

F&C Treasury Limited

(Registered Number 4425921)

**Annual Report & Financial Statements
for the year ended
31 October 2016**

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F&C TREASURY LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

4425921

DIRECTORS:

M F Mannix
D J Sloper
R A Watts

SECRETARY:

R D Burgin
95 Queen Victoria Street
London
EC4V 4HG

REGISTERED OFFICE:

Exchange House
Primrose Street
London
EC2A 2NY

SOLICITORS:

Norton Rose Fulbright LLP
3 More London Riverside
London
SE1 2AQ

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

AUDITOR:

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

F&C TREASURY LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report on F&C Treasury Limited (the Company) for the year ended 31 October 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a treasury management company to a number of UK companies in the F&C Asset Management plc Group (F&C Group). The Company also acts as a holding company.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss for the 2016 financial year of £496,000 (2015: loss of £533,000, as restated).

During the year the Company transitioned from previous UK Generally Accepted Accounting Practice (UK GAAP) to Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and has taken advantage of the disclosure exemptions allowed under this standard. Whilst there were no recognition or measurement differences arising as a result of the transition to FRS 101, a prior year adjustment has been made to the Income Statement and Statement of Changes in Equity for the year ended 31 October 2015 to correct foreign exchange gains which had been recognised incorrectly, and to the Statement of Financial Position at 31 October 2015 to correct the associated loans receivable balance. Further details are disclosed in note 3.

The Company has also adopted the principles of IAS 1 *Presentation of Financial Statements* as permitted by Statutory Instrument 2015 No. 980 *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015*. This has resulted in a restatement of the format of the primary Financial Statements and accompanying notes to the Financial Statements.

Trading performance and development of the business

The loss of £496,000 incurred in the year ended 31 October 2016 compared to a loss of £553,000 (as restated) in 2015 is primarily a result of a £75,000 decrease in interest payable on loans owed by fellow F&C Group subsidiaries in 2016 compared to 2015. Interest on loans is based on the prevailing loan balance and interest rate levels during the year.

Given the nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors manage the risks of the Company as part of the overall risk management framework within the F&C Group. Members of the F&C Group Executive Management Committee are responsible for identifying and evaluating key risks facing their areas of the business and procedures to control these risks, where possible, are reviewed and agreed. The principal risks and uncertainties facing the Company are broadly grouped as follows:

Financial risk

The F&C Group adopts a low risk approach to treasury management and financial risks in relation to shareholder equity, seeking to manage and preserve its capital. The F&C Group's treasury function ensures that sufficient cash is retained by the Company in respect of short-term working capital requirements.

F&C TREASURY LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Investments in subsidiaries

The Company is exposed to financial risk as a significant element of the Company's assets relate to the carrying value of its investments in subsidiaries. Whilst any permanent reduction in the profits of these subsidiaries could lead to an impairment in the value of the Company's investments and have a potentially significant impact on the Company's financial results, the Directors consider this risk to be low at the reporting date.

Credit risk

The Company is exposed to credit risk in relation to loans and receivables and arises principally in relation to loans receivable from other F&C Group companies and cash and cash equivalents. As the F&C Group's working capital is monitored on a group-wide basis, the risk of non-recovery of the intra-group loans is considered minimal.

The F&C Group's treasury policy limits the exposure to any one counterparty (in respect of cash and cash equivalents), recognising that each counterparty has been approved by the F&C Group Counterparty Credit Committee. As at 31 October 2016, the Company's largest individual exposure in respect of cash and cash equivalents was a £12,015,000 deposit with an A credit-rated bank (31 October 2015: £7,519,000 deposit with an A credit-rated bank).

Note 17(a) provides an overview of the Company's credit risk exposure.

Liquidity risk

The treasury policy set by the F&C Group only allows financial assets attributable to equity holders to be invested in low risk deposits or money market instruments where the risk of capital loss is low, with prior Board approval required for any exception to this principle.

The Company has net current liabilities of £258,555,000 as at 31 October 2016 (31 October 2015: £254,850,000, as restated). It has received a letter of financial support from its immediate parent company, F&C Asset Management plc, which would ensure, if necessary, the Company receives sufficient funding to meet its obligations as they fall due.

