

MARTIN CURRIE INCORPORATED  
FINANCIAL REPORT AND NON-STATUTORY ACCOUNTS

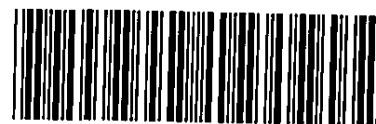
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currie**

31 DECEMBER 2011

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## **DIRECTORS' REPORT**

Registered no: BR002575

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The directors submit their report and non-statutory accounts for the year ended 31 December 2011.

### **Results**

The profit for the year after taxation amounted to \$5,043,044 (2010: profit of \$4,520,430). Dividends totalling \$6,000,000 were paid during the year (2010: \$3,782,250). The directors do not recommend the payment of a final dividend (2010: \$nil).

### **Review of the business**

The company's principal activity continued to be investment management and no significant changes are presently foreseen. The company is registered in the United States and is regulated by the Financial Services Authority and the Securities and Exchange Commission.

The company's key performance indicators are assets under management (AUM), turnover and operating profit. AUM at the year-end was \$2.5bn (2010: \$6.3bn), turnover for the year amounted to \$33,832,826 (2010: \$38,768,711) and operating profit amounted to \$3,989,231 (2010: \$7,809,038).

Turnover has decreased from the prior year as a result of net lost business. This has been compounded by falling markets in 2011 (MSCI World Index decreased by 8% during 2011). Turnover can also vary dependent on performance fees earned. Performance fees received during 2011 amounted to \$2,120,757 (2010: \$771,543).

Operating profit has decreased principally as a result of the movement in turnover as detailed above.

The company's principal risks and uncertainties relate to economic factors such as market risk and foreign exchange risk. The company has an established framework in place to manage financial risk and this is described in note 14 to the accounts.

Under Pillar 3 of the Capital Requirements Directive, Martin Currie Limited group is required to publicly disclose information relating to the group's capital, risk exposures and management practices. This disclosure can be found on the Martin Currie website at [www.martincurrie.com](http://www.martincurrie.com).

### **Fixed assets**

The changes in fixed assets during the year are summarised in the notes to the accounts.

### **Directors**

The directors who served throughout the year and to the date of signing were as follows:

R M Campbell

J M A Fairweather

J A Hughes

J Lombardi (resigned 17/2/2012)

A D MacLeod (resigned 19/4/2011)

C Montgomery

J Pickard

J M Sandison

A Sowerby

W G Watt

### **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 business review above. In addition note 14 to the financial statements sets out its financial risk management objectives and its exposures to credit risk and liquidity risk.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

## **DIRECTORS' REPORT (CONTINUED)**

Registered no: BR002575

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### **Disclosure of information to auditors**

In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:

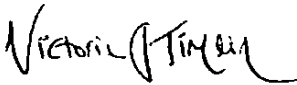
- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the UK Companies Act 2006.

### **Auditors**

A resolution to reappoint Deloitte LLP as auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board



V Timlin  
Secretary

10 May 2012

## DIRECTORS' RESPONSIBILITIES STATEMENT

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The directors are responsible for preparing the Annual Report and the non-statutory financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the non-statutory financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards). The directors are responsible for being satisfied that the non-statutory financial statements 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 non-statutory financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the non-statutory 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. 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 AUDITOR'S REPORT TO THE DIRECTORS OF MARTIN CURRIE INCORPORATED

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We have audited the non-statutory financial statements of Martin Currie Incorporated for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's directors in accordance with our engagement letter dated 9 January 2012 and solely for the purpose of the directors demonstrating governance over the company's resources. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an independent 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, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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 profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.



### **Deloitte LLP**

Chartered Accountants  
Edinburgh, United Kingdom

10 May 2012

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2011

	Note	2011 US\$	2010 US\$
Turnover	2	33,832,826	38,768,711
Administrative expenses		(29,843,595)	(30,959,673)
Operating profit	3	3,989,231	7,809,038
Gain on disposal of fixed assets		1,925	—
Interest (payable)/receivable		(1,668)	4,640
Profit on ordinary activities before taxation		3,989,488	7,813,678
Tax on profit on ordinary activities	4	1,053,556	(3,293,248)
Profit for the financial year	13	5,043,044	4,520,430

All results are derived from continuing operations.

