

Schroder Middle East Limited

Annual Report and Accounts

Year Ended 31 December 2011

Registered Number: 01562433



Schroders

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Officers and professional advisers

Directors

Catherine J Brock
Derek N D Netherton
Howard B Trust

Secretaries

Helen M Horton
Melanie Norton

Registered Office

31 Gresham Street
London
EC2V 7QA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Directors' report

The Directors present their report and the audited financial statements of Schroder Middle East Limited (Company) for the year ended 31 December 2011

Results and dividend

The loss for the year, after tax was £79,000 (2010 £36,000)

During the year no dividends were paid or proposed (2010 nil)

The Directors consider these results and the Company's financial position at 31 December 2011 to be satisfactory

Principal activities and business review

The Company is a company limited by shares incorporated in England and Wales. The principal activity of the Company during the year was to act as the general partner of The Vicarello Partnership LP, a limited partnership that has a property interest in Italy. The Company is authorised and regulated by the Financial Services Authority ('FSA'). The Directors do not anticipate any material change to the activities of the Company in 2012.

The increase in the loss after tax was principally due to an increase in the provision against amounts receivable from some related parties.

The Company's ultimate parent undertaking and controlling entity is Schroders plc, which together with the Company and Schroders plc's other subsidiaries form the Schroders plc Group (Group).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group, of which it is a part, and are not managed separately. Consequently, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the 'Key risks and mitigations' section of the Schroders plc annual report and accounts for the year ended 31 December 2011 (Schroders Report) which does not form part of this report.

Use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Governance' section in the Schroders Report. The Company's specific risk exposures are explained in note 10 to the financial statements.

Key performance indicators

The directors of the Group manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, is discussed in the 'Business review' within the Schroders Report which does not form part of this report.

Going concern

Taking all the above factors into consideration including the nature of the Company and its activities, and having made all reasonable enquires, the Directors are satisfied at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors' report (continued)

Directors

The Directors of the Company who have served throughout the year, except where noted below, are listed on page one. From 1 January 2011 up to the date of signing the financial statements the following change had taken place:

Name	Appointed
Catherine J Brock	15 March 2011

Directors' liability insurance

Directors' and Officers' liability insurance is taken out by Schroders plc, the Company's ultimate parent undertaking, for the benefit of the Directors of the Company.

Employment policy

The Company had no employees during the year.

Creditor payment policy

The Company's policy and practice is to agree terms of payment with suppliers at the time of contract and to make payment in accordance with those terms subject to satisfactory performance. The Company does not follow any code or standard on payment practice and does not envisage a change in approach to this policy in 2012. Payments to the Company's suppliers are made by another entity in the Group as part of the Group's accounts payable process. Therefore the ageing of the Company's own trade creditors is not readily identifiable. At 31 December 2011 the amount owed to the Group's trade creditors represented approximately 35 days average purchases from suppliers (2010: 45 days).

Independent auditors

In accordance with Section 487(2) of the Companies Act 2006 and in the absence of a notice proposing that the appointment be terminated at a general meeting, the current auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed for the next financial year.

Provision of information to auditors

To the best of the Directors' knowledge, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors has taken all reasonable steps that ought to have been taken by him or her as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Approved by the Board of Directors and signed on its behalf by



Melanie Norton
Company Secretary
30 March 2012

Registered Office
31 Gresham Street
London EC2V 7QA
Registered in England and Wales Number 01562433

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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 (IFRS) 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, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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.

Independent auditors' report to the member of Schroder Middle East Limited

We have audited the financial statements of Schroder Middle East Limited for the year ended 31 December 2011, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

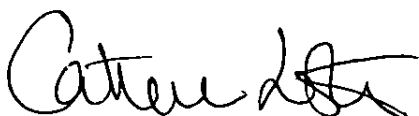
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the member of Schroder Middle East Limited (continued)

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



Catherine Lester
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 March 2012

Income statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net gains/(losses) on foreign exchange	2	1	(1)
Operating expenses	3	(112)	(54)
Operating loss		(111)	(55)
Finance income	4	4	5
Loss before tax		(107)	(50)
Tax	5	28	14
Loss after tax		(79)	(36)