The overall cash position is monitored by the treasury team within the F&C Group as a whole and each individual company within the F&C Group draws on the available cash balance to meet its working capital requirements, recognising that F&C Asset Management plc has agreed to provide financial support to the Company, if required.

Note 17(b) outlines the cash flow profile of the Company's financial liabilities.

Market risk (interest rate risk)

The Company is exposed to interest rate risk through market fluctuations in the variable rate of interest, impacting interest receivable on loans owed by group subsidiaries and interest payable on loans and borrowings subject to interest based on LIBOR rates, and interest received on cash and cash equivalents.

Note 17(c) outlines the Company's exposure to market risk.

F&C TREASURY LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Exit of the UK from the European Union (EU)

On 23 June 2016 the UK voted via a referendum to terminate its membership of the EU. On 29 March 2017 the UK government subsequently issued the formal 'Article 50' notice of the UK's intention to leave the EU.

The UK government has confirmed that leaving the EU will entail the UK leaving the European Single Market and the European Customs Union. It has indicated it wishes to negotiate certain bespoke access arrangements with the EU that could include access rights for the financial services industry. It has also indicated it wishes to negotiate appropriate transitional arrangements to take effect upon the UK's exit from the EU. At this point it is impossible to assess the likelihood of such arrangements being in place at the time of the UK's departure, given the potential challenges that may arise during the required exit negotiations.

The key impact of this risk on the Company is through its investments in subsidiaries. Absent these arrangements being in place at exit, key UK regulated entities within the F&C Group will lose all existing "passporting rights" under European regulation on which they currently rely to market and provide services to investors based within the EU. It may be possible for these entities to obtain access to European investors through reliance on "equivalence rights" under European regulation. However, there is at least a realistic possibility that these will not be available at the date of the UK's exit with the consequence that, in the absence of any mitigating action, these entities would have to rely upon any access rights available under the regulatory regimes in place in each individual member state. Given the above, there is a material risk that the UK's exit from the EU could have a significant adverse effect on any of the Group's business, financial condition, and results of operations.

The F&C Group has already carried out analysis of the legal and regulatory challenges it faces as a result of the UK's exit from the EU and of possible solutions to these challenges. The F&C Group has a presence in a number of European jurisdictions, including a regulated subsidiary in the Netherlands, and it anticipates this may reduce the level of change required to its operations. BMO Financial Group is in the process of establishing a project governance structure that will cover both its asset management and capital markets businesses, which is intended to ensure it adopts a coordinated approach in dealing with the consequences of the UK's exit from the EU. The Board will approve all project recommendations prior to their implementation.

BY ORDER OF THE BOARD



R D Burgin
Secretary
14 July 2017

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the year ended 31 October 2016.

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2016 are shown in the Income Statement on page 9. A Strategic Report for the same period is set out on pages 2 to 4.

The Company recognised a loss of £496,000 for the 2016 financial year (2015: loss of £553,000, as restated).

DIVIDENDS

No dividends were approved or paid during the year ended 31 October 2016 (2015: £nil).

FUTURE DEVELOPMENTS

The Directors do not anticipate any significant changes in the principal activities of the business within the foreseeable future.

GOING CONCERN

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company has net current liabilities of £258,555,000 at 31 October 2016 (31 October 2015: £254,850,000, as restated). However, the Company has received confirmation of financial support being available from F&C Asset Management plc, if required, to allow it to continue operating for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company during the financial year were as follows:

D Logan
F&C Asset Management plc

M F Mannix, D J Sloper and R A Watts were appointed as Directors on 1 June 2017. D Logan and F&C Asset Management plc resigned as Directors on 5 June 2017.

R D Burgin was appointed as Company Secretary on 1 June 2017. F&C Asset Management plc resigned as Company Secretary on 5 June 2017.

No individual Director has any beneficial interest in the share capital of the Company.

DIRECTORS' AND OFFICERS' LIABILITY

The F&C Group maintains insurance cover in respect of Directors' and Officers' liability.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

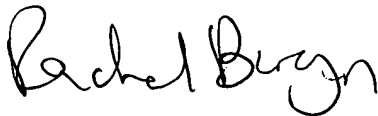
F&C TREASURY LIMITED

REPORT OF THE DIRECTORS (continued)

ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITOR

The Directors who held office at the date of approving this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R D Burgin', written in a cursive style.