### Recognised gains and losses

There are no recognised gains or losses other than the profit attributable to shareholders of the company of US\$5,043,044 in the year ended 31 December 2011 and profit attributable to shareholders of the company of US\$4,520,430 in the year ended 31 December 2010 therefore no Statement of Total Recognised Gains or Losses is presented.

## BALANCE SHEET

As at 31 December 2011

	Note	2011 US\$	2010 US\$
<b>Fixed assets</b>			
Intangible assets	6	517,897	863,161
Tangible assets	7	32,507	7,312
		550,404	870,473
<b>Current assets</b>			
Debtors	8	18,065,247	10,128,672
Cash at bank and in hand		12,473,703	5,262,709
		30,538,950	15,391,381
<b>Creditors: amounts falling due within one year</b>	9	(8,886,804)	(3,133,517)
<b>Net current assets</b>		21,652,146	12,257,864
<b>Total assets less current liabilities</b>		22,202,550	13,128,337
Provisions for liabilities	10	(10,031,169)	—
<b>Net assets</b>		12,171,381	13,128,337
<b>Capital and reserves</b>			
Called up share capital	11,13	501	501
Share premium	13	49,599	49,599
Profit and loss account	13	12,121,281	13,078,237
<b>Shareholders' funds</b>	13	12,171,381	13,128,337



R M Campbell  
Director

10 May 2012



## NOTES TO THE ACCOUNTS

At 31 December 2011

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with United Kingdom accounting standards. The accounts are presented in US dollars, the company's functional currency.

The disclosures on going concern on page 1 of the directors' report form part of the financial statements.

#### Turnover

Turnover from the provision of asset management services is recognised as the services are provided, to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Turnover is recognised net of management fee rebates payable and applicable distribution fees payable to third parties, which are recognised over the period that the services are provided. Performance fees are recognised when the right to receive payment is established.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

#### Intangible assets

Intangible assets, such as management contracts, are capitalised where it is probable that future economic benefits attributable to the assets will flow to the group and the fair value of assets can be measured reliably. Purchased intangible assets, such as software development, have a finite life and are stated at cost less accumulated amortisation.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

- Management contracts - over 3 years

#### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

- Leasehold improvements, fixtures and fittings - over 4 years

#### Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account evenly over the lease term.

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 2. Turnover – segmental reporting

	2011 US\$	2010 US\$
UK	36,734	15,827
US	22,836,720	27,735,519
Offshore	8,165,960	7,518,452
Rest of the world	2,793,412	3,498,913
	<u>33,832,826</u>	<u>38,768,711</u>

## NOTES TO THE ACCOUNTS

At 31 December 2011

	2011 US\$	2010 US\$
<b>3. Operating profit</b>		
This is stated after charging:		
Amortisation of intangible fixed assets	345,264	172,632
Depreciation and impairment on fixed assets	6,714	8,347
Operating lease rentals - land and buildings	294,064	233,200
Auditors Remuneration:		
Audit Fees:		
Fees payable to Deloitte LLP for the audit of the company's annual accounts	20,981	21,136
Fees payable to Deloitte LLP for the audit of the company's FSA returns	6,216	3,131
Total Audit Fees	27,197	24,267
Fees payable to Deloitte LLP and their associates for non-audit services to the company are disclosed in the financial statements of Martin Currie Limited on a consolidated basis.		
<b>4. Tax</b>		
a) Tax on profit on ordinary activities		
The tax (credit)/charge is made up as follows:		
Based on profit for the year:		
US Federal tax	—	2,277,759
New York State tax	14,873	478,789
New York City tax	3,818	608,530
Indiana State tax	—	4,777
Illinois State tax	—	20,970
Wisconsin State tax	—	1,319
	18,691	3,392,144
Adjustments in respect of:		
Prior year US Corporation tax:		
US Federal tax over provided in previous years	(702,185)	—
New York State tax over provided in previous years	(182,300)	(135,896)
New York City tax under provided in previous years	21,541	37,000
Indiana State tax over provided in previous years	(252)	—
Illinois State tax under provided in previous years	16,803	—
Wisconsin State tax under provided in previous years	2,129	—
	(844,264)	(98,896)
Current tax (credit)/charge for year	(825,573)	3,293,248
Deferred tax:		
New York State and City deferred tax	(227,983)	—
	(227,983)	—
Tax on profit on ordinary activities	(1,053,556)	3,293,248

