

# Nissay Schroders Asset Management Europe Limited

## Annual Report and Accounts

Year ended 31 December 2012

Registered Number: 03709605

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## Officers and professional advisers

### Directors

Takeshi Furuichi  
Hiroyasu Hirata  
Yutaka Ideguchi  
Hiroyuki Shoji  
James W Stewart  
Carlo A Trabattoni

### Secretaries

Helen M Horton  
Melanie Stoner

### 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 for Nissay Schroders Asset Management Europe Limited (the Company) for the year ended 31 December 2012

### Results and dividend

The profit for the year after tax was £1,037,000 (2011 £1,212,000). Dividends of £1,225,000 (2011 £728,000) were paid during the year resulting in a net decrease in shareholders' funds of £188,000 (2011 £484,000). The Directors consider these results and the Company's financial position at 31 December 2012 to be satisfactory.

### Principal activities and business review

The principal activity of the Company during the year was to provide investment management services. There have not been any significant changes in the Company's principal activity in the year under review. The Directors are not aware, at the date of this report, of any material change to the Company's activities in the next year. The Company is regulated by the Financial Services Authority.

The Company is a company limited by shares incorporated in England and Wales. The Company has two shareholders, Nippon Life Insurance Company and Schroder International Holdings Limited who own 67 per cent and 33 per cent of the called up share capital respectively. Although Nippon Life Insurance Company holds the majority of the issued capital and has the right to appoint four out of six Board Directors, control of the Company is effectively split between the two shareholders.

As shown in the Company's profit and loss account on page 7, the Company's turnover has decreased nine per cent on the prior year.

The balance sheet on page 8 of the financial statements shows that the Company had net assets of £3,221,000, six per cent lower than the previous year.

### Principal risks and uncertainties

Competitive pressure in the investment management market is a continuing risk for the Company, which could result in it losing key clients. The Company manages this risk by providing added value services to its customers, having fast response times in handling all customer queries, and by maintaining strong relationships with customers.

The main business risk is suffering poor long term performance of the funds operated by the Company. The Board regularly reviews the performance of these funds to ensure that any deterioration in performance is highlighted and any necessary action taken.

### Use of Financial instruments

Financial instruments include debtors, creditors and cash. The Company has a policy of identifying and controlling risks associated with such instruments. These risks include interest rate risk, liquidity risk, currency risk and credit risk. Bearing in mind the nature of the exposure to such instruments the Directors are satisfied that there is adequate control of the associated risks.

## Directors' report (continued)

### Financial risk management

#### 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 the amounts when due. The counterparties for the Company are predominantly related parties and cash at bank. The balances are monitored regularly and historically, defaults have been nil. The cash at bank is held with institutions that are 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 Company holds sufficient liquid funds to cover the normal course of business.

### Key performance indicators

The Directors of the Company consider a number of key performance indicators (KPIs) for the Company. The KPIs include assets under management, turnover and operating expenses as well as regulatory capital requirements.

### Going concern

Taking all the above factors into consideration, including the nature of the Company and its activities, the Directors are satisfied that, at the time of approving the financial statements, 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

The Directors who were in office during the year and up to the date of signing the financial statements, except where noted below, are listed on page one. From 1 January 2012 up to the date of signing of the financial statements the following changes have taken place:

Name	Appointed	Resigned
Yutaka Ideguchi	12 April 2012	
Kazuhide Toda		25 March 2012
Richard A Mountford		1 September 2012
Carlo A Trabattoni	1 September 2012	

### Directors' liability insurance

Directors' and Officers' liability insurance is taken out by the Company for the benefit of its Directors.

### Creditor payment policy

The Company's policy and practice is to agree the 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, but intends to adopt the United Kingdom Prompt Payment Code in 2013. Most suppliers' terms of settlement are in the range of 30 to 60 days.

Payments to the Company's suppliers are made by a related party of the Company as a part of the related party's accounts payable process, and then recharged to the Company. Therefore the ageing of the Company's own creditors is not readily identifiable. At 31 December 2012 the amount owed to the related party's trade creditors in the United Kingdom represented approximately 34 days' average purchases from suppliers (2011: 36 days).

## Directors' report (continued)

### 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 as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

### Statement of Directors' responsibilities

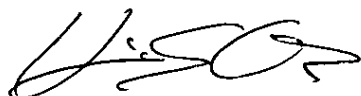
The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 United Kingdom Accounting Standards 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.