R D Burgin
Secretary
14 July 2017

F&C TREASURY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Report of the Directors 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 they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

F&C TREASURY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F&C TREASURY LIMITED

We have audited the Financial Statements of F&C Treasury Limited for the year ended 31 October 2016 set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 Statement of Directors' Responsibilities set out on page 7, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 October 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic Report and the Report of the Directors:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
Edinburgh
14 July 2017

F&C TREASURY LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £000	2015 (as restated*) £000
Operating expenses	4	(37)	(89)
OPERATING LOSS		(37)	(89)
Finance income	6	215	254
Finance costs	7	(790)	(851)
LOSS BEFORE TAX		(612)	(686)
Tax income	8	116	133
LOSS FOR THE FINANCIAL YEAR		(496)	(553)

* As disclosed in note 3 to the Financial Statements.

All amounts are derived from continuing activities.

There are no items of comprehensive income which have not already been presented in arriving at the loss for the financial year. Accordingly the loss for the financial year is the same as the total comprehensive expense for the year.

The notes on pages 12 to 25 form an integral part of these Financial Statements.

F&C TREASURY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2016

(Registered Number 4425921)

	Notes	31 October 2016 £000	31 October 2015 (as restated*) £000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	213,692	213,692
Loans receivable	10	53,673	50,464
Total non-current assets		267,365	264,156
Current assets			
Other receivables	11	406	232
Cash and cash equivalents	12	21,346	20,282
Total current assets		21,752	20,514
TOTAL ASSETS		289,117	284,670
LIABILITIES			
Current liabilities			
Loans and borrowings	13	272,217	267,269
Trade and other payables	14	8,090	8,095
TOTAL LIABILITIES		280,307	275,364
EQUITY			
Share capital	15	-	-
Retained earnings	16	8,810	9,306
TOTAL EQUITY		8,810	9,306
TOTAL LIABILITIES AND EQUITY		289,117	284,670

* As disclosed in note 3 to the Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 July 2017.
They were signed on its behalf by:



M F Mannix
Director

The notes on pages 12 to 25 form an integral part of these Financial Statements.

F&C TREASURY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2016

	Share capital £000	Retained earnings £000	Total equity £000
At 1 November 2014	-	9,859	9,859
Loss for the financial year and total comprehensive expense (as restated*)	-	(553)	(553)
At 31 October 2015 (as restated*)	-	9,306	9,306
Loss for the financial year and total comprehensive expense	-	(496)	(496)
At 31 October 2016	-	8,810	8,810

* As disclosed in note 3 to the Financial Statements.

The notes on pages 12 to 25 form an integral part of these Financial Statements.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

F&C Treasury Limited is a private company limited by share capital, incorporated and domiciled in England. The Company's registered office is Exchange House, Primrose Street, London, EC2A 2NY.

These Financial Statements present information about the Company as an individual undertaking and do not include information about its group.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements, as it is a wholly owned subsidiary of F&C Asset Management plc, which prepares consolidated Financial Statements. The results of F&C Treasury Limited are included in the consolidated Annual Report and Financial Statements of F&C Asset Management plc, which are available from 80 George Street, Edinburgh, EH2 3BU.

The Company's Financial Statements are presented in pounds Sterling, the Company's functional and presentational currency, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

2. ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently for the years ended 31 October 2016 and 31 October 2015.

Basis of preparation and statement of compliance with FRS 101

For periods up to and including the year ended 31 October 2015, the Company prepared its Financial Statements in accordance with previous UK GAAP. As the Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements*, all periods presented in these Financial Statements have been prepared in accordance with FRS 101, with 1 November 2014 representing the date of transition to this revised accounting framework.

In the adoption of FRS 101, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union (EU-adopted IFRS), making amendments where necessary to comply with the requirements of the United Kingdom Companies Act 2006. The Directors have also elected to early adopt and apply the Statutory Instrument 2015 No. 980 in these Financial Statements, whereby the primary Financial Statements are presented in accordance with the provisions of IAS 1.