Statement of comprehensive income

for the year ended 31 December 2011

	2011 £'000	2010 £'000
Loss for the year	(79)	(36)
Total comprehensive loss for the year, net of tax	(79)	(36)

Statement of financial position

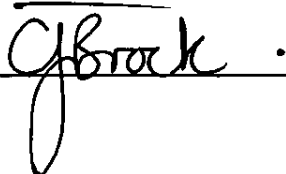
as at 31 December 2011

	Note	2011 £'000	2010 ¹ £'000
Assets			
Cash and cash equivalents	6	84	25
Trade and other receivables	7	382	465
Deferred tax	8	1	2
Total assets		467	492
Liabilities			
Trade and other payables	9	76	22
Total liabilities		76	22
Net assets		391	470
Equity		391	470

¹ 2010 has been reformatted for consistency with the 2011 presentation - see 'Presentation of the financial statements' within the notes to the accounts for information regarding the change in presentation

The financial statements on pages 7 to 18 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf by

Catherine Brock
Director



Statement of changes in equity

for the year ended 31 December 2011

	Share capital ¹ £'000	Retained losses ² £'000	Total £'000
At 1 January 2011	1,012	(542)	470
Loss for the year	-	(79)	(79)
Total comprehensive loss for the year	-	(79)	(79)
At 31 December 2011	1,012	(621)	391

for the year ended 31 December 2010

	Share capital ¹ £'000	Retained losses ² £'000	Total £'000
At 1 January 2010	1,012	(506)	506
Loss for the year	-	(36)	(36)
Total comprehensive loss for the year	-	(36)	(36)
At 31 December 2010	1,012	(542)	470

¹ Share capital represents a mix of issued partly and fully paid ordinary shares at a par value £1 each – see Note 11 within the notes to the accounts

² The retained losses reserve represents losses brought forward and the loss for the period

Cash flow statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Operating loss		(111)	(55)
Decrease / (increase) in trade and other receivables		83	(20)
Increase in trade and other payables		54	10
Amounts received in respect of Group tax relief		29	9
Net cash from / (used in) operating activities		55	(56)
Investing activities			
Interest received		4	5
Net cash from investing activities		4	5
Net increase / (decrease) in cash and cash equivalents		59	(51)
Opening cash and cash equivalents		25	76
Net increase / (decrease) in cash and cash equivalents		59	(51)
Closing cash and cash equivalents	6	84	25

Notes to the financial statements

for the year ended 31 December 2011

1 Presentation of financial statements

Financial information for the year ended 31 December 2011 is presented in accordance with International Accounting Standard (IAS) 1 Presentation of Financial Statements

The presentation of the financial statements has been reformatted in 2011 for consistency with the changes made to the Schroders Report, and to enable greater understanding of the financial results and position of the Company. Where appropriate, the comparative information has also been reformatted for better comparison. This presentation has been adopted to follow the Financial Reporting Council's objective of cutting clutter from financial statements. The changes made are considered to be those currently permitted in accordance with International Financial Reporting Standards (IFRS) and law. These include simplifying the statement of financial position (renamed from balance sheet). In addition, assets and liabilities in the statement of financial position are now presented in order of liquidity, the classification between current and non-current being set out in the notes. We have removed disclosures that are not considered material. This policy of further simplification and removal of unnecessary disclosure has been extended to the notes.

Basis of preparation

The financial statements are prepared in accordance with IFRS, which comprise Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee or their predecessors, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention.

The Company's principal accounting policies have been consistently applied.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within the notes below.

The Company did not early adopt any Standards which were issued during the year, but which were not effective at the balance sheet date. No Standards and Interpretations endorsed by the EU became effective during the year.

No Standards and Interpretations issued and not effective are expected to have an impact on the Company's financial statements.

Notes to the financial statements

for the year ended 31 December 2011

2 Net gains/(losses) on foreign exchange

Foreign currency translation

Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date and transactions in foreign currency are converted to Sterling at the rate ruling at the date of the transaction. Exchange differences arising are taken to the income statement within 'Net gains/(losses) on foreign exchange'.

