

FIL Capital Management (UK) Limited

(Registered number: 6605826)

Financial statements

**For the year ended
30 June 2014**



FIL CAPITAL MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

The directors present their report and the audited financial statements of FIL Capital Management (UK) Limited ("the Company") for the year ended 30 June 2014.

Business review and principal activities

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 Conduct Authority ("FCA") 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 directors were entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report

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 is subject to operational risks and financial risks. The latter include the effect of changes in market risk, credit risk, and liquidity risk, which make up the principal risks and uncertainties facing the Company. 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 another FIL Limited group company 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 and procedures for effective control and risk management.

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 certain costs incurred but the potential impact of this is immaterial to the Company.

Credit risk

The group makes use of credit rating services of all the major credit rating agencies and has access to the research of brokerage firms and independent research companies. The group has implemented policies that require credit checks where appropriate on potential customers. This policy limits the potential for large overdue accounts and bad debts.

Liquidity risk

Working capital balances are monitored closely on an ongoing basis.

FIL CAPITAL MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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.

Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

Directors

The directors of the Company during the year ended 30 June 2014 and up to the date of signing the financial statements (unless otherwise stated) are listed below:

Simon Clark
Melanie Louise Halsey (appointed 29 January 2014)
Cyrus David Jilla (appointed 5 November 2013)
Nicola Joanne McCabe (resigned 29 January 2014)
Simon Mark Haslam (resigned 5 November 2013)

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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; 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.

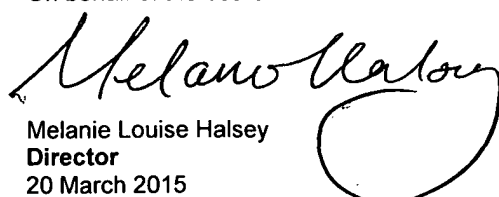
Disclosure of information to auditors

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.

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


Melanie Louise Halsey
Director
20 March 2015

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

Report on the financial statements

Our opinion

In our opinion, FIL Capital Management (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2014 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.
-

What we have audited

FIL Capital Management (UK) Limited's financial statements comprise:

- the balance sheet as at 30 June 2014;
- the profit & Loss account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

FIL CAPITAL MANAGEMENT (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FIL CAPITAL MANAGEMENT (UK) LIMITED

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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 March 2015

FIL CAPITAL MANAGEMENT (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Year Ended 30 June 2014 £000	Year Ended 30 June 2013 £000
Turnover		3,602	3,461
Administrative expenses		(3,259)	(3,140)
Operating profit		343	321
Exchange loss		-	(2)
Profit on ordinary activities before taxation	2	343	319
Taxation on profit on ordinary activities	5	(98)	(96)
Profit for the financial year		245	223

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 stated above and their historical cost equivalents.

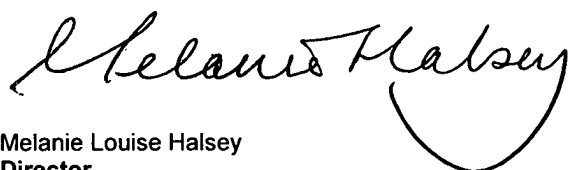
The notes on pages 8 to 14 form an integral part of these financial statements.

FIL CAPITAL MANAGEMENT (UK) LIMITED

BALANCE SHEET AS AT 30 JUNE 2014

	Notes	2014 £000	2013 £000
Current assets			
Debtors	6	860	421
Investments	7	2,374	1,750
Cash at bank and in hand		67	295
		<u>3,301</u>	<u>2,466</u>
 Creditors: amounts falling due within one year	8	<u>(2,570)</u>	<u>(1,980)</u>
Net Current Assets		<u>731</u>	<u>486</u>
 Net assets		<u><u>731</u></u>	<u><u>486</u></u>
 Capital and reserves			
Called up share capital	9	10	10
Profit and loss account		721	476
 Total shareholders' funds	10	<u><u>731</u></u>	<u><u>486</u></u>

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



Melanie Louise Halsey
Director
FIL Capital Management (UK) Limited
Registered number: 6605826
20 March 2015

FIL CAPITAL MANAGEMENT (UK) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

		Year Ended 30 June 2014	Year Ended 30 June 2013
	Notes	£000	£000
Net cash inflow from operating activities	11	604	2,248
Net cash inflow from returns on investments and servicing of finance		-	-
Taxation		(197)	(208)
Capital Expenditure		-	-
Net cash inflow before use of liquid resources and financing		407	2,040
Management of liquid resources		-	-
Net cash outflow from management of liquid resource		-	-
Financing			
Payment of Dividends		-	-
Notes Receivable		(11)	(7)
Investment		(624)	(1,750)
Long-term loan		-	-
(Decrease) / Increase in cash	12	(228)	283

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 2014

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 year 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.

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.*

1.6 Investments

Current asset investments include investments in money market funds. Current asset investments are stated at the lower of cost and net realisable value.

FIL CAPITAL MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2014

2. Profit on ordinary activities before taxation

	2014 £000	2013 £000
The profit on ordinary activities before taxation is stated after (crediting)/charging:		
Intra-group allocations (revenue)	(3,602)	(3,461)
Foreign exchange loss	0	2

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP for the audit of the Company were £1,936 (2013: £2,200). There were no fees for other services in the year (2013: nil).