Details of amendments on transition to FRS 101 are disclosed in note 3.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* grants certain exemptions from the full requirements of EU-adopted IFRSs on transition, with the following exemption applied in these Financial Statements:

- Business combinations that took place prior to the date of transition have not been restated.

In the application of FRS 101, the Company has also applied the following disclosure exemptions on the basis that equivalent disclosure is provided in the Annual Report and Financial Statements of its immediate parent company, F&C Asset Management plc:

- (a) A Statement of Cash Flows and related notes;
- (b) The effects of new but not yet effective IFRSs;
- (c) Disclosures of key management personnel compensation; and
- (d) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Measurement convention

The Financial Statements are prepared under the historical cost convention.

Going concern

Whilst the Company has net current liabilities of £258,555,000 as at 31 October 2016 (31 October 2015: £254,850,000, as restated), it has received a letter of financial support from its immediate parent company, F&C Asset Management plc, which would ensure, if necessary, the Company receives sufficient funding to meet its obligations as they fall due. Accordingly, the Financial Statements have been prepared on a going concern basis.

Accounting estimates, assumptions and judgements

The preparation of financial statements necessitates the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting dates as well as the reported income and expenses for the reporting periods. While estimates are based on management's best knowledge and judgement using information and financial data available to them, the actual outcome may differ from these estimates.

Significant estimation and judgement has been exercised in the impairment review of investments in subsidiaries as disclosed in note 9.

Summary of significant accounting policies

The Company has adopted the following Improvements in these Financial Statements:

- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle

The adoption of these Improvements has not had a material impact on the Company.

(a) Foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of transaction and are not subsequently restated. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined.

(b) Finance income

Finance income comprises interest receivable on loans owed by group subsidiaries and bank interest receivable and is recognised in the Income Statement as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

(c) Finance costs

Finance costs comprise interest payable on loans owed to the immediate parent company and other group subsidiaries and other interest payable. These costs are recognised in the Income Statement on an EIR basis.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(d) Income tax

The tax income disclosed on the face of the Income Statement represents current tax. Current tax is the expected tax payable to, or receivable from, the taxation authorities on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustment to tax payable in respect of previous years.

(e) Investments in subsidiaries

Investments in subsidiaries are held at cost. The Company assesses investments in subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

(f) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets have been classified, on initial recognition, as loans and receivables and are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are recorded as current or non-current in the Statement of Financial Position according to their expected settlement dates and consist of loans receivable, other receivables and cash and cash equivalents.

Subsequent measurement

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the EIR method, less impairment. Gains and losses are recognised in the Income Statement when loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognition

A financial asset or, where applicable, part of a financial asset, is derecognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset. If any such indication of impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. In relation to financial assets held with F&C Group subsidiaries, Directors undertake an ongoing review of the financial position and performance of the underlying entities to identify and assess any potential evidence of impairment, together with the resultant risk to the recovery of the specific financial asset. Evidence of impairment in respect of cash and cash equivalents includes review of counterparty credit ratings.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities have been initially recognised at fair value plus directly attributable transaction costs and consist of loans owed to group subsidiaries, loans owed to the immediate parent company, other payables and amounts owed to the immediate parent company.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the EIR method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(iii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances held in a current account and deposits held at call with banks.

(h) Share capital

Share capital is recorded at the proceeds of issue after deducting directly attributable transaction costs.

3. TRANSITION TO FRS 101

The Company transitioned to FRS 101 during 2016. Whilst there were no recognition or measurement adjustments arising on the adoption of FRS 101, during the year ended 31 October 2016 it was identified that certain inter-company loan transactions had been denominated in foreign currency, rather than Sterling. As a result, a prior period adjustment has been made to correct the retranslation of the loan, foreign exchange gains and the associated tax charge in the year ended 31 October 2015. No adjustments were required to be made to opening retained earnings at the date of transition, being 1 November 2014.

