

**Fischer Francis Trees & Watts UK Limited**  
**Directors' Report and Financial Statements**  
**For the Year Ended 31 December 2012**  
Company Registration Number 00979759

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**FISCHER FRANCIS TREES & WATTS UK LIMITED**

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**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**COMPANY INFORMATION**

Directors	G Hildrup G Williams M Anastassiades (resigned 01 September 2012)
Company Secretary	I Furtado
Registered Office	5 Aldermanbury Square London EC2V 7BP
Company Registration Number	00979759
FSA Registration Number	119264
Independent Auditors	PricewaterhouseCoopers LLP
Bankers	BNP Paribas 10 Harewood Avenue London NW1 6AA

## **FISCHER FRANCIS TREES & WATTS UK LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors present their annual report and the audited financial statements of Fischer Francis Trees & Watts Limited ("the Company") for the year ended 31 December 2012

#### **PRINCIPAL ACTIVITIES**

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 2012 are set out in the income statement on page 9. The Company made a loss after tax of £0.9 million in the current financial year (2011: loss of £2.5 million).

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 £0.9 million in 2012 given the financial resources of the Company. As at 31 December 2012 the Company held cash and cash equivalents of £10 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 that resigned in April 2012 has been replaced over the year. As of 1st October, all new Emerging Market Fixed Income (EMFI) portfolio managers have started with FFTW UK.

#### **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 £16.3 million was paid during the year (2011: £4.37m)

#### **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

G Hildrup

G Williams

M Anastassiades (resigned 01 September 2012)

**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 OF INFORMATION TO THE AUDITORS**

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

**INDEPENDENT AUDITORS**

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, PricewaterhouseCoopers LLP, will be deemed to be reappointed for each succeeding financial year

By the order of the Board



Director  
23 April 2013

## **FISCHER FRANCIS TREES & WATTS UK LIMITED**

### **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 International Financial Reporting Standards (IFRSs) 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, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**INDEPENDENT AUDITORS' 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 2012 which comprise of the Balance Sheet, the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. 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.

**Respective responsibilities of directors and auditors**

As explained more fully in the statements of Directors' Responsibilities set out on page 6, 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.

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. In addition, we read all the financial and non-financial information in the Directors' report and financial statement 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 2012 and of its profit and cash flows 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.



**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**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



Philip Tew (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 April 2013

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

		<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	Notes		
REVENUE	2	4,981	5,661
Operating expenses	3	<u>(6,791)</u>	<u>(8,168)</u>
OPERATING LOSS	4	<u>(1,810)</u>	<u>(2,507)</u>
Foreign exchange (loss)/gain	5	(389)	49
Interest revenue	6	142	221
Finance costs		<u>(1)</u>	<u>(7)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,058)	(2,244)
(LOSS)/PROFIT BEFORE TAXATION		(2,058)	(2,244)
Taxation credit/(charge)	8	<u>1,176</u>	<u>(267)</u>
(LOSS)/PROFIT AFTER TAXATION		<u>(881)</u>	<u>(2,511)</u>

The results for the current year and the prior year are derived from continuing operations

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 2012 and 2011

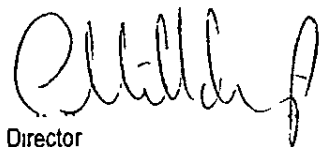
**FISCHER FRANCIS TREES & WATTS UK LIMITED**

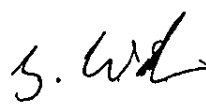
**BALANCE SHEET**

**AS AT 31 DECEMBER 2012**

	Notes	2012 £'000	2011 £'000
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	10,532	28,433
Cash at bank and in hand	10	<u>10,046</u>	<u>18,972</u>
		<u>20,578</u>	<u>47,405</u>
<b>TOTAL ASSETS</b>		<u>20,578</u>	<u>47,405</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	11,355	21,022
<b>TOTAL LIABILITIES</b>		<u>11,355</u>	<u>21,022</u>
<b>EQUITY</b>			
Share capital	12	9,920	9,920
Share premium	13	184	184
Retained earnings	13	<u>(881)</u>	<u>16,279</u>
<b>TOTAL EQUITY</b>		<u>9,223</u>	<u>26,383</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>20,578</u>	<u>47,405</u>

The financial statements on pages 9 – 25 were approved by the Board of Directors and authorised for issue on 23 April 2013. 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 2012**

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
Balance at 01 January 2011	<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)
Balance at 31 December 2011	<u>9,920</u>	<u>184</u>	<u>16,279</u>	<u>26,383</u>
Loss for the year	-	-	(881)	(881)
Dividends paid	-	-	(16,279)	(16,279)
Balance at 31 December 2012	<u>9,920</u>	<u>184</u>	<u>(881)</u>	<u>9,223</u>

