

Company Registration No. 2937460

Exane Limited

Report and Financial Statements

31 December 2011

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Exane Limited

Report and financial statements 2011

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Exane Limited

Report and financial statements 2011

Officers and professional advisers

Directors

N Chanut
V Laurencin
A Melrose (resigned on 24 May 2011)
B Catherine
V Rouviere
C Formery

Registered office

One Hanover Street
London
W1S 1YZ

Bankers

Chase Manhattan Bank
Chaseside
Bournemouth
BH7 7DB

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Auditor

Deloitte LLP
London

Exane Limited

Report of the directors

The directors submit their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2011

Principal activities

The principal activities of the company are the operation of a broking service in equities. Also, the company charges Exane Derivatives SNC, Exane Inc and BNP Paribas SA for research services

The company is regulated by the Financial Services Authority

Branch activities

The company has a branch in Singapore (Exane Limited Singapore Branch) which provides advice and recommendations to local clients on European equities, with the aim of referring orders to Exane Limited

Business review and principal risks and uncertainties

The company has suffered a decrease in the overall brokerage revenue, which is primarily a consequence of the challenging economic situation. The business has significantly increased its revenue from research services, as a result of the substantial investments that it has made during the year in its research capabilities. Consequently the overall turnover increased by 3.7% to €84.2m (2010 – €81.2m)

The company ceased to provide the underwriting service in warrants after 30 November 2011

The directors recommend a final dividend of €3.27 per ordinary share (2010 – €1.89) to be paid on 30 April 2012 to ordinary shareholders on the register on 30 April 2012

Whilst the economic conditions remain uncertain, the company will continue to invest in its research and execution capabilities, while monitoring closely the impact of these investments on revenues and profitability

Principal risks

The company's overall approach to assessing the adequacy of capital is documented in the Internal Capital Adequacy Assessment Process ("ICAAP") documentation. The ICAAP process includes an assessment of all material risks faced by the company and the controls in place to identify, manage and mitigate those risks. The risks identified are stress-tested against various scenarios to determine the level of capital that needs to be held. The regulatory capital resources of the firm, calculated in accordance with FSA definitions, were €48.1m (2010 – €48.0m)

The company also makes significant efforts to manage and limit the risks to its business. The main risks facing the company are as follows:

- **Market risk** – This risk arises from unfavourable movements in market prices and fluctuations in currencies. However, it should be noted that the company does not carry out any proprietary trading activities, market risk therefore only arises in relation to the facilitation activity, which only rarely carries overnight positions
- **Operational risk** – Operational risk is the risk that the company suffers a loss directly or indirectly from inadequate or failed internal processes, people, and systems or from external events. Compliance and senior management closely ensure that any significant operational risks and their controls are continually reviewed and assessed and where applicable corrective action plans are put in place
- **Liquidity risk** – The company has in place an appropriate liquidity risk management framework for the management of the company's short and medium-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows

Exane Limited

Report of the directors (continued)

Principal risks (continued)

- Interest rate risk – The Company does not have any significant exposure to movements in interest rate

Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out above

The directors have considered forecasts, which take into account the current uncertain market conditions. They demonstrate that the company shall continue to operate within its own resources without recourse to any banking facilities. The forecasts used for this exercise are based on various assumptions regarding expected levels of income and cost. They have stress tested these basic assumptions and this testing reveals that the company can maintain acceptable cash levels. A major factor allowing this to be the case is the nature of its revenue and cost streams and the existing level of cash resources available within the company.

After making enquiries, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook and that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it to be appropriate to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served during the year are shown on page 1. The directors of the company who served throughout the year were

N Chanut
V Laurencin
B Catherine
V Rouviere
C Formery

The directors have no disclosable interests under Section 234 of the Companies Act 2006.

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.

Deloitte have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 16 April 2012



B Catherine
Director

Directors' responsibilities statement

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 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 auditor's report to the members of Exane Limited

We have audited the financial statements of Exane Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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).

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 profit 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.

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.

