | 1,105,622         |
| Fixed income  | 277          | 183          | 1,512,786            | 1,134,265         |
|               | <b>4,248</b> | <b>4,008</b> | <b>38,220,013</b>    | <b>34,174,474</b> |

| Asset Class   | Fair value of investments held <sup>2</sup> |               | Trade and other receivables <sup>3</sup> |                  | Maximum exposure to loss <sup>4</sup> |                  |
|---------------|---------------------------------------------|---------------|------------------------------------------|------------------|---------------------------------------|------------------|
|               | 2017                                        | 2016          | 2017                                     | 2016             | 2017                                  | 2016             |
|               | £                                           | £             | £                                        | £                | £                                     | £                |
| Equity        | 31,560                                      | 22,702        | 1,500,338                                | 1,490,453        | 1,531,898                             | 1,513,155        |
| Multi-asset   | -                                           | -             | 1,524,359                                | 1,405,339        | 1,524,359                             | 1,405,339        |
| Fund of funds | 7,859                                       | 7,201         | 84,450                                   | 85,066           | 92,309                                | 92,267           |
| Fixed income  | 2,108                                       | 2,044         | 146,637                                  | 101,991          | 148,745                               | 104,035          |
|               | <b>41,527</b>                               | <b>31,947</b> | <b>3,255,784</b>                         | <b>3,082,849</b> | <b>3,297,311</b>                      | <b>3,114,796</b> |

#### Notes:

<sup>1</sup> Revenue includes management and administration fees as disclosed in Note 6.

<sup>2</sup> The Company also holds investments totalling £166 (2016: £162) in other CIS's in respect of which no income is earned. The total fair value of investments held of £41,693 (2016: £32,109) is disclosed in Note 13.

<sup>3</sup> Trade and other receivables comprise accrued fee income disclosed in the Statement of Financial Position within 'accrued income and prepaid expenses'.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 21. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)

Notes (continued):

<sup>4</sup> The Company's maximum exposure to loss from unconsolidated structured entities at 31 December 2017 is the sum total of seed investment held and trade and other receivables from CIS's.

#### Maximum exposure to loss

The Company's maximum exposure to loss associated with its interests in these CIS's is limited to the carrying value of seed investment plus accrued income shown in the table above.

#### Financial support

The Company has not provided financial support to any of the CIS's during the year, and has no contractual obligations or current intention of providing financial support in the future.

#### Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Company's interest in the CIS's.

### 22. 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 the shareholder. The capital structure of the Company consists entirely of equity, comprising issued capital and retained earnings as disclosed in the Statement of Financial Position. The Company has no restrictions or specific capital requirements other than capital adequacy requirements by the FCA. These requirements are monitored by the Company on an ongoing basis. There were no recorded breaches of the requirements during the year.

#### 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, to a lesser extent, 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 is exposed to foreign exchange risk through its assets, liabilities, income and expenses denominated in currencies other than Sterling, where their positions are not hedged. Exposure is limited to balances that are required for the settlement of transactions within the Company's managed 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. Management do not consider this exposure to be significant.

#### Market Risk: Interest Rate Risk

Interest rate risk in respect of the Statement of Financial Position 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 22. FINANCIAL INSTRUMENTS (continued)

#### *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 balances held at bank 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. Concentration risk from transactions in fund products is limited as exposures are spread over a large number of counterparties.

Credit risk exposure is regularly reviewed and is managed in accordance with the risk appetite of the business via the application of policy set in relation to the type of counterparty used, the level of concentration allowed, and in the case of cash deposits, counterparty limits set.

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. Operational liquidity management in the day-to-day running of the business is overseen by the Finance department. 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.

### 23. POST BALANCE SHEET EVENTS

A charity authorised investment fund ("CAIF") vehicle has been established, named Sarasin Charity Authorised Investment Funds ("Sarasin CAIF"). The vehicle is a non-UCITS umbrella unit trust structure, authorised by the FCA and registered with the Charities Commission. The Company is the appointed Operator. The first sub-fund established under the trust, Sarasin Climate Active Endowment Fund, launched on 16 February 2018. This was followed on 23 February 2018 by the merger of the Alpha CIF for Endowments and the Alpha CIF for Income & Reserves with two new Sarasin CAIF sub-funds, Sarasin Endowments Fund and Sarasin Income & Reserves Fund, respectively. Following the merger, it is intended to terminate the Alpha CIF funds.

No events have occurred since the reporting date that have an impact on the Statement of Financial Position or Statement of Comprehensive Income for 2017.

### 24. CONTINGENT LIABILITIES

As at 31 December 2017 there were no contingent liabilities (2016: £nil).

### 25. 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 SIM (Partnership) London Limited, a company registered in the United Kingdom. Copies of the financial statements of SIM (Partnership) London Limited can be obtained from Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU.

SIM (Partnership) London Limited's intermediate holding company is Bank J. Safra Sarasin Limited, a company incorporated in Switzerland. Copies of the financial statements of Bank J. Safra Sarasin Limited can be obtained from Elisabethenstrasse 62, 4002 Basel, Switzerland. Bank J. Safra Sarasin Limited is ultimately owned by Mr. Joseph Y. Safra and his family.