3. Employee Information

	2014 £000	2013 £000
Wages and salaries	2,124	1,965
Social security costs	323	193
Other pension costs	123	132
	<u>2,570</u>	<u>2,290</u>

The average monthly number of employees directly employed by the Company (excluding directors) during the year was ten (2013: ten).

4. Directors' emoluments

	2014 £000	2013 £000
<u>All directors</u>		
Aggregate emoluments	491	530
Company pension contributions to defined contribution schemes	48	43
	<u>539</u>	<u>573</u>

During the year retirement benefits were accruing to one (2013: one) director under a defined contribution scheme.

As at 30 June 2014 there were no outstanding or prepaid contributions to the pension scheme (2013: nil) in relation to directors.

The total directors' emoluments above relate to one director and therefore represent disclosure for the highest paid director as well.

FIL CAPITAL MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2014

5. Tax on profits on ordinary activities

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

	2014 £000	2013 £000
Current taxation		
UK corporation tax on profits for the year	118	-
Amount payable to a fellow subsidiary in respect of group relief	41	131
Adjustments in respect of prior years' group relief	(9)	(9)
Adjustments in respect of prior years' corporation tax	0	0
Total current tax	150	122
Deferred taxation		
Origination and reversal of timing differences	(52)	(26)
Taxation on profit on ordinary activities	98	96

(b) The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK for the year of 22.5% (2013: 23.75%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	343	319
UK corporation tax on profit at 22.5% (2013: 23.75%)	77	76
Adjustments:		
Expenses not deductible for tax purposes	(2)	16
Adjustments in respect of prior years' group relief	(9)	(9)
Adjustments in respect of prior years' corporation tax	0	0
Movement on long term accruals	84	39
Total current tax charge	150	122

In 2014, the company claimed group relief of £182,440 (2013: £549,977) from a fellow group company for consideration of £41,049 (2013: £130,620)

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

	2014 £000	2013 £000
Provisions at 1 July	193	167
Deferred tax credit in profit and loss account	52	26
Provisions at 30 June	245	193

FIL CAPITAL MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2014

(d) The deferred tax asset consists of:

	2014 £000	2013 £000
Short-term timing differences	<u>245</u>	<u>193</u>

The headline rate of UK Corporation tax reduced from 24% to 23% on 1 April 2013, and through the enactment of Finance Act 2013, reduced further to 21% from 1 April 2014 and 20% from 1 April 2015.

Under UK GAAP, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is released or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet. The effect of these reductions is reflected in the above deferred tax balance as the rates had been substantively enacted by 30 June 2014.

6. Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings	581	201
Other debtors	25	13
VAT recoverable	9	14
Deferred tax asset	<u>245</u>	<u>193</u>
	<u>860</u>	<u>421</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment. Other debtors represent a loan to a director for 5 years with an annual interest charge of 4.75%. There was repayment of loan of £12,352 in 2014 (2013: NIL).

7. Investment

	2014 £000	2013 £000
Other investments	<u>2,374</u>	<u>1,750</u>

The above investments are all in FIL Institutional Liquidity Funds.

8. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Accounts payables and accrued liabilities	2,538	1,849
Amount owed to group undertakings	<u>32</u>	<u>131</u>
	<u>2,570</u>	<u>1,980</u>

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

FIL CAPITAL MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2014

9. Called up share capital

	2014 £000	2013 £000
Issued and paid up		
10,000 (30 June 2013: 10,000) ordinary shares of £1 each	<u>10</u>	<u>10</u>

10. Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Opening shareholders' funds	486	263
Profit for the financial year	245	223
Dividend payment	-	-
Closing shareholders' funds	<u>731</u>	<u>486</u>

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

	2014 £000	2013 £000
Operating profit	343	321
Foreign Currency Exchange (loss)	-	(2)
(Increase)/Decrease in debtors	(428)	1,637
Increase in creditors	689	292
Net cash inflow from operating activities	<u>604</u>	<u>2,248</u>

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

	2014 £000	2013 £000
(Decrease)/Increase in cash in the year	(228)	283
Cash inflow from increase in liquid resources	-	-
Movement in net funds in the year	<u>(228)</u>	<u>283</u>
Net funds at 30 June 2013	295	12
Net funds at 30 June 2014	<u>67</u>	<u>295</u>

13. Analysis of changes in net funds

	At 30 June 2013 £000	Cash flows £000	At 30 June 2014 £000
Cash at bank and in hand	<u>295</u>	<u>(228)</u>	<u>67</u>

FIL CAPITAL MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued FOR THE YEAR ENDED 30 JUNE 2014

14. Capital commitments

There were no capital commitments as at 30 June 2014 (2013: nil).

15. Contingent amounts

The Company does not have any contingent liability as at 30 June 2014 (2013: nil).

16. Related party transactions

During the year the Company provided investment research services to a fellow FIL subsidiary for which the company recorded £3,601,728 (2013: £3,461,175) in revenue. Amounts owed by the fellow subsidiary are disclosed in note 6.

17. Ultimate parent undertaking and controlling party

The parent undertaking and controlling party is FIL Limited, a company incorporated in Bermuda. FIL Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.