Alan Chaudhuri

Alan Chaudhuri (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
16 April 2012

Exane Limited

Profit and Loss Account Year ended 31 December 2011

	Notes	2011 €	2010 €
Turnover	1, 2	84,204,310	81,216,503
Operating expenses		(66,269,209)	(71,253,316)
Operating profit before finance charges		17,935,101	9,963,187
Interest receivable and similar income		961,408	411,920
Interest payable and similar charges		(857,807)	(179,598)
Profit on ordinary activities before taxation	5	18,038,702	10,195,509
Tax on profit on ordinary activities	6	(4,896,693)	(2,336,217)
Profit for the year		13,142,009	7,859,292

There were no recognised gains or losses other than the profits for the current year and the preceding year
Accordingly, no statement of total recognised gains and losses has been prepared

All activities relate to continuing operations

Exane Limited

Balance Sheet 31 December 2011

	Notes	2011 €	2010 €
Fixed assets			
Intangible assets	8	1	1
Tangible assets	9	5,108,639	886,801
		<u>5,108,640</u>	<u>886,802</u>
Current assets			
Debtors	10	89,377,591	91,330,408
Deferred tax asset	12	3,471,943	1,762,890
Cash at bank and in hand		21,348,039	18,254,253
		<u>114,197,573</u>	<u>111,347,551</u>
Creditors: amounts falling due within one year	11	<u>(58,164,737)</u>	<u>(56,734,886)</u>
Net current assets		<u>56,032,836</u>	<u>54,612,665</u>
Total assets less current liabilities		<u>61,141,476</u>	<u>55,499,467</u>
Net assets		<u>61,141,476</u>	<u>55,499,467</u>
Capital and reserves			
Called up share capital	13	3,974,000	3,974,000
Profit and loss account		57,167,476	51,525,467
Shareholders' funds	14	<u>61,141,476</u>	<u>55,499,467</u>

These financial statements (registration number is 2937460) were approved by the Board of Directors and authorised for issue on 16 April 2012. They were signed on its behalf by



B. Catherine
Director

Notes to the financial statements

31 December 2011

1. Statement of accounting policies

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

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom accounting standards.

The financial statements have also been prepared on a going concern basis as discussed in the 'Going Concern' section of the Directors' report.

Intangible fixed assets

Intangible fixed assets arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provision for impairment. 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 estimated useful life from the date it is brought into use, as follows:

Fixtures and fittings	Five years
Computer and communication equipment	Three years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation which is reviewed every year.

Taxation

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

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Exane Limited

Notes to the financial statements 31 December 2011

1. Statement of accounting policies (continued)

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard No 1 (Revised) – Cash Flow Statements, as it is a wholly-owned subsidiary of Exane SA. The consolidated financial statements for Exane SA are publicly available. See note 16 for more details.

Turnover

Turnover represents fees and commissions receivable in respect of services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover also consists of income from research services provided to Exane Derivatives SNC, Exane Inc. and BNP Paribas SA and which are charged in accordance with existing agreements with them. These amounts are taken to the profit and loss account when the related services are performed and when there is high probability that consideration for the transaction will flow to the company.

Pension costs

The company sponsors a defined contribution pension scheme for employees and directors. In accordance with Financial Reporting Standard No 17 – Retirement Benefits, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable to the scheme in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the year on transactions denominated in foreign currencies and on translations are dealt with in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Interest income is recognised on an accrual basis in the profit and loss account.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Related party transactions

As a wholly owned entity of Exane SA the Company is exempt from the requirement to disclose transactions with other fellow wholly-owned undertakings of the Exane group under Financial Reporting Standard 8 paragraph 3 (c). There were no other related party transactions requiring disclosure.

Exane Limited

Notes to the financial statements 31 December 2011

2 Turnover

	2011 €	2010 €
Broking service in equities and warrants	53,506,528	57,892,130
Underwriting service in warrants and structured products	1,605,000	2,202,500
Research service	29,092,782	21,121,873
	<u>84,204,310</u>	<u>81,216,503</u>

The amount of broking income attributable to US resident clients as part of the company's revenue sharing arrangement with Exane Inc, a fellow subsidiary undertaking, was €3,341,254 (2010 – €4,517,805) All other turnover was attributable to the European market

