

# **FIL Capital Management (UK) Limited**

**(Registered number: 6605826)**

## **Financial statements**

**For the year ended  
30 June 2010**

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# **FIL CAPITAL MANAGEMENT (UK) LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010**

The directors present their report and the audited financial statements of FIL Capital Management (UK) Limited ("the Company") for the year ended 30 June 2010

### **Business review and principal activities**

The Company was incorporated on 29 May 2008

On 29 May 2008, the Company issued 10,000 shares (£1 each). These were acquired by FIL Limited ("FIL"). The authorised share capital of the Company is 100,000 shares

The principal activity of the Company is to provide investment research services and ancillary and general administration services for FIL Capital Management Limited (incorporated in Bermuda), including the provision of factual information, research reports and investment proposals as FIL Capital Management Limited may require from time to time

The Company is not authorised and regulated by the Financial Services Authority ("FSA") for conduct of regulated services in UK, as the Company acts as investment research provider to FIL Capital Management Limited, and will only undertake investment services or activities exclusively for FIL Capital Management Limited or other FIL undertakings which are subsidiary undertakings of FIL Limited

The results for the Company are set out on page 6

### **Development of the business**

The Company's activities are expected to continue during the coming year. Future levels of growth are largely dependent on market strength

### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include credit risk and liquidity risk. The Company does not use derivative financial instruments and does not apply hedge accounting

The Company is committed to a business strategy which supports the proactive identification and assessment of risk, and uses risk information to enhance informed decision making and develop appropriate mitigation strategies. The directors monitor risks associated with the Company and work closely with the risk management department of FIL Holdings Limited, a fellow subsidiary of FIL in the UK, to identify potential risks and deal with them

The Company has access to various oversight functions which provide a global and independent perspective to assist senior management with establishing policies, processes and procedures for effective control and risk management. These functions include a central risk management department, a global compliance group, a global internal audit group and an investigation and intelligence unit

### **Market risk**

The Company is exposed to various types of market risk. Interest rate risk applies to interest bearing assets in the form of deposits and cash held with the Company's banks. Term deposit balances earn fixed rates of interest, and overnight deposits are subject to the interest rate available on the day. Foreign currency exchange rate risk exists on revenues derived from foreign denominated assets. Price risk exists as significant components of revenue are driven by the prices of equities and hence asset values of funds under management

### **Credit risk**

The Company makes use of credit rating services of all the major credit rating agencies and independent research companies. The Company has implemented policies that require appropriate credit checks on all potential counterparties. This policy limits the potential for large overdue accounts and bad debts

# **FIL CAPITAL MANAGEMENT (UK) LIMITED**

## **DIRECTORS' REPORT- Continued FOR THE YEAR ENDED 30 JUNE 2010**

### Liquidity risk

Working capital balances are monitored closely on an ongoing basis

### **Key performance indicators**

The Directors use several financial key performance indicators ("KPIs") when reviewing the performance of the Company. At this time, non financial KPIs are not a significant element of the business performance review, however the Directors will continue to review their appropriateness.

### **Directors**

The Directors of the Company during the year ended 30 June 2010 and up to the date of signing the financial statements (unless otherwise stated) are listed below:

Simon Clark  
Simon Mark Haslam  
Nicola Joanne McCabe  
Anders Lundgren (resigned 31 July 2009)

### **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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

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

So far as the Directors are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

# **FIL CAPITAL MANAGEMENT (UK) LIMITED**

## **DIRECTORS' REPORT- Continued FOR THE YEAR ENDED 30 JUNE 2010**

### **Independent auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting

On behalf of the board



Simon Clark  
Director  
21 March 2011

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIL CAPITAL MANAGEMENT (UK) LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIL Capital Management UK**

We have audited the financial statements of FIL Capital Management UK for the year ended 30 June 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' Report 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **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 30 June 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **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.