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £'000	2011 £'000
<b>Cash flows from/(used in) operating activities</b>			
Cash generated from/(used in) operations	14	2,190	(12,571)
Interest received		142	214
Taxation paid / (received)		<u>5,409</u>	<u>(1,180)</u>
Net cash generated from/(used in) operating activities		<u>7,742</u>	<u>(13,537)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		<u>(16,279)</u>	<u>(4,365)</u>
Net cash used in financing activities		<u>(16,279)</u>	<u>(4,365)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(8,537)</u>	<u>(17,902)</u>
Cash and cash equivalents at 1 January		18,972	36,825
Effect of foreign exchange rate changes		<u>(389)</u>	<u>49</u>
Cash and cash equivalents at 31 December		<u>10,046</u>	<u>18,972</u>

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2 GEOGRAPHICAL SPLIT OF REVENUE**

	2012	2011
	£'000	£'000
Management fees	6,912	8,822
Other fees	<u>(1,931)</u>	<u>(3,161)</u>
	<u>4,981</u>	<u>5,661</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 £6,912k in the current financial year represents gross management fees of £8,500k less commissions and rebates of £1,588k (2011 £8,822k)

Other fees in 2012 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 2012 of £1,931k (2011 £3,161k)

**3. OPERATING EXPENSES**

	2012	2011
	£'000	£'000
Directors and staff costs (see Note 7)	3,953	5,394
Other operating expenses	<u>2,838</u>	<u>2,774</u>
	<u>6,791</u>	<u>8,168</u>

**4 OPERATING LOSS**

	2012	2011
	£'000	£'000
The operating loss is stated after charging/(crediting)		
Depreciation of property, plant and equipment	-	-
Directors' remuneration (see Note 7)	1,196	1,236
Auditors' remuneration – statutory audit services	34	47
Rentals under operating leases	174	188

**5. FOREIGN EXCHANGE RESULT**

The foreign exchange loss of £159k (2011 gain of £49k) 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 (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**6 INTEREST REVENUE**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Bank Interest	142	221

**7. DIRECTORS AND STAFF COSTS**

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

	<b>2012</b>	<b>2011</b>
By activity		
Investment management	13	17
Other support functions	<u>4</u>	<u>2</u>
	<u>17</u>	<u>19</u>

Their aggregate remuneration comprised

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs		
Wages and salaries	3,281	4,552
Social security costs	445	535
Other costs (incl pension)	<u>228</u>	<u>307</u>
	<u>3,953</u>	<u>5,394</u>
Directors' emoluments		
Short-term employee benefits	1,163	1,185
Post-employment benefits	<u>33</u>	<u>51</u>
	<u>1,196</u>	<u>1,236</u>

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

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Short-term employee benefits	914	693
Post-employment benefits	16	19

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

The tax credit/(charge) comprises

	2012 £'000	2011 £'000
<b>Current tax</b>		
Continuing operations	504	-
Adjustments in respect of prior years	<u>1,267</u>	<u>-</u>
<b>Total current tax</b>	<u>1,771</u>	<u>-</u>
<b>Deferred tax</b>		
Continuing operations	-	595
Adjustment in respect of previous years and changes in tax rate	(595)	(862)
<b>Total deferred tax</b>	<u>(595)</u>	<u>(267)</u>
<b>Total taxation credit/(charges) for the year</b>	<u>1,176</u>	<u>(267)</u>

The standard rate of corporate tax for the year is calculated at the rate of 24.5% (2011: 26.5%). For 2012 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 24.5% (2011: 26.5%). 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:

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before tax	(2,058)	<u>(2,244)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporate tax in the UK at 24.5% (2011: 26.5%)	504	595
<b>Effects of</b>		
Adjustment in respect of previous years and changes in tax rate	95	(190)
Long term incentive plans	400	(393)
Provisions	(28)	(279)
Prior year disallowable	205	-
<b>Total taxation credit/(charge) for the year</b>	<u>1,176</u>	<u>(267)</u>

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**9. TRADE AND OTHER RECEIVABLES**

	2012	2011
	£'000	£'000
Deferred tax asset	-	595
Corporation tax recoverable	1,763	5,349
Trade receivables	1,101	4,124
Amounts owed from group undertakings	4,569	17,387
Prepayments and accrued income	2,996	247
Other receivables	<u>103</u>	<u>731</u>
	<u>10,532</u>	<u>28,433</u>

**10. 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

**11. TRADE AND OTHER PAYABLES**

	2012	2011
	£'000	£'000
<1 year		
Amounts owed to group undertakings	6,710	11,400
Accruals and deferred income	2,271	5,031
Trade payables	2,577	3,867
Other liabilities	<u>27</u>	<u>724</u>
	<u>11,586</u>	<u>21,022</u>