The adjustments required to the Statement of Financial Position at 31 October 2015 and the Income Statement for the year ended 31 October 2015 are as follows:

At 31 October 2015	£000
Statement of Financial Position impact:	
Decrease in loans receivable	(483)
Increase in other receivables	98
Decrease in retained earnings	(385)
Year ended 31 October 2015	£000
Income Statement impact:	
Increase in operating expenses	(483)
Increase in tax income	98
Increase in loss for the financial year	(385)

As a result of the above adjustments, total equity at 31 October 2015 decreased from £9,691,000 to £9,306,000 and the loss for the financial year ended 31 October 2015 increased from £168,000 to £553,000.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OPERATING EXPENSES

Total operating expenses comprise the following:

	Note	2016 £000	2015 (as restated*) £000
Impairment charge in the year	17(a)(iii)	32	33
Auditor's remuneration – audit of these Financial Statements		5	5
Loss on foreign exchange		-	51
		<u>37</u>	<u>89</u>

* As disclosed in note 3 to the Financial Statements.

Amounts receivable by the Company's auditor in respect of services to the Company, other than for the audit of the Company's Financial Statements, have not been disclosed as the information is disclosed on a consolidated basis in the Annual Report and Financial Statements of the Company's immediate parent company, F&C Asset Management plc.

The Company had no employees during the year ended 31 October 2016 (2015: nil).

5. DIRECTORS' REMUNERATION

No Director received any remuneration in respect of services to the Company for the year ended 31 October 2016 (2015: £nil).

6. FINANCE INCOME

	2016 £000	2015 £000
Loans and receivables:		
Interest receivable on loans owed by group subsidiaries	152	184
Bank interest receivable	63	70
	<u>215</u>	<u>254</u>

7. FINANCE COSTS

	2016 £000	2015 £000
Financial liabilities recognised at cost using the EIR method:		
Interest payable on loans owed to immediate parent company and other group subsidiaries	790	865
Other interest payable	-	(14)
	<u>790</u>	<u>851</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INCOME TAX

(a) Analysis of tax income in the year

The tax income recognised in the Income Statement is as follows:

	2016 £000	2015 (as restated*) £000
Current income tax:		
<i>UK Corporation Tax</i>		
Current tax on loss for the year	(116)	(133)
Tax income reported in the Income Statement	(116)	(133)

* As disclosed in note 3 to the Financial Statements.

(b) Reconciliation of total tax income for the year

A reconciliation between the actual tax income and the accounting loss multiplied by the Company's domestic tax rate for the years ended 31 October 2016 and 31 October 2015 is as follows:

	2016 £000	2015 (as restated*) £000
Loss before tax	(612)	(686)
Tax at the Company's statutory income tax rate of 20.00% (2015: 20.42%)	(122)	(140)
Disallowed expenses	6	7
Tax income reported in the Income Statement	(116)	(133)

* As disclosed in note 3 to the Financial Statements.

(c) Effective rate of tax and factors affecting future tax charges

The current Corporation Tax rate of 20.00% became effective from 1 April 2015, resulting in a statutory UK Corporation Tax rate of 20.00% for the year ended 31 October 2016 for the Company.

Future UK Corporation Tax rate reductions to 19.00% from 1 April 2017 and to 17.00% from 1 April 2020 were substantively enacted on 26 October 2015 and 6 September 2016 respectively.

The reductions in the UK Corporation Tax rate will lead to a Company statutory UK Corporation Tax rate of 19.42% for 2017, 19.00% for 2018 and 2019, 17.83% for 2020, and 17.00% from 2021 onwards.

No additional rate changes have been substantively enacted since the reporting date.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN SUBSIDIARIES

£000

Cost and net book value:

At 1 November 2014, 31 October 2015 and 31 October 2016

213,692

The Directors assess the Company's investments in subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

Following the annual goodwill impairment review undertaken at the F&C Group level as at 31 October 2016, an indicator of potential impairment was identified. As a result, the carrying value of the Company's investments in subsidiaries was tested for impairment at the reporting date. The most significant estimates, assumptions and judgements applied to the value in use calculation relate to the future levels of net cash flows and the discount rate and perpetuity growth rate applied to those cash flows.

This review determined that the carrying value of the investments in subsidiaries was not impaired at 31 October 2016 and no impairment loss was recognised during the year.