	2011 £'000	2010 £'000
Net gains/(losses) on foreign exchange	1	(1)

3 Operating expenses

	2011 £'000	2010 £'000
Impairment of trade and other receivables (see note 7)	64	14
Audit and non-audit fees		
Audit fees	8	8
Other services provided pursuant to legislation	3	5
Other operating expenses	37	27
Operating expenses	112	54

Key management personnel compensation

The Company pays a fee to a Director for advisory services. The emoluments set out below are in respect of that 1 Director (2010: 1). The emoluments of 2 Directors (2010: 2) employed by and paid for by another Group company are included in the financial statements of that entity and these Directors receive no emoluments for their services to the Company.

	2011 £'000	2010 £'000
Aggregate emoluments	20	22
	20	22

The Company has determined that the Directors of Schroder Middle East Limited are the key management personnel of the Company.

In respect of the highest paid Director, the aggregate emoluments were £20,000 (2010: £22,000).

Notes to the financial statements

for the year ended 31 December 2011

4 Finance income

Interest comprises amounts due on the Company's cash and intercompany loans. Interest receivable is recognised using the effective interest method and is recorded in the income statement within 'Finance income'.

	2011 £'000	2010 £'000
Other interest receivable on financial assets not at fair value through profit or loss	4	5

5. Taxation

(a) Analysis of credit in year

	2011 £'000	2010 £'000
Current tax:		
Current tax credit - Group relief	(29)	(15)
Total current tax credit for the year	(29)	(15)
Deferred tax:		
Charge relating to origination and reversal of temporary differences	1	1
Total tax credit for the year	(28)	(14)

(b) Factors affecting tax credit for the year

The UK standard rate of corporation tax reduced from 28 per cent to 26 per cent on 1 April 2011 resulting in a UK effective rate for the year of 26.5 per cent (2010 standard and effective rate of 28 per cent).

The current tax credit for the year is the same as (2010 the same as) that calculated using the effective rate of corporation tax in the UK of 26.5 per cent (2010 28 per cent).

	2011 £'000	2010 £'000
Loss before tax	(107)	(50)
Loss before tax multiplied by corporation tax at the UK effective rate of 26.5 per cent (2010 28 per cent)	(28)	(14)
Total tax credit for the year	(28)	(14)

Notes to the financial statements

for the year ended 31 December 2011

6 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts where such facilities form an integral part of the Company's cash management.

	2011 £'000	2010 £'000
Cash at bank	84	25

The book value of cash and cash equivalents approximates their fair value.

7. Trade and other receivables

	2011 £'000	2010 £'000
Amounts owed by related parties (see note 12)	380	425
Other debtors	2	40
	382	465

Trade receivables are recorded initially at fair value and subsequently at amortised cost. The receivables balances in the table above are net of any impairment provisions for bad and doubtful debts.

Impairments for specific bad and doubtful debts are provided against receivables to reflect an assessment of irrecoverability and are deducted from the relevant assets. Such impairments are recorded within 'Operating expenses' in the income statement.

The trade and other receivables are all current. Trade and other receivables include interest bearing loans to other companies within the Group. The carrying amount of interest and non-interest bearing trade and other receivables approximate their fair value.

	2011 £'000	2010 £'000
Impairment of trade and other receivables		
At 1 January	63	49
Charge to income statement	64	14
At 31 December	127	63

Notes to the financial statements

for the year ended 31 December 2011

8 Deferred tax

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25 per cent (2010 27 per cent) reflecting the rate expected to be applicable at the time the net deferred tax asset is realised

The movement on the deferred tax account is as shown below

	2011 £'000	2010 £'000
At 1 January	2	3
Income statement expense	(1)	(1)
At 31 December	1	2

	2011 Accelerated capital allowances £'000	Total £'000	2010 Accelerated capital allowances £'000	Total £'000
At 1 January	2	2	3	3
Charged to income statement	(1)	(1)	(1)	(1)
At 31 December	1	1	2	2

9 Trade and other payables

Trade and other payables are recorded initially at fair value and subsequently at amortised cost

Trade and other payables are all current. The carrying amount of interest and non interest bearing trade and other payables at amortised cost approximates their fair value

	2011 £'000	2010 £'000
Amounts owed to related parties (see note 12)	59	4
Accruals	17	18
	76	22

Notes to the financial statements

for the year ended 31 December 2011

10 Financial risk management

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the Governance section and in note 20 in the Schroders Report.