## NOTES TO THE ACCOUNTS

At 31 December 2011

	2011 US\$	2010 US\$
<b>4. Tax (contd)</b>		
b) Factors affecting current tax (credit)/charge		
The tax assessed on the profit on ordinary activities for the year is lower (2010: higher) than the standard average rate of corporation tax in the UK of 26.5% (2010: 28%). The UK tax rate is used as this is of most relevance to the parent company, which pays UK tax. The differences are reconciled below:		
Profit on ordinary activities before tax	3,989,488	7,813,678
Profit on ordinary activities multiplied by standard average rate of corporation tax in the UK of 26.5% (2010: 28%)	1,056,941	2,187,830
Adjustments in respect of previous years	(844,264)	(98,896)
Tax losses	861,269	—
Relief for overseas tax	—	(403,882)
Overseas tax suffered	18,691	1,187,886
Compensating adjustment	(2,217,695)	—
Difference in overseas tax rate	299,485	420,310
Current tax (credit)/charge for year	(825,573)	3,293,248

There is no unprovided deferred tax.

### 5. Dividends

Ordinary dividends on equity shares

First interim dividend for 2011 of US\$1,197.6048 (2010: US\$754.9401) per share	6,000,000	3,782,250
	6,000,000	3,782,250

### 6. Intangible fixed assets

Cost:

At 1 January 2011	1,035,793
Additions	—
At 31 December 2011	1,035,793

Amortisation:

At 1 January 2011	172,632
Charge for the year	345,264
At 31 December 2011	517,896

Net book value:

At 31 December 2011	517,897
At 31 December 2010	863,161

With effect from 1 July 2010 Martin Currie Investment Management and Martin Currie Incorporated acquired a management contract comprising European long/short equity business and key personnel. The costs incurred by Martin Currie Incorporated associated with this transaction of \$1,035,793 have been capitalised.

# NOTES TO THE ACCOUNTS

At 31 December 2011

	Leasehold improvements US\$	Fixtures & fittings US\$	Total US\$
<b>7. Tangible fixed assets</b>			
Cost:			
At 1 January 2011	362,166	291,222	653,388
Additions	—	31,909	31,909
Disposals	(362,166)	(280,720)	(642,886)
At 31 December 2011	—	42,411	42,411
Depreciation:			
At 1 January 2011	362,166	283,910	646,076
Provided during the year	—	6,714	6,714
Disposals	(362,166)	(280,720)	(642,886)
At 31 December 2011	—	9,904	9,904
Net book value:			
At 31 December 2011	—	32,507	32,507
At 31 December 2010	—	7,312	7,312
		<b>2011 US\$</b>	<b>2010 US\$</b>
<b>8. Debtors</b>			
Trade debtors		178,397	1,204,339
Amounts owed by fellow subsidiaries		10,034,785	3,511
Tax recoverable		2,711,186	161,970
Deferred tax		227,983	—
Prepayments and accrued income		4,912,896	8,758,852
		<u>18,065,247</u>	<u>10,128,672</u>
<b>9. Creditors: amounts falling due within one year</b>			
Amounts due to fellow subsidiaries		7,087,812	1,438,485
Corporate taxation		—	13,558
Accruals		1,768,364	1,681,474
Amount due to parent company		30,628	—
		<u>8,886,804</u>	<u>3,133,517</u>
<b>10. Provisions for liabilities</b>			
At 1 January 2011		—	—
Provided in the year		15,637,546	—
Utilised in the year		(5,606,377)	—
At 31 December 2011		<u>10,031,169</u>	—

Martin Currie Holdings Limited has indemnified Martin Currie Incorporated for expenses incurred in relation to a regulatory issue with its China business. A provision and a debtor of \$10.0m, which are in connection with a regulatory sanction, consultancy advice and legal advice, have been provided in the accounts.