Mark Pugh (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

22 March 2011

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Year Ended 30 June 2010 £'000	Period 29 May 2008 to 30 June 2009 £'000
Turnover	1 2	2,854	3,361
Administrative expenses		(2,603)	(3,056)
<b>Operating profit</b>		<b>251</b>	<b>305</b>
Exchange (loss)/gain	2	(34)	68
<b>Profit on ordinary activities before taxation</b>	2	<b>217</b>	<b>373</b>
Taxation on profit on ordinary activities	5	(53)	(112)
<b>Profit for the financial year/period</b>		<b>164</b>	<b>261</b>

All operations are regarded as continuing

The Company has no recognised gains and losses other than those included in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year/period stated above and their historical cost equivalents

The notes on pages 9 to 14 form an integral part of these financial statements

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## BALANCE SHEET AS AT 30 JUNE 2010

	Notes	2010 £'000	2009 £'000
<b>Current assets</b>			
Debtors	6	1,367	3,032
Cash at bank and in hand		51	94
		<u>1,418</u>	<u>3,126</u>
 Creditors - amounts falling due within one year	7	<u>(983)</u>	<u>(1,555)</u>
<b>Net Current Assets</b>		<b>435</b>	<b>1,571</b>
 Loans from Parent Company	8	<u>-</u>	<u>(1,300)</u>
<b>Net assets</b>		<b>435</b>	<b>271</b>
<b>Capital and reserves</b>			
Called up share capital	9	10	10
Profit and loss account		425	261
		<u>435</u>	<u>271</u>
<b>Total shareholders' funds</b>	10	<b>435</b>	<b>271</b>

The financial statements on pages 6 to 14 were approved by the board of directors and were signed on its behalf by -

  
 Simon Clark  
 Director  
 FIL Capital Management (UK) Limited  
 Registered number 6605826  
 21 March 2011

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

		Year Ended 30 June 2010 £'000	Period 29 May 2008 to 30 June 2009 £'000
	Notes		
Net cash inflow/(outflow) from operating activities	11	1,790	(1,216)
Net cash inflow from returns on investments and servicing of finance		-	-
Taxation		(120)	-
Capital Expenditure		-	-
Net cash inflow/(outflow) before use of liquid resources and financing		1,670	(1,216)
Management of liquid resources		-	-
Net cash outflow from management of liquid resource		-	-
Financing			
Issue of ordinary share capital		-	10
Notes Receivable		(413)	-
Long-term loan		(1,300)	1,300
(Decrease)/Increase in cash	13	(43)	94

The notes on pages 9 to 14 form an integral part of these financial statements



# **FIL CAPITAL MANAGEMENT (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

### **1 Principal accounting policies**

#### **1.1 Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period are set out below.

#### **1.2 Turnover**

Turnover, which excludes Value Added Tax, represents fees receivable for the provision of investment advisory services. Revenue is recognised as earned on an accruals basis.

#### **1.3 Foreign currencies**

Monetary assets and liabilities of the Company expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling on the date of the transaction. Translation differences are included in the profit before taxation.

#### **1.4 Pension scheme arrangements**

Another UK group company, FIL Investment Management Limited ("FIML") operates a self-administered defined contribution scheme in which eligible employees of FIML and the Company participate. The company is allocated an amount of FIML's expense through an expense allocation.

Within the defined contribution scheme, there is a small sub-set of employees (current and deferred members) who are covered by a final salary guarantee on their pension. This ensures that for members covered, the pension paid will be no less than a pre-defined percentage of the members' final salary. For these members, the defined contribution plan acts as a defined benefit scheme. This is a closed pool of employees and there is no option for any additional members to be added to this part of the scheme.

#### **1.5 Deferred Tax**

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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 an undiscounted basis.

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2010

### 2. Profit on ordinary activities before taxation

	2010 £'000	2009 £'000
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The profit on ordinary activities is stated after charging.

Intra-group allocations (revenue)	(2,854)	(3,361)
Foreign exchange loss/(gain)	34	(68)

Fees paid to the company's auditor, PricewaterhouseCoopers LLP for services other than the statutory audit of the Company are not disclosed in the company's financial statements since the consolidated financial statements of its parent, FIL, are required to disclose non-audit fees on a consolidated basis. Auditors' remuneration for audit and non-audit services has been borne by the parent company.