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



Hiroyuki Shoji  
Director  
15 March 2013

Registered Office  
31 Gresham Street  
London EC2V 7QA

Registered in England and Wales No 03709605

## Independent auditors' report to the members of Nissay Schroders Asset Management Europe Limited

We have audited the financial statements of Nissay Schroders Asset Management Europe Limited (the Company) for the year ended 31 December 2012 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of Directors and auditors

As explained more fully in the 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 (United Kingdom 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 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

## Independent auditors' report to the members of Nissay Schroders Asset Management Europe 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  
15 March 2013



## Profit and loss account

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover		3,450	3,783
Administrative expenses		(2,088)	(2,146)
<b>Operating profit</b>		<b>1,362</b>	<b>1,637</b>
Interest receivable and similar income		13	13
<b>Profit on ordinary activities before taxation</b>	<b>2</b>	<b>1,375</b>	<b>1,650</b>
Tax on profit on ordinary activities	4	(338)	(438)
<b>Profit for the financial year</b>	<b>10</b>	<b>1,037</b>	<b>1,212</b>

There is no material difference between the profit for the year and the retained profit for the year stated above and their historical cost equivalents

## Reconciliation of movements in shareholders' funds

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		1,037	1,212
Dividends	6	(1,225)	(728)
<b>Net change in shareholders' funds</b>		<b>(188)</b>	<b>484</b>
Opening shareholders' funds		3,409	2,925
<b>Closing shareholders' funds</b>		<b>3,221</b>	<b>3,409</b>

In the current and preceding years there are no recognised gains or losses other than the profit on ordinary activities disclosed above. Accordingly, no statement of total recognised gains or losses is presented.

All results are derived from continuing operations.

## Balance sheet

as at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Current assets</b>			
Debtors	7	515	548
Cash at bank and in hand	12	3,555	3,362
		<b>4,070</b>	<b>3,910</b>
<b>Creditors - amounts falling due within one year</b>	8	(849)	(501)
		<b>(849)</b>	<b>(501)</b>
<b>Total assets less current liabilities</b>		<b>3,221</b>	<b>3,409</b>
<b>Net assets</b>		<b>3,221</b>	<b>3,409</b>
<b>Capital and reserves</b>			
Called up share capital	9	1,750	1,750
Profit and loss account	10	1,471	1,659
<b>Total shareholders' funds</b>		<b>3,221</b>	<b>3,409</b>

The financial statements on pages 7 to 15 were approved by the Board of Directors on 15 March 2013 and were signed on its behalf by



Hiroyuki Shoji  
Director

## Cash flow statement

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Net cash flows from operating activities</b>	11	<b>1,551</b>	<b>1,557</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		13	13
<b>Taxation</b>		<b>(146)</b>	<b>(649)</b>
<b>Equity dividends paid to shareholders</b>		<b>(1,225)</b>	<b>(728)</b>
<b>Increase in net cash</b>	12	<b>193</b>	<b>193</b>

# Notes to the financial statements

for the year ended 31 December 2012

## 1 Accounting policies

Unless otherwise stated, the accounting policies have been consistently applied. The policies have been set out within the relevant note.

### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The financial statements are prepared on the going concern basis as described in the Directors' report.

## 2. Profit on ordinary activities before taxation

Turnover represents management fees, commissions and other income receivable, exclusive of Value Added Tax.

Management fee income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Management fee income is accrued over the period for which the service is provided.

Foreign currency financial assets and liabilities are translated at the rates of exchange ruling at the balance sheet date and any exchange differences arising are taken to the Profit and loss account within 'Administrative expenses'.

Profit on ordinary activities before taxation is stated after charging

	2012 £'000	2011 £'000
Wages and salaries	428	470

The average monthly number of employees during the year were made up as follows

	2012	2011
Investment managers and support staff	6	7

## 3. Auditors' remuneration

	2012 £'000	2011 £'000
Fees payable for the audit of the company	15	15
Fees payable for audit-related assurance services	3	3
	18	18

## Notes to the financial statements

for the year ended 31 December 2012

### 4 Tax on profit on ordinary activities

Current tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### (a) Analysis of charge in year

	2012 £'000	2011 £'000
<b>Current tax:</b>		
Corporation tax charge	338	438
<b>Total current tax</b>	<b>338</b>	<b>438</b>
<b>Tax on profit on ordinary activities</b>	<b>338</b>	<b>438</b>

#### (b) Factors affecting current and future tax charges

The United Kingdom standard rate of corporation tax reduced from 26 per cent to 24 per cent on 1 April 2012 resulting in a United Kingdom effective tax rate for the year of 24.5 per cent (2011: 26.5 per cent). The current tax for the year is higher (2011: higher) than that computed using the effective rate of corporation tax in the United Kingdom of 24.5 per cent (2011: 26.5 per cent). The differences are explained below.

	2012 £'000	2011 £'000
Profit before tax	1,375	1,650
Profit before tax multiplied by corporation tax at the United Kingdom effective rate of 24.5 per cent (2011: 26.5 per cent)	337	437
Non-taxable income net of non-deductible expenditure	1	1
<b>Total tax charge for the year</b>	<b>338</b>	<b>438</b>

## Notes to the financial statements

for the year ended 31 December 2012

### 4. Tax on profit on ordinary activities (continued)

#### (c) Deferred tax asset

	Capital allowances	
	2012	2011
	£'000	£'000
At 1 January	1	1
At 31 December	1	1

### 5 Directors' emoluments

The emoluments set out below are in respect of 1 (2011: 1) Director whose emoluments were charged in part to the Company during the year. The other 7 directors (2011: 7) received no remuneration in respect of their services as Directors.