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**12. SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised.</b>		
10,000,000 ordinary shares of £1 each	10,000	10,000
<b>Allotted, called up and fully paid</b>		
9,919,866 ordinary shares of £1 each	9,920	9,920

**13 STATEMENT OF MOVEMENT ON RESERVES**

<b>Share Premium Account</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
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>
<b>Retained Earnings</b>		<b>£'000</b>
Balance at 1 January 2011		23,156
Dividends paid		(4,366)
Net loss for the year		(2,511)
Balance at 1 January 2012		16,279
Dividends paid		(16,279)
Net loss for the year		<u>(881)</u>
Balance at 31 December 2012		<u>(881)</u>

**14. CASH FLOW FROM OPERATING ACTIVITIES**

Reconciliation of profit for the year to net cash inflow from operating activities	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year after tax	(881)	(2,511)
Adjustments for		
- profit on disposal of assets	-	-
- depreciation	-	-
- taxation	(1,176)	-
- interest paid	(142)	(214)
- effect of foreign exchange rate changes	389	(49)
Changes in working capital		
- Decrease/(Increase) in receivables	18,767	(4,747)
- Decrease in payables	(14,767)	(5,050)
<b>Cash used in operations</b>	<b><u>2,190</u></b>	<b><u>(12,571)</u></b>

**FISCHER FRANCIS TREES & WATTS UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**15 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks credit risk, liquidity risk, price risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The exposures and risk management techniques have not changed significantly from the prior period.

**Credit risk**

The Company takes on exposure to credit risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation. All of the Company's credit risk arises on its cash and cash equivalents due from other group undertakings and other financial institutions. The carrying value of financial assets does not materially differ from their fair value.

Credit risk within the Company is monitored centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas S.A.

	2012	2011
	£'000	£'000
Deferred tax asset	-	595
Corporation tax recoverable	1,763	5,349
Trade receivables	1,101	4,124
Amounts owed from group undertakings	4,569	17,387
Prepayments and accrued income	2,996	247
Other receivables	103	731
Cash at bank and in hand	10,046	18,972
	<b><u>20,578</u></b>	<b><u>47,405</u></b>

The above table represents the worst case scenario of credit risk exposure for the Company at 31 December 2012 and 2011. The exposures set out above are based on the carrying amounts as reported in the balance sheet.

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**15. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due

Prudent liquidity risk management is achieved by maintaining sufficient cash balance and the availability of funding through an adequate amount of committed credit facilities. In addition, the Company's liquidity is supported by the ultimate parent undertaking

Liquidity risk is monitored centrally by Group Risk Management Department of the ultimate parent undertaking BNP Paribas S.A. In terms of the Group's policy liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios

The table below presents the cash flows payable by the Company by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows

	Up to 3 months £,000	3 – 12 months £,000	1 – 5 years £,000	Total £,000
<b>As at 31 December 2012</b>				
<b>Financial liabilities</b>				
Amounts owed to group undertakings	6,710	-	-	6,710
Accruals and deferred income	1,896	375	-	2,271
Trade payables	-	<u>2,577</u>	-	<u>2,577</u>
Other liabilities	<u>27</u>	-	-	<u>27</u>

**As at 31 December 2011**

**Financial liabilities**

Amounts owed to group undertakings	11,400	-	-	11,400
Accruals and deferred income	163	3,348	1,520	5,031
Trade payables	-	<u>3,867</u>	-	<u>3,867</u>
Other liabilities	<u>724</u>	-	-	<u>724</u>

**FISCHER FRANCIS TREES & WATTS UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**15 FINANCIAL RISK MANAGEMENT (continued)**

**Market risk**

The Company's activities potentially expose it to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, and foreign currency risk, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates. Exposure to market risk is monitored by the Directors.

**Foreign exchange risk**

The net carrying amount of the Company's material foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	2012	2011
Currency	£'000	£'000
EUR	85	(915)
USD	482	346
DKK	5	-



**FISCHER FRANCIS TREES & WATTS UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**16. 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 £3,963,476 (2011 £4,163,750)
- b. Intercompany recharges**  
 Intercompany recharges to fellow subsidiary undertakings for the year amounted to £479,058(2011 £-391,098)
- c. Taxation**  
 Group relief on tax losses from fellow subsidiary undertakings for the year amounted to £nil (2011 £nil)
- d. Interest received**  
 Interest income from fellow subsidiary undertakings for the year amounted to £142,192 (2011 £220,785)

In respect of these transactions, the outstanding balances receivable / (payable) as at 31 December 2012 were as follows

Nature of transaction	Related Party	2012	2011
		£'000	£'000
Trade and Other Receivables	Fellow Subsidiaries	4,569	17,387
Trade and Other Payables	Fellow Subsidiaries	6,710	11,400

**FISCHER FRANCIS TREES & WATTS UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**17 ULTIMATE CONTROLLING PARTY**

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.