Sensitivities are measured against market risk movements which the Group believes could reasonably occur within the next calendar year.

The Company's specific risk exposures are explained below.

Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominantly its related parties and therefore there is no credit risk exposure outside the Group on these balances. The Company has made a provision for impairment against receivables that it does not expect to recover.

The Company's cash and cash equivalents is invested primarily in a current account and on deposit with an A rated UK bank (2010 A+ rated).

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain the solvency. The Company holds sufficient liquid funds to cover their normal course of business. Outside the normal course of business the Company can request additional capital through intra-Group loans to maintain sufficient liquidity.

Interest rate risk

Interest rate risk is the market risk that the fair value or future cash flows will fluctuate because of changes in market interest rates.

Interest rate risk is limited. Assets and liabilities attracting interest rates are cash balances and intercompany loans, both of which are at floating rate, therefore outright interest rate risks arise mainly from the decision to allow a mismatch between the cash flows.

At 31 December 2011, if Bank of England interest rates had been 50 basis points higher or nil basis points lower with all other variables held constant, it has been estimated that post-tax loss for the year would have been £2,000 lower / £nil higher, mainly as a result of higher/lower interest income on inter company loans and cash balances. Other components of equity would have been unaffected.

At 31 December 2010, if Bank of England interest rates had been 200 basis points higher or nil basis points lower with all other variables held constant, it has been estimated that post-tax loss for the year would have been £5,000 lower / £nil higher, mainly as a result of higher/lower interest income on inter company loans and cash balances. Other components of equity would have been unaffected.

The underlying assumption made in the model used to calculate the effect on post-tax profits is that, the fair values of assets and liabilities will not be affected by a change in interest rates.

Notes to the financial statements

for the year ended 31 December 2011

10 Financial risk management (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates

The Company's policy in relation to revenue and expenditure currency exposure is not to hedge as this is considered part of the business

The Company is potentially exposed to foreign exchange risk arising from currency exposures

As at 31 December 2011, if the Euro had strengthened by 8 per cent/weakened by 12 per cent against sterling, with all other variables held constant, it has been estimated that the Company's loss for the year would increase by £nil / decrease by £nil

As at 31 December 2010, if the Euro had strengthened by 8 per cent/weakened by 12 per cent against sterling, with all other variables held constant, it has been estimated that the Company's loss for the year would increase by £4,000 / decrease by £4,000

Capital management

The Company's policy is to have adequate capital for all activities undertaken in the normal course of business. In particular, it should have sufficient capital to maintain sufficient liquid funds to meet peak working capital requirements. Any surplus capital is loaned back to the Group's investment capital management entities.

The Company is regulated by the FSA. Its last submitted capital resources as at 31 December 2011 totalled £470,000 (December 2010 £506,000) and had a minimum capital requirement of £42,000 (December 2010 £43,000). Surplus capital was therefore £428,000 (December 2010 £463,000).

The Company complied at all times with all of the externally imposed regulatory capital requirements.

11. Share capital

	2011 Number	2010 Number	2011 £'000	2010 £'000
Issued, called up and fully paid:				
Ordinary share of £1 each	14,000	14,000	14	14
Issued, called up and partially paid:				
Paid up to 25p ordinary shares of £1 each	3,990,000	3,990,000	998	998
	4,004,000	4,004,000	1,012	1,012

Notes to the financial statements

for the year ended 31 December 2011

12 Related party transactions

(a) Transactions between related parties

Transactions between the Company and other Group subsidiaries, which are related parties of the Company, together with details of transactions between the Company and other related parties are disclosed below

2011			
	Finance income £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Other related companies within the Group	4	380	59

2010			
	Finance income £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Other related companies within the Group	5	425	4

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. The Company has recognised an expense of £64,000 (2010 £14,000) for bad or doubtful debts in the year in respect of the amounts owed by related parties.

13 Ultimate parent company

The Company's immediate parent undertaking is Schroder International Holdings Limited, whose ultimate parent company and ultimate controlling party is Schroders plc, both of which are incorporated in England and Wales.

The results of the Company are consolidated in the Group accounts of Schroders plc for the year ended 31 December 2011, copies of which can be obtained from Schroders plc, 31 Gresham Street, London, EC2V 7QA.