Details of the Company's subsidiaries are as follows:

Company name	Share class	Percentage interest and voting rights	Country of incorporation
WAM Holdings Limited	Ordinary shares	100	England*
F&C Property Investments Limited [†]	Ordinary shares	100	England*
F&C Managers Limited [†]	Ordinary shares	100	England*
F&C Fund Management Limited [†]	Ordinary shares	100	England*

* The registered office is Exchange House, Primrose Street, London, EC2A 2NY.

[†] Subsidiary of WAM Holdings Limited.

10. LOANS RECEIVABLE

	31 October 2016	31 October 2015 (as restated*)
	£000	£000
Non-current:		
Loans owed by group subsidiaries	53,673	50,464

* As disclosed in note 3 to the Financial Statements.

The loans owed by group subsidiaries are unsecured, repayable on demand and subject to interest at 3-month LIBOR minus 0.25% margin, with the exception of one loan of £1,000 (31 October 2015: £1,000) which is not subject to interest.

Loans owed by group subsidiaries are stated net of an impairment provision of £1,799,000 (31 October 2015: £1,767,000) in relation to loans receivable where the Directors consider recovery unlikely, with the impairment provision reflecting the extent of net liabilities in the related subsidiary entities. A reconciliation of changes in the impairment provision are disclosed in note 17(a)(iii).

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the loan receivable balances disclosed.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. OTHER RECEIVABLES

	31 October 2016 £000	31 October 2015 (as restated*) £000
Current:		
Group relief receivable	389	226
Amounts owed by intermediate parent company	11	-
Interest receivable	6	6
	<u>406</u>	<u>232</u>

* As disclosed in note 3 to the Financial Statements.

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the receivable balances disclosed due to the short-term maturities of these receivables.

12. CASH AND CASH EQUIVALENTS

	31 October 2016 £000	31 October 2015 £000
Short-term deposits	21,315	19,824
Cash at bank	31	458
	<u>21,346</u>	<u>20,282</u>

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Short-term deposits are readily convertible to a known amount of cash and are not subject to significant risk of changes in value. Short-term deposits are generally made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at the reporting dates is as shown above.

13. LOANS AND BORROWINGS

The contractual terms of the Company's loans and borrowings are as follows:

	31 October 2016 £000	31 October 2015 £000
Current:		
Loans owed to group subsidiaries (i)	195,601	171,462
Loans owed to immediate parent company (ii)	76,616	95,807
	<u>272,217</u>	<u>267,269</u>

- (i) The loans owed to group subsidiaries are unsecured, repayable on demand and subject to interest at 3-month LIBOR minus 0.25% margin, with the exception of three loans totalling £207,000 (31 October 2015: £207,000) which are not subject to interest.
- (ii) The loans owed to the immediate parent company are unsecured, repayable on demand and subject to interest at 3-month LIBOR minus 0.25% margin.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. TRADE AND OTHER PAYABLES

	31 October 2016 £000	31 October 2015 £000
Current:		
Corporation tax payable	7,668	7,668
Other payables	422	422
Amounts owed to immediate parent company	-	5
	8,090	8,095

The corporation tax liability represents a refund received by the Company, in its capacity as a treasury company, from HMRC in respect of the tax liability of a fellow subsidiary undertaking. This liability has been classified as current as it is now expected that this amount will be paid to HMRC within twelve months of the reporting date.

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the payables balances disclosed due to the short-term maturities of these amounts.

15. SHARE CAPITAL

	31 October 2016 £000	31 October 2015 £000
Authorised:		
1,000 Ordinary shares of £1 each	1	1
Issued and fully paid:		
1 Ordinary share of £1	-	-

The holder of Ordinary shares is entitled to receive dividends as declared from time to time, is entitled to capital distribution rights (including on a winding up) and is entitled to one vote per share at meetings of the Company. The Ordinary shares do not confer any rights of redemption.

16. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 11.

Nature and purpose of reserves:

Retained earnings

Movements in retained earnings comprise net profits and losses recognised through the Income Statement and dividend distributions.