	2012	2011
	£'000	£'000
Aggregate emoluments	134	134

### 6. Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

	2012		2011	
	£'000	Pence per share	£'000	Pence per share
Interim dividend	1,225	70.0	728	41.6

### 7. Debtors

	2012	2011
	£'000	£'000
Trade debtors	293	296
Other debtors	221	244
Corporation tax	-	7
Prepayments	1	1
	515	548

## Notes to the financial statements

for the year ended 31 December 2012

### 8. Creditors - amounts falling due within one year

	2012 £'000	2011 £'000
Corporation tax	185	-
Other creditors	664	501
	<b>849</b>	<b>501</b>

### 9. Called up share capital

	2012	2011
<b>Allotted and fully paid:</b>		
'A' Shares of £1 each	1,172,500	1,172,500
'B' Shares of £1 each	577,500	577,500
	<b>1,750,000</b>	<b>1,750,000</b>

Nippon Life Insurance Company holds 1,172,500 'A' Shares representing 67 per cent of the called up share capital of the Company

Schroder International Holdings Limited holds 577,500 'B' Shares representing 33 per cent of the called up share capital of the Company

All of the 'A' and 'B' shares held have full and equal voting and dividend rights

### 10. Combined statement of movements in shareholders' funds and statement of movements on reserve

	Called up share capital £'000	Profit and loss account £'000	Total 2012 £'000	Total 2011 £'000
At the beginning of the year	1,750	1,659	3,409	2,925
Profit for the financial year	-	1,037	1,037	1,212
Dividends	-	(1,225)	(1,225)	(728)
<b>At the end of the year</b>	<b>1,750</b>	<b>1,471</b>	<b>3,221</b>	<b>3,409</b>

## Notes to the financial statements

for the year ended 31 December 2012

### 11. Net cash flow from operating activities

Reconciliation of operating profit to net cashflows from operating activities

	2012 £'000	2011 £'000
Operating profit	1,362	1,637
Decrease / (increase) in debtors	26	(51)
Increase / (decrease) in creditors	163	(29)
<b>Net cash inflow from operating activities</b>	<b>1,551</b>	<b>1,557</b>

### 12. Movements in cash

	2012 £'000	2011 £'000
Balance at 1 January	3,362	3,169
Net cash inflow	193	193
<b>At 31 December</b>	<b>3,555</b>	<b>3,362</b>
Analysis of balances		
<b>Cash at bank</b>	<b>3,555</b>	<b>3,362</b>

### 13. Related party transactions

#### (a) Transactions between related parties

As disclosed in note 9, ownership of the Company is split between Nippon Life Insurance Company and Schroder International Holdings Limited

Schroder Investment Management Limited, a related party of Schroder International Holdings Limited, provided accounting, secretarial and administrative services to the Company during the year. The total fees paid and payable for such services for the year were £1,266,000 (2011 £1,478,000). Schroder Investment Management Limited also paid the Company sub-management fees in the year of £3,347,000 (2011 £3,688,000). The amounts due to and from Schroder Investment Management Limited for the year ended 31 December 2012 were £405,000 (2011 £120,000) and £315,000 (2011 £296,000) respectively.

Nippon Life Insurance Company seconded staff to the Company. Amounts paid and payable for the year, as reimbursement under the secondment agreement, amounted to £347,000 (2011 £393,000). There were no amounts due at the year-end date (2011 same).

NLI International Plc, a subsidiary of Nippon Life Insurance Company, provides administrative services. Fees paid and payable for the year under the administration agreement amounted to £182,000 (2011 £118,000). The amount due to NLI International Plc for the year ended 31 December 2012 was £8,000 (2011 £6,000).



## Notes to the financial statements

for the year ended 31 December 2012

### 13 Related party transactions (continued)

#### (a) Transactions between related parties (continued)

Nissay Asset Management Corporation, a subsidiary of Nippon Life Insurance Company, seconded staff to the Company, reimbursed an administration fee and paid the Company an investment advisory fee. Amounts paid as reimbursement under the secondment and administration fee, amounted to £81,000 (2011 £77,000) and £141,000 (2011 £87,000) respectively. The investment advisory fee amounted to £103,000 (2011 £95,000). The amounts due to and from Nissay Asset Management Corporation for the year ended 31 December 2012 were £23,000 (2011 £19,000) and £67,000 (2011 £95,000) respectively.

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. No expense for bad or doubtful debts has been recognised in the year in respect of the amounts owed by related parties.

#### (b) Key management personnel remuneration

The Company has determined that the Board of Directors of the Company are the key management personnel of the Company.

The remuneration of key management personnel during the year was as follows:

	2012 £'000	2011 £'000
Short-term employee benefits	134	134

### 14. Ultimate parent undertaking

As stated in the Directors' report, ownership of the Company is split 67/33 between Nippon Life Insurance Company, a company incorporated in Japan and Schroder International Holdings Limited, a company incorporated in England and Wales. The ultimate parent company of Schroder International Holdings Limited is Schroders plc, a company incorporated in England and Wales.

Although Nippon Life Insurance Company holds the majority of issued capital and has the right to appoint four out of six Board Directors, control of the Company is effectively split between the two shareholders.