Fees for the audit of the company are £7,350 (2009 £7,350)

### 3 Employee Information

	2010 £'000	2009 £'000
Wages and salaries	1,489	1,447
Social security costs	190	176
Other pension costs	88	69
	<u>1,767</u>	<u>1,692</u>

The average monthly number of employees directly employed by the Company (excluding directors) is five (2009 four)

### 4 Directors' emoluments

	2010 £'000	2009 £'000
<u>All directors</u>		
Aggregate emoluments	504	710
Company pension contributions to defined contribution schemes	37	37
	<u>541</u>	<u>747</u>

During the period retirement benefits were accruing to one director under a defined contribution scheme

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2010

### 5 Tax on profits on ordinary activities

(a) The charge for tax on profit on ordinary activities is made up as follows

	2010 £'000	2009 £'000
<b>Current taxation</b>		
UK corporation tax on profits for the year	-	-
Amount payable to a fellow subsidiary in respect of group relief	61	128
Adjustments in respect of prior years	(9)	-
<b>Total current tax</b>	<u>52</u>	<u>128</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	1	(16)
<b>Tax on profit on ordinary activities</b>	<u>53</u>	<u>112</u>

(b) The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	<u>217</u>	<u>373</u>
UK corporation tax on profit at 28%	61	104
<b>Adjustments</b>		
Expenses not deductible for tax purposes	-	8
Adjustments in respect of prior years	(9)	-
Movement on long term accruals	-	16
<b>Total current tax charge</b>	<u>52</u>	<u>128</u>

In 2010 the Company has claimed losses of £123,114 as group relief from FIL Investment Management, and £93,521 from FIL Villa Mumm Ltd, for consideration of £34,472 and £26,186 respectively. The consideration will be settled in accordance with the group's inter-company policy.

(c) The movement on the deferred tax asset is as follows

	2010 £000	2009 £000
Provision at 1 July	16	-
Deferred tax credit/(debit) in profit and loss account	(1)	16
Provision at 30 June	<u>15</u>	<u>16</u>

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2010

(d) The deferred tax asset consists of

	2010 £000	2009 £000
Short term timing differences	<u>15</u>	<u>16</u>

### 6. Debtors

	2010 £000	2009 £000
Amounts owed by group undertakings	905	2,901
Other debtors	413	-
VAT recoverable	34	115
Deferred Tax Asset	<u>15</u>	<u>16</u>
	<u>1,367</u>	<u>3,032</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment  
Other Debtors relates to a loan to a director at 4.75% for 5 years. There was no repayment of the loan in 2010, (2009 Nil)

### 7 Creditors amounts falling due within one year

	2010 £000	2009 £000
Accounts payables and accrued liabilities	922	1,427
Amount payable to group undertakings in respect of group relief	61	128
	<u>983</u>	<u>1,555</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

### 8 Loans

	2010 £000	2009 £000
Loans from Parent Company	<u>-</u>	<u>1,300</u>

Loans from Parent Company were unsecured, interest free and had no fixed date of repayment. This loan was settled with Parent Company during the year.

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2010

### 9. Called up share capital

	2010 £000	2009 £000
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Issued and paid up</b>		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

### 10 Reconciliation of movement in shareholders' funds

	2010 £000	2009 £000
Opening shareholders' funds	271	-
Profit for the financial year/period	164	261
Net proceeds on share issue of ordinary share capital	-	10
<b>Closing shareholders' funds</b>	<u>435</u>	<u>271</u>

### 11. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2010 £'000	2009 £'000
Operating profit	251	305
Foreign Currency Exchange (loss)/gains	(34)	68
Decrease/(Increase) in debtors	2,078	(3,016)
Increase/(Decrease) in creditors	(505)	1,427
<b>Net cash Inflow/(outflow) from operating activities</b>	<u>1,790</u>	<u>(1,216)</u>

### 12 Reconciliation of net cash flow to movement in net funds

	2010 £'000	2009 £'000
(Decrease)/Increase in cash in the year/period	(43)	94
Cash inflow from increase in liquid resources	-	-
<b>Movement in net funds in the year/period</b>	<u>(43)</u>	<u>94</u>
Net funds at 30 June 2009	94	-
<b>Net funds at 30 June 2010</b>	<u>51</u>	<u>94</u>

# FIL CAPITAL MANAGEMENT (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2010

### 13. Analysis of changes in net funds

	At 30 June 2009 £'000	Cash flows £'000	At 30 June 2010 £'000
Cash at bank and in hand	<u>94</u>	<u>(43)</u>	<u>51</u>

### 14 Capital commitments

There were no capital commitments as at 30 June 2010

### 15 Contingent amounts

The Company does not have any contingent liability as at 30 June 2010

### 16 Related party transactions

The Company has taken advantage of the exemption under the terms of FRS 8 from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties

### 17 Ultimate parent undertaking and controlling party

The parent undertaking and controlling party is FIL Limited (previously Fidelity International Limited), a company incorporated in Bermuda