3. Staff costs

The average monthly number of employees (including executive directors) was

	2011 Number	2010 Number
Dealing and/or advising	29	27
Administration	15	12
Research	75	66

<u>119</u>	<u>105</u>
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	2011 €	2010 €
Their aggregate remuneration comprised		
Wages and salaries	28,487,671	39,336,862
Social security costs	4,531,037	4,695,898
Other pension costs	2,492,885	1,922,663
	<u>35,511,593</u>	<u>45,955,423</u>

The company made contributions to its defined contribution pension scheme for the year of €1,846,601 (2010 – €1,364,183)

The company made severance payments for the year of €1,095,298 (2010 – €1,431,912)

Exane Limited

Notes to the financial statements 31 December 2011

4. Directors' remuneration and transactions

	2011 €	2010 €
The emoluments of directors of the company were		
Remuneration (excluding pension contributions)	1,133,469	874,062
	<u>2011</u>	<u>2010</u>
	<u>Number</u>	<u>Number</u>
The number of directors who		
Are members of a defined contribution pension scheme	1	2

Two directors, including one who left during the year, were members of a defined contribution pension scheme. The company made contributions of €88,950 (2010 – €54,551) to its pension scheme for the directors. The total payments and emoluments made to the highest paid director during the year amounted to €573,348 (2010 – €458,680).

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

	2011 €	2010 €
Depreciation of tangible fixed assets	980,052	176,416
Loss on disposal of fixed assets	119,152	-
Operating lease rentals (Non plant & machinery)	4,772,291	1,368,283
Fees payable to the company's auditor		
- for the audit of the company's annual accounts	116,859	113,673
- for the audit of the Exane Limited Singapore Branch	30,231	29,110
Inter-company interest receivable	(829,260)	(245,570)
Inter-company interest payable	849,953	172,738
Foreign exchange loss	108,638	203,111

The interest payable of €857,807 comprises of inter-company interest payable of €849,953 and other interest payable of €7,854.

Exane Limited

Notes to the financial statements 31 December 2011

6. Tax on profit on ordinary activities

The tax charge comprises

	2011 €	2010 €
Current tax		
United Kingdom corporation tax at 26.5% (2010 – 28%) based on the profit for the year	4,449,294	2,499,463
Adjustment to prior years' tax provisions	2,143,960	(540,797)
	<u>6,593,254</u>	<u>1,958,666</u>
Foreign tax	12,492	8,532
	<u>6,605,746</u>	<u>1,967,198</u>
Total current tax		
Deferred tax		
Other timing differences	(43,237)	50,887
Prior year deferred tax adjustments relating to deferred bonus	(2,143,960)	1,351,044
Current year deferred tax adjustments relating to deferred bonus	478,144	(1,032,912)
	<u>(1,709,053)</u>	<u>369,019</u>
Total deferred tax (note 12)		
	<u>4,896,693</u>	<u>2,336,217</u>
Total tax on profit on ordinary activities		

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

	2011 €	2010 €
Profit on ordinary activities before tax	18,038,702	10,195,509
Tax on profit on ordinary activities at standard UK corporation tax rate of 26.5% (2010 – 28%)	4,780,256	2,854,743
Effects of tax		
Expenses not deductible	115,077	82,725
Non-deductible bankers bonus tax	-	(757,120)
Capital allowances in excess of depreciation	25,850	(25,037)
Other timing differences relating to deferred bonus	(459,397)	352,684
Prior year adjustments relating to deferred bonus	2,143,960	(540,797)
	<u>6,605,746</u>	<u>1,967,198</u>
Total current tax charge for the period		

The government will reduce the main rate of Corporation tax from 26% to 24% from 1 April 2012. This tax law change was substantively enacted in the House of Commons on 26 March. It had not been substantively enacted at the balance sheet date and therefore is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period.

It is proposed the rate will then be reduced by a further 1% in each of the two following years, and as a result will be 22% by 2014. The deferred tax rates will be adjusted accordingly with each change to the Corporation tax rate. The directors expect that the future rate changes to 22% would reduce the deferred tax asset at 31 December 2012, however the actual impact will be dependent on the company's deferred tax position at that time.

