

Fischer Francis Trees & Watts UK Limited
Directors' Report and Financial Statements
For the Year Ended 31 December 2011

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FISCHER FRANCIS TREES & WATTS UK LIMITED

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FISCHER FRANCIS TREES & WATTS UK LIMITED

COMPANY INFORMATION

Directors	M Anastassiades (appointed 26 December 2010) I Furtado (resigned 03 May 2011) D Hazell (resigned 01 June 2011) G Hildrup M Sims (resigned 21 October 2011) G Williams (appointed 22 March 2011)
Company Secretary	I Furtado
Registered Office	5 Aldermanbury Square London EC2V 7BP
Company Registration Number	00979759
FSA Registration Number	119264
Statutory Auditor	Deloitte LLP
Bankers	BNP Paribas 10 Harewood Avenue London NW1 6AA

FISCHER FRANCIS TREES & WATTS UK LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of Fischer Francis Trees & Watts Limited ("the Company") for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the provision of investment management services

The Company is authorised and regulated by the Financial Services Authority in accordance with the Financial Services and Markets Act 2000. The Company does not hold client assets

REVIEW OF BUSINESS

The results for the year ended 31 December 2011 are set out in the income statement on page 9. The Company made a loss after tax of £2.5 million in the current financial year versus a profit after tax of £7.0 million in the previous financial year. The movement in the Company's profitability is driven by a gain on the disposal of investment mandates in 2010 and lower incomes derived from its pool of existing investment mandates.

The legal merger between BNP Paribas Investment Management UK Limited ("BNPP IP UK") and the Company took place on the 1 July 2010. From this date the Company's headcount and expenses were transferred to the new company BNPP IP UK and this explains the reduction in expenditure incurred by the Company in 2011. In line with the new integrated structure the Company holds only fixed income mandates/funds and all other mandates/funds (excluding fund of funds and multi-manager funds) moved to BNPP IP UK.

FUTURE OUTLOOK AND GOING CONCERN

The Company operates as an integral part of BNP Paribas' asset management capability and employs the following approach to managing assets:

- use multiple alpha strategies in order to achieve higher information ratios,
- blend in-depth quantitative models with qualitative analysis,
- have specialized investment managers who are accountable and have proper incentives,
- embed risk management in each stage of the investment process, and
- promote innovation to ensure the investment process and strategies evolve over time with market changes

The Directors are of the view that the Company remains a going concern despite incurring a loss after tax of £2.5 million in 2011 given the financial resources of the Company. As at 31 December 2011 the Company held cash and cash equivalents of £19.0 million. In coming to this view, the directors have considered the impact of the new Group transfer pricing policy and sales strategies together with expected synergies deriving from the Company's support services now being provided by BNP Paribas Investment Partners UK central services platform.

The emerging fixed income investment management team resigned in April. The Company has put steps in place to mitigate the loss of the team by placing alternative staff as investment managers post resignation. At this time, the impact on future revenues and profitability are unknown to management.

PILLAR 3 DISCLOSURES

The New Basel Capital Accord, issued by the Basel Committee on Banking Supervision, aims to improve the flexibility and risk sensitivity of the existing Accord. The New Accord consists of three mutually reinforcing pillars which are applicable to the Company. Pillar 3 recommends requirements aimed at enhancing market discipline through effective disclosure of information to market participants.

The disclosures can be found on the following website:
<http://invest.bnpparibas.com/en/pid748/registration-document.html>

FISCHER FRANCIS TREES & WATTS UK LIMITED

REPORT OF THE DIRECTORS (continued)

DIVIDENDS

A dividend of £4.37 million was paid during the year (2010: £9.92m)

PRINCIPAL RISKS

The Company's main income is in the form of fees for investment management services, which the directors also consider to be the key performance indicator. Fee income is dependent on the level of assets under management which is dependent on performance and investor trading activity. These forces are partly under the control of the business but are also impacted by market forces.