17. FINANCIAL RISK MANAGEMENT

Financial risks

The Company is exposed to a number of financial risks through its financial assets and liabilities, including credit risk, liquidity risk and market risk. An explanation of each of these risks and the Company's objectives, policies and processes for managing these risks, is set out under 'Principal risks and uncertainties' in the Strategic Report on pages 2 to 4.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. FINANCIAL RISK MANAGEMENT (continued)

Management of capital

The overall objective of capital management is to ensure that there is sufficient liquidity over the short and medium-term to meet the operational needs of the business. This includes an assessment of the liquidity to cover the Company's operating expenses, taxation payments and repayment of amounts owed to other F&C Group entities. While the Company has net current liabilities of £258,555,000 as at 31 October 2016 (31 October 2015: £254,850,000, as restated), it is recognised that these liabilities are primarily intra-group and liquidity risk is therefore considered to be low given common overall ownership of the entities involved. The overall cash position of the F&C Group is monitored as a whole by the Group treasury team, with each company within the F&C Group drawing on the available cash balances to meet its working capital requirements.

Extent of risks arising from financial instruments

The extent of risks arising from the Company's financial instruments is set out below:

(a) Credit risk

(i) Maximum exposure to credit risk

The carrying amounts of loans and receivables, as disclosed in the tables below, represents the Company's maximum exposure to credit risk. The credit risk of the loans and receivables, analysed by the external credit ratings of the counterparties, is as follows:

As at 31 October 2016	AAA £000	AA £000	A £000	BBB- £000	Not rated £000	Total £000
Loans and receivables:						
Loans receivable [†]	-	-	-	-	53,673	53,673
Other receivables	-	-	-	-	406	406
Cash and cash equivalents	-	-	21,315	31	-	21,346
	-	-	21,315	31	54,079	75,425

[†] Loans receivable are all owed by F&C Group subsidiaries. As the F&C Group's working capital is monitored on a group-wide basis, the risk of non-recovery is considered to be low.

As at 31 October 2015	AAA £000	AA £000	A £000	BBB- £000	Not rated £000	Total £000
Loans and receivables:						
Loans receivable [†]	-	-	-	-	50,464	50,464
Other receivables	-	-	-	-	232	232
Cash and cash equivalents	442	6,204	13,620	16	-	20,282
	442	6,204	13,620	16	50,696	70,978

[†] Loans receivable are all owed by F&C Group subsidiaries. As the F&C Group's working capital is monitored on a group-wide basis, the risk of non-recovery is considered to be low.

(ii) Analysis of financial assets past due but not impaired

The loans and receivables disclosed in note 17(a)(i) above were neither past due nor impaired at both 31 October 2016 and 31 October 2015.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. FINANCIAL RISK MANAGEMENT (continued)

(iii) Impairment losses

The loans receivable disclosed in note 10 are stated net of this impairment provision. Details of the impairment provision for loans receivable at 31 October 2016 and 31 October 2015 are as follows:

	2016 £000	2015 £000
Loans receivable impairment provision		
At 1 November	1,767	1,734
Charge in the year*	32	33
At 31 October	1,799	1,767

* Included within operating expenses in the Income Statement.

No other financial instruments have been impaired during the years ended 31 October 2016 or 31 October 2015.

(iv) Concentration risk

Specific concentration of risk in respect of amounts receivable from any one bank or financial institution, or any one group entity at the reporting date is provided below:

	31 October 2016 £000	31 October 2015 £000
Concentrations of £1.0m or more		
Loans receivable – 2016: 6 group subsidiaries (2015: 5)	51,924	48,680
Cash and cash equivalents – 2016: 3 financial institutions (2015:3)	21,315	19,324
	73,239	68,004

Concentration risk is considered to arise in relation to receivable balances with individual entities of £1.0m or more at the reporting dates. This disclosure shows the potential impact of these entities failing to satisfy payment of the receivable amounts. The disclosure does not indicate the likelihood of these entities defaulting.