## NOTES TO THE ACCOUNTS

At 31 December 2011

	2011 US\$	2010 US\$
<b>11. Share capital</b>		
Authorised:		
10,000 ordinary shares of 10c each	1,000	1,000
Issued and fully paid:		
5,010 ordinary shares of 10c each	501	501

## 12. Other financial commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings 2011 US\$	Land and Buildings 2010 US\$
Leases which expire:		
Within one year	6,936	233,200
In over five years	287,128	—
	294,064	233,200

## 13. Reconciliation of movements in reserves and shareholders' funds

	Called up share capital US\$	Share premium US\$	Profit and loss account US\$	Shareholders' funds US\$
At 31 December 2009	501	49,599	12,340,057	12,390,157
Profit attributable to members of the company	—	—	4,520,430	4,520,430
Dividends	—	—	(3,782,250)	(3,782,250)
At 31 December 2010	501	49,599	13,078,237	13,128,337
Profit attributable to members of the company	—	—	5,043,044	5,043,044
Dividends	—	—	(6,000,000)	(6,000,000)
At 31 December 2011	501	49,599	12,121,281	12,171,381

Distributable reserves are subject to retaining sufficient funds to meet Financial Services Authority capital requirements.

## NOTES TO THE ACCOUNTS

At 31 December 2011

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### 14. Financial risk management

The company has limited exposure to operational, credit and liquidity risk. The company has established a comprehensive framework for monitoring changes in the market and responding accordingly.

#### (a) Foreign exchange

Foreign exchange risk is considered limited due to the low volume of transactions executed in foreign currency. All foreign currency transactions are considered on a case by case basis in order to mitigate risk.

#### (b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost. Martin Currie Limited group's management establishes the overall liquidity and capital policies of the Group. The Group's risk management policies are designed to mitigate the potential risk that the Group and company may be unable to access adequate financing to service its financial obligations when they fall due without adverse business impact. The Martin Currie Limited group has significant cash surpluses available to fund ongoing operations and future developments.

#### (c) Credit risk

The company's principal financial assets are bank balances and trade receivables. Credit risk is the risk of financial loss to the company if a client is unable to pay in full amounts when due, and arises principally from the company's receivables from customers. Debt levels are monitored regularly by senior management and exposure is spread over a large number of counterparties and those counterparties are principally institutions with high credit ratings. The credit risk on bank balances is limited because the principal counterparty is The Royal Bank of Scotland plc which is predominantly owned by the UK government. As such the company has no significant concentration of credit risk.

#### (d) Interest rate risk

In order to limit exposure to interest rate risk, all cash positions are monitored on a daily basis by the group's treasury function. The treasury function works within guidelines prescribed by the board and is responsible for optimising returns on cash while ensuring that risk is minimised.

#### (e) Market price risk

Market risk is the risk that changes in market prices will affect the company's turnover. The company has in place robust processes to monitor market price risk and respond to changes accordingly.

### 15. Related party transactions

The company's parent undertaking is Martin Currie Limited. The consolidated financial statements of this company are publicly available and include the balance of all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No. 8, transactions with related parties of this company have not been disclosed.

### 16. Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard No. 1 not to prepare a cash flow statement as it is over 90% owned by Martin Currie Limited which prepares consolidated financial statements including this company.

### 17. Ultimate parent company

The company's ultimate parent undertaking and controlling party is Martin Currie (Holdings) Limited, a company incorporated in Bermuda. Martin Currie (Holdings) Limited is the parent undertaking of the largest group of undertakings of which the company is a member and for which consolidated financial statements are drawn up. Martin Currie Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which consolidated financial statements are drawn up.

The consolidated financial statements for Martin Currie (Holdings) Limited are not publicly available. Copies of consolidated financial statements for Martin Currie Limited are available from Companies House, 4th Floor Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.