The Company aligns its key business indicators with those set out by the Global CEO. The financial and operational efficiency is measured by the cost income ratio. The sales team efficiencies are measured by new revenue generated. Investment performance is measured by the percentage of funds under management with a positive excess return. A monthly dashboard is produced by the local human resources team which indicates overall turnover of staff, voluntary and involuntary staff turnover.

The principal risks and uncertainties facing the Company are broadly grouped as follows:

Market risk

The Company may be materially affected by conditions in the global financial markets and economic conditions in general. Significant levels of volatility in the market may impact the confidence, risk attitude and liquidity needs of investors as well as the performance and asset values of the underlying investments which the Company manages.

Credit and liquidity risk

The Company is dependent upon its ability to collect revenues from investors and other group counterparties. The Company is not, however, dependent upon a small number of investors and its diversified product range helps to mitigate against the risk that the loss or default of certain investors could lead to materially significant losses for the Company. There is no history of material allowances against bad or doubtful debts.

Liquidity risk is managed at a local and group level. The Company has unrestricted and direct access to funding sourced by the BNP Paribas Group. The Group Treasury function is managed at parent company level and aims to ensure the most effective use of the group's cash resources. Local management also regularly reviews cash position and forecasts. At present the Company does not make use of any debt or credit facilities.

Operational risk

There are numerous operational risks in any business, a significant one being business continuity risk. This is represented by the Company's ability to continue operating and meeting client requirements in response to a disaster recovery event or other disruption to the continuity of day to day systems and processes. The Company has a comprehensive disaster recovery/business continuity plan in place, including a dedicated business continuity planning manager and a separate disaster recovery site with the facilities being subject to regular testing.

Regulatory risk

The Company is regulated as an investment management firm by the Financial Services Authority ("FSA"), and is required to comply with the rules of the FSA in order to continue to conduct investment business in the UK. The Company's regulatory risk profile is formally documented in the Internal Capital Adequacy Assessment Programme ("ICAAP") which is updated regularly and is available to the FSA on their request. The Company monitors capital adequacy on a regular basis and provides returns, as required, to the FSA. At present the directors consider the Company to be adequately capitalised in order to allow it to meet its regulatory capital requirements for the foreseeable future.

FISCHER FRANCIS TREES & WATTS UK LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The Directors, who served throughout the year except as noted, were as follows

M Anastassiades (Appointed 26 December 2010)
I Furtado (Resigned 03 May 2011)
D Hazell (Resigned 01 June 2011)
G Hildrup
M Sims (Resigned 21 October 2011)
G Williams (Appointed 22 March 2011)

DIRECTORS' INDEMNITIES

The Company qualified for third party indemnity provisions under a BNP Paribas Group policy for the benefit of its Directors during the year which remains in force at the date of this report

STATEMENT OF DISCLOSURE TO THE AUDITOR

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

AUDITOR

The Company has by elective resolution dispensed with the obligation to appoint an auditor annually as per s386 of the Companies Act 2006

Therefore the auditor, Deloitte LLP, will be deemed to be reappointed for each succeeding financial year

By the order of the Board



Director
OS MAY 2012

FISCHER FRANCIS TREES & WATTS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 ("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, International Accounting Standard ("IAS") 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FISCHER FRANCIS TREES & WATTS
UK LIMITED-**

We have audited the financial statements of Fischer Francis Trees & Watts UK Limited for the year ended 31 December 2011 which comprise of the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the 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 loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

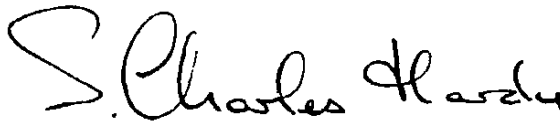
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FISCHER FRANCIS TREES & WATTS
UK 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



Simon Hardy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

9 May 2012

FISCHER FRANCIS TREES & WATTS UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
		£'000	£'000
	Notes		
REVENUE	1 and 2	5,661	34,040
Operating expenses	3	<u>(8,168)</u>	<u>(40,739)</u>
OPERATING LOSS	4	<u>(2,507)</u>	<u>(6,699)</u>
Foreign exchange gains	5	49	121
Interest revenue	6	221	109
Finance costs		<u>(7)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,244)	(6,469)
Profit on disposal of assets	7	<u>-</u>	<u>15,154</u>
(LOSS)/PROFIT BEFORE TAXATION		(2,244)	8,685
Taxation charge	9	<u>(267)</u>	<u>(1,672)</u>
(LOSS)/PROFIT AFTER TAXATION		<u>(2,511)</u>	<u>7,013</u>

The results for the current year and the prior year are derived from continuing operations, except for disposed assets in 2010

The Company had no recognised gains or losses in either year other than the results reflected above

There was no other comprehensive income for the years ended 31 December 2011 and 2010

FISCHER FRANCIS TREES & WATTS UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
CURRENT ASSETS			
Trade and other receivables	10	28,433	23,580
Cash at bank and in hand	11	<u>18,972</u>	<u>36,825</u>
		<u>47,405</u>	<u>60,405</u>
TOTAL ASSETS		<u>47,405</u>	<u>60,405</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	21,022	26,072
NON-CURRENT LIABILITIES			
Provisions for liabilities and charges	13	<u>-</u>	<u>1,073</u>
TOTAL LIABILITIES		<u>21,022</u>	<u>27,145</u>
EQUITY			
Share capital	14	9,920	9,920
Share premium	15	184	184
Retained earnings	15	<u>16,279</u>	<u>23,156</u>
TOTAL EQUITY		<u>26,383</u>	<u>33,260</u>
TOTAL LIABILITIES AND EQUITY		<u>47,405</u>	<u>60,405</u>

The financial statements were approved by the Board of Directors and authorised for issue on May 2012
They were signed on its behalf by

Director



Director

Fischer Francis Trees and Watts UK Limited
Company No 6386353

FISCHER FRANCIS TREES & WATTS UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
Balance at 01 January 2010	9,920	184	26,063	36,167
Profit for the year	-	-	7,013	7,013
Dividends paid	-	-	(9,920)	(9,920)
<u>Balance at 31 December 2010</u>	<u>9,920</u>	<u>184</u>	<u>23,156</u>	<u>33,260</u>
Loss for the year	-	-	(2,511)	(2,511)
Dividends paid	-	-	(4,366)	(4,366)
<u>Balance at 31 December 2011</u>	<u>9,920</u>	<u>184</u>	<u>16,279</u>	<u>26,383</u>

FISCHER FRANCIS TREES & WATTS UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash used in operations	16	(12,571)	(3,804)
Interest received		214	109
Taxation paid		<u>(1,180)</u>	<u>(3,640)</u>
Net cash used in operating activities		<u>(13,537)</u>	<u>(7,335)</u>
Cash flows from financing activities			
Dividends paid		<u>(4,365)</u>	<u>(9,920)</u>
Net cash used in financing activities		<u>(4,365)</u>	<u>(9,920)</u>
Cash flows from investing activities			
Proceeds on sales of revenue streams		-	15,154
Proceeds on sales of property, plant and equipment		<u>-</u>	<u>314</u>
Net cash generated from/(used in) investing activities		<u>-</u>	<u>15,468</u>
Net decrease in cash and cash equivalents		(17,902)	(1,787)
Cash and cash equivalents at 1 January		36,825	38,491
Effect of foreign exchange rate changes		<u>49</u>	<u>121</u>
Cash and cash equivalents at 31 December		<u>18,972</u>	<u>36,825</u>

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

Basis of Accounting Preparation

These financial statements have been prepared in accordance with United Kingdom law and International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Adoption of new and revised Standards

In the current year, no new and revised Standards and Interpretations have been adopted that affected the amounts reported in these financial statements.

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

IFRS 1 (Amended) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

IFRS 7 (Amended) Financial Instruments: Disclosures

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 1 (Amended) Presentation of Items of Other Comprehensive Income

IAS 12 (Amended) Deferred Tax: Recovery of Underlying Assets

IAS 19(2011) Employee Benefits

IAS 27(2011) Separate Financial Statements

IAS 28(2011) Investments in Associates and Joint Ventures

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Going Concern

The Directors have a reasonable expectation that the Company will continue to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. This is discussed in the Directors' Report on page 3 under the heading of 'Future Outlook and Going Concern'.

Once approved, the Financial Statements cannot be amended without re-presenting them for approval by the Board.

Statement of Cash Flows

The Company has prepared a statement of cash flows, in accordance with IAS 7. Cash and cash equivalents include demand deposits and deposits held at call with banks.

Revenue Recognition

Revenue, comprising management fees, 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, VAT and other sales-related taxes.

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accounted for using an effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, should they exist, are shown within borrowings in the current liabilities in the balance sheet.

Trade and other receivables/payables

Trade and other receivables/payables are recognised initially at fair value based on amounts exchanged. Liabilities are recognised as current unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Foreign currencies

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Pounds Sterling, which is the Company's functional and presentation currency.

ii) Balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items at fair value, denominated in foreign currencies, are retranslated at the rates prevailing at the date the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

iii) Transactions

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Exchange differences are recognised in the Income Statement in the period in which they arise.

Taxation

The tax expense represents the sum of the tax currently payable or recoverable and deferred tax.

i) Current tax

The tax currently payable or recoverable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability or asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit costs

The Company participates, as a subsidiary employer, in the BNP Paribas UK Group Pension Scheme, which is a defined contribution scheme.

The pension scheme, which provides benefits based on employee contributions, is set up under trust and the assets of the scheme are therefore held separately from those of the Company.

The Company accounts for its pension cost liabilities under the provisions of IAS 19, 'Employee Benefits' and payments are charged as an expense as they fall due.

Pension costs for those of the Company's staff who are secondees from BNP Paribas Investment Partners UK Limited (BNPP IP) are borne on a monthly basis by BNPP IP in accordance with a secondment arrangement. These costs are then recharged to the Company and charged to the Company's income statement.

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2 GEOGRAPHICAL SPLIT OF REVENUE

	2011	2010
	£'000	£'000
Management fees	8,822	32,320
Other fees	<u>(3,161)</u>	<u>1,720</u>
	<u>5,661</u>	<u>34,040</u>

The Company's revenue is allocated using a global transfer pricing policy and it is therefore impractical to split revenue geographically

Management fees of £8,822k in the current financial year represents gross management fees of £11,550k less commissions and rebates of £2,728k (2010 £32,320)

Other fees in 2011 comprises execution brokerage costs which, as the result of the Group Transfer Pricing Policy introduced in the current financial year, resulted in a debit to the Company's revenue in 2011 of £3,161k

3. OPERATING EXPENSES

	2011	2010
	£'000	£'000
Directors and staff costs (see Note 8)	5,394	14,358
Other operating expenses	<u>2,774</u>	<u>26,381</u>
	<u>8,168</u>	<u>40,739</u>

4 OPERATING LOSS

	2011	2010
	£'000	£'000
The operating loss is stated after charging/(crediting)		
Depreciation of property, plant and equipment	-	437
Directors' remuneration (see Note 8)	1,236	431
Auditors' remuneration – statutory audit services	47	64
Rentals under operating leases	188	1,120
Net release of onerous lease provision (see note 13)	-	(1,963)

5. FOREIGN EXCHANGE RESULT

The foreign exchange gain of £49k (2010 £121k) arises from the revaluation of all foreign currency transactions in line with the Company's accounting policies throughout the year

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6 INTEREST REVENUE

	2011	2010
	£'000	£'000
Bank Interest	221	109

7. PROFIT ON DISPOSAL OF ASSETS

The profit on disposal of assets in 2010 relates to the sale of the Company's UK equity capabilities to BNPP Investment Partners UK Limited along with the sale of the UK multi-manager capabilities to FundQuest UK Limited

8 DIRECTORS AND STAFF COSTS

The average monthly number of employees excluding executive directors during the year was made up as follows

	2011	2010
Investment management	17	46
Sales	-	10
IT and operations	-	12
Legal, compliance and risk	-	9
Other support functions	<u>2</u>	<u>7</u>
	<u>19</u>	<u>84</u>

Their aggregate remuneration comprised

	2011	2010
	£'000	£'000
Staff costs		
Wages and salaries	4,552	9,760
Social security costs	535	1,218
Termination costs	-	837
Other costs (incl pension)	<u>307</u>	<u>2,543</u>
	<u>5,394</u>	<u>14,358</u>
Directors' emoluments		
Emoluments for qualifying services	1,185	403
Compensation for loss of office	-	-
Company pension contributions	51	28

Emoluments disclosed above include the following amounts paid to the highest paid director

	2011	2010
	£'000	£'000
Emoluments for qualifying services	693	175
Company pension contributions	19	13

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

9. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit/(charge) comprises

	2011	2010
	£'000	£'000
Current tax		
Continuing operations	-	2,710
Adjustments in respect of prior years	<u>-</u>	<u>101</u>
Total current tax	-	2,811
Deferred tax		
Continuing operations	595	(4,449)
Adjustment in respect of previous years and changes in tax rate	<u>(862)</u>	<u>(34)</u>
Total deferred tax	<u>(267)</u>	<u>(4,483)</u>
Total taxation (charge)/credit for the year	<u>(267)</u>	<u>(1,672)</u>

The standard rate of corporate tax for the year is calculated at the rate of 26.5% (2010: 28%). For 2011 individual group companies, where applicable, will surrender tax losses to other companies within the BNP Paribas UK tax group and will receive Group Relief at the rate of 26.5% (2010: 28%). The Company earns its profits and losses in the UK. Therefore the tax rate used for tax on loss on ordinary activities is the standard rate for UK corporation tax.

The UK Government in the 2012 Budget announced that it intends to enact further reductions to the main rate of corporation tax to reduce the rate to 24% from 1 April 2012 and then by 1% per annum to 22% by 1 April 2014. The 24% rate was substantively enacted on 26 March 2012, whilst 23% effective from 1 April 2013 is expected to be enacted through Finance Bill 2012. These changes to the main tax rate had not been substantively enacted at the Balance Sheet date and, therefore, are not included in these financial statements. Management does not expect the impact of these rate changes to be significant.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2011	2010
	£'000	£'000
(Loss)/profit on ordinary activities before tax	<u>(2,244)</u>	<u>8,685</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporate tax in the UK at 26.5% (2010: 28%)	595	(2,432)
Effects of		
Adjustment in respect of previous years and changes in tax rate	(190)	67
Deferred tax	-	(4,449)
Deferred bonus in the year	-	744
Long term incentive plans	(393)	665
Provisions	(279)	550
Income not taxable	-	4,243
Capital allowances in excess of depreciation	-	(82)
Losses not utilised in the year	-	(887)
Non deductible expenses	<u>-</u>	<u>(91)</u>
Total taxation credit/(charge) for the year	<u>(267)</u>	<u>(1,672)</u>

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	£'000	£'000
Deferred tax asset	595	672
VAT receivable	-	273
Corporation tax recoverable	5,349	5,165
Trade receivables	4,124	1,538
Amounts owed from group undertakings	17,387	9,383
Prepayments and accrued income	247	5,450
Other receivables	731	1,099
	<u>28,433</u>	<u>23,580</u>

The deferred tax asset at 31 December 2011 arises from unutilised tax losses for the year and at 31 December 2010, this comprises long term incentive plans, £393,000 and onerous lease provision, £279,000

11. CASH AT BANK AND IN HAND

Cash at bank and in hand is comprised of a number of interest earning current and deposit accounts held with BNP Paribas London Branch

12. TRADE AND OTHER PAYABLES

<1 year	2011	2010
	£'000	£'000
Amounts owed to group undertakings	11,400	18,997
Accruals and deferred income	5,031	1,690
Trade payables	3,867	3,595
Corporation tax liability	-	1,712
Other liabilities	724	78
	<u>21,022</u>	<u>26,072</u>
>1year	2011	2010
	£'000	£'000
Accruals and deferred income	-	-

13. PROVISION FOR OTHER LIABILITIES AND CHARGES

	2011	2010
	£'000	£'000
Onerous lease provision	-	<u>1,073</u>

The company held an onerous lease provision in its accounts relating to the premises it occupied at Royal Exchange, London and 82 Bishopsgate, London at 31 December 2010. As these premises were not required and are not utilised by the company, an onerous lease provision was raised to provide for future rental, service charge and reinstatement costs. This lease was terminated during 2011 on favourable terms, and the remainder of the onerous provision was released.

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14. SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised:		
10,000,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
9,919,866 ordinary shares of £1 each	9,920	9,920

15. STATEMENT OF MOVEMENT ON RESERVES

Share Premium Account	2011 £'000	2010 £'000
Balance at 1 January	184	184
Premium arising on issue of equity shares	-	-
Expense of issue of equity shares	-	-
Balance at 31 December	<u>184</u>	<u>184</u>
		£'000
Retained Earnings		
Balance at 1 January 2010		26,063
Dividends paid		(9,920)
Net Profit for the year		7,013
Balance at 1 January 2011		23,156
Dividends paid		(4,366)
Net Profit for the year		<u>(2,511)</u>
Balance at 31 December 2011		<u>16,279</u>

16. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of profit for the year to net cash inflow from operating activities

	2011 £'000	2010 £'000
(Loss)/Profit for the year after tax	(2,511)	7,013
Adjustments for		
- profit on disposal of assets (Note 7)	-	(15,154)
- depreciation	-	437
- taxation	-	1,672
- interest paid	(214)	(109)
- effect of foreign exchange rate changes	(49)	(121)
Changes in working capital		
- (Increase)/decrease in receivables	(4,747)	4,587
- (Decrease) in payables	(5,050)	(2,129)
Cash used in operations	<u>(12,571)</u>	<u>(3,804)</u>

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17. OPERATING LEASE COMMITMENTS

The Company's annual commitments under operating leases are as follows

	2011	2010
	£'000	£'000
Operating leases which expire in the second to fifth years inclusive	-	871

18. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

- a Management Fees
Net Management Fee revenue from fellow subsidiary undertakings for the year amounted to £4,163,750 (2010 £22,034,433)
- b Intercompany recharges
Intercompany recharges to fellow subsidiary undertakings for the year amounted to £-391,098 (2010 £1,078,838)
- c Taxation
Group relief on tax losses from fellow subsidiary undertakings for the year amounted to £nil (2010 £nil)
- d Interest received
Interest income from fellow subsidiary undertakings for the year amounted to £220,785 (2010 £nil)

In respect of these transactions, the outstanding balances receivable / (payable) as at 31 December 2011 were as follows

Nature of transaction	Related Party	2011	2010
		£'000	£'000
Trade & Other Receivables	Fellow Subsidiaries	17,387	9,383
Trade & Other Payables	Fellow Subsidiaries	11,400	18,997

All transactions with related parties are conducted on an arm's length basis

FISCHER FRANCIS TREES & WATTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

19. ULTIMATE CONTROLLING PARTY AND POST BALANCE SHEET EVENT

At the balance sheet date the Company's immediate parent is BNP Paribas Investment Partners UK Holdings Limited. On 14 April 2011, there was a change in the Company's immediate parent following the sale of the Company to BNP Paribas Investment Partners S A, which is the smallest group in which the results of the Company are consolidated. The change in immediate parent undertaking does not impact on the Company's financial position and performance.

The ultimate controlling party is BNP Paribas S A which owns 100% of the immediate parent via other group companies. BNP Paribas S A is a company incorporated in France with limited liability and is the largest group in which the results of the Company are consolidated. Copies of those accounts are available at that company's registered office, 16 Boulevard des Italiens, 75009 Paris, France.

In April 2012 the emerging fixed income investment management team resigned. As at the date of approving the financial statements the impact this has on the future profitability of the Company is unknown and no material outflows of assets under management have been experienced thus far. The company has put steps in place to mitigate the loss of the team by placing alternative staff as investment managers post-resignation.

20. POST BALANCE SHEET EVENT

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