The counterparties for the loans receivable are fellow subsidiaries of the F&C Group. As the F&C Group treasury function monitors working capital on a group basis, the risk of default is considered to be minimal.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

The cash flow profile associated with the Group's financial liabilities is as follows:

	Within 1 year or on demand	
	31 October 2016 £000	31 October 2015 £000
Loans and borrowings:		
Loans owed to group subsidiaries	(195,601)	(171,462)
Loans owed to immediate parent company	(76,616)	(95,807)
Trade and other payables:		
Other payables	(422)	(422)
Amounts owed to immediate parent company	-	(5)
	<u>(272,639)</u>	<u>(267,696)</u>

The maturity dates of the Company's financial liabilities have been determined by reference to the earliest contractual date on which the counterparty could demand payment and the stated amounts represent undiscounted cash flows. While the Company is in a net liability position, it has received a letter of financial support from its immediate parent company which would ensure, if necessary, the Company receives sufficient funding to meet its obligations as they fall due.

(c) Market risk – interest rate risk

The following table sets out the carrying amount and maturity profile of the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year or on demand	
	31 October 2016 £000	31 October 2015 £000
Variable rate		
Loans and receivables:		
Loans owed by group subsidiaries	53,672	50,463
Cash and cash equivalents	21,346	20,282
Loans and borrowings:		
Loans owed to group subsidiaries	(195,394)	(171,255)
Loans owed to immediate parent company	(76,616)	(95,807)
	<u>(196,992)</u>	<u>(196,317)</u>

Sensitivity analysis

The Company has quantified the impact of an increase or decrease of 1% in the interest rate applied to closing loans and receivables and loans and borrowings balances (which approximate to fair value) at each reporting date, with the profit or loss and equity impact of these changes set out below. The financial impact is disclosed after taxation.

The sensitivity analysis assumes changes in interest rates which may differ materially from the actual outturn due to the inherent uncertainties in global financial markets. The calculation methods and assumptions have been consistently applied in the sensitivity analysis for both reporting periods.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. FINANCIAL RISK MANAGEMENT (continued)

	Profit or loss sensitivity £000	Profit or loss sensitivity £000	Equity sensitivity £000	Equity sensitivity £000
As at 31 October 2016				
Interest rate movement	+1%	-1%	+1%	-1%
(Decrease)/increase in profit/equity	(1,576)	1,576	(1,576)	1,576
As at 31 October 2015				
Interest rate movement	+1%	-1%	+1%	-1%
(Decrease)/increase in profit/equity	(1,562)	1,562	(1,562)	1,562

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company carried out transactions with related parties, as defined by IAS 24 *Related Party Disclosures*. The Company has taken advantage of the FRS 101 exemption to not disclose related party transactions between wholly-owned subsidiaries of BMO Financial Group.

During the year the Company entered into the following transactions with group subsidiaries which were not wholly-owned during the year:

BMO Real Estate Partners LLP Group (BMO REP Group)

F&C Asset Management plc owned 70% of BMO Real Estate Partners LLP at the reporting date. Consequently transactions between F&C Group companies and the BMO REP Group are required to be disclosed as related party transactions.

Loan to BMO REP Asset Management plc

At 31 October 2016 the Company was owed £32,750 (2015: £32,651) by BMO REP Asset Management plc, a subsidiary of BMO Real Estate Partners LLP. Loan interest accrued during the year ended 31 October 2016 was £108 (2015: £104) of which £108 was outstanding at 31 October 2016 (2015: £104). This loan receivable is included within 'Loans owed by group subsidiaries' in note 10.

Loans from other F&C Group entities

The following entities are considered to be related parties due to fellow F&C Group subsidiary companies being the General Partner (GP) of the following Limited Partnership's (LP):

Loan from F&C Climate Opportunity Partners (GP) LP

At 31 October 2016 the Company owed £1,598,819 (2015: £1,327,264) to F&C Climate Opportunity Partners (GP) LP. Loan interest accrued during the year ended 31 October 2016 was £4,283 (2015: £3,550) of which £4,655 was payable at 31 October 2016 (2015: £3,550).

Loan from F&C European Capital Partners II (GP) LP

At 31 October 2016 the Company owed £1,855,755 (2015: £1,084,808) to F&C European Capital Partners II (GP) LP. Loan interest accrued during the year ended 31 October 2016 was £4,090 (2015: £1,811) of which £4,394 was payable at 31 October 2016 (2015: £1,811).

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. CONTINGENT LIABILITIES

Ongoing business operations

In the normal course of its business, the Company may be subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent company is F&C Asset Management plc, which is incorporated in Scotland.

The