Exane Limited

Notes to the financial statements 31 December 2011

7. Dividends on equity shares

	2011 €	2010 €
Amounts recognised as distributions to equity holders in the period		
Proposed final dividend for the year ended 31 December 2011 of €3 27 (2010 – €1 89) per share	13,000,000	7,500,000

The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements

8. Intangible fixed assets

	2011 €	2010 €
Cost/net book value		
At 31 December	1	1

Intangible fixed assets comprise the customer lists, business connections and sundry other intangible fixed assets of the London-based European equities brokerage business of BNP Paribas SA, acquired on 8 April 2004

9. Tangible fixed assets

	Leasehold property €	Fixtures and fittings €	Computer and communi- cation equipment €	Total €
Cost				
At 1 January 2011	521,437	1,640,470	1,622,002	3,783,909
Additions	-	4,891,618	429,424	5,321,042
Disposals	-	(1,643,280)	-	(1,643,280)
At 31 December 2011	521,437	4,888,808	2,051,426	7,461,671
Accumulated depreciation				
At 1 January 2011	(8,858)	(1,455,900)	(1,432,350)	(2,897,108)
Charge for the year	(104,287)	(677,191)	(198,574)	(980,052)
Elimination of depreciation on disposal	-	1,524,128	-	1,524,128
At 31 December 2011	(113,145)	(608,963)	(1,630,924)	(2,353,032)
Net book value				
At 31 December 2011	408,292	4,279,845	420,502	5,108,639
At 31 December 2010	512,579	184,570	189,652	886,801

Exane Limited

Notes to the financial statements 31 December 2011

10. Debtors

	2011 €	2010 €
Trade debtors	20,112,734	11,904,028
Amounts owed by group undertakings	52,149,630	60,051,385
Other debtors	16,242,610	18,462,194
Prepayments and accrued income	872,617	912,801
	<u>89,377,591</u>	<u>91,330,408</u>

11. Creditors: amounts falling due within one year

	2011 €	2010 €
Trade creditors	20,031,959	20,702,514
Corporation tax	2,654,144	650,588
Accruals and other creditors	35,478,634	35,381,784
	<u>58,164,737</u>	<u>56,734,886</u>

12. Deferred tax asset

	2011 €	2010 €
Deferred tax asset as at 1 January	1,762,890	2,131,909
Recognised in the profit and loss account	1,709,053	(369,019)
Deferred tax asset as at 31 December	<u>3,471,943</u>	<u>1,762,890</u>

The analysis of the deferred tax balance is as follows

	2011 €	2010 €
Depreciation in excess in capital allowances	113,312	84,914
Contributions to employee trust	149,076	146,366
Deferred bonus contributions	3,209,555	1,531,610
	<u>3,471,943</u>	<u>1,762,890</u>

The deferred tax asset balance as at 31 December 2011 is expected to be recovered in full in future years

Exane Limited

Notes to the financial statements 31 December 2011

13. Share capital

	2011 €	2010 €
<i>Authorised:</i>		
50,000,000 ordinary shares of €1 each	50,000,000	50,000,000
<i>Allotted, called up and fully paid:</i>		
3,974,000 ordinary shares of €1 each	3,974,000	3,974,000

Each ordinary share entitles the holder to one vote. The ordinary shares do not have redemption rights and no right to dividends other than those proposed by the directors.

14. Reconciliation of movement in shareholders' funds

	2011 €	2010 €
Opening shareholders' funds	55,499,467	62,640,175
Profit for the financial year	13,142,009	7,859,292
Dividends paid on equity shares	(7,500,000)	(15,000,000)
Closing shareholders' funds	61,141,476	55,499,467

15. Financial commitments

At 31 December 2011 the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings 2011 €	Land and buildings 2010 €
Expiry date		
- within five years	-	932,703
- after five years	1,165,260	-

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

16. Ultimate parent company and controlling party

The company's ultimate parent company and controlling party is Verner Investissements SAS, a company incorporated in France. Group accounts for the ultimate parent company are available from Verner Investissements SAS, 95, Rue de la Boétie, 75008 Paris. The company's immediate parent company is Exane SA, a company incorporated in France. Group accounts for this company are available from 16 Avenue Matignon, 75008 Paris. These are, respectively, the largest and smallest entities for which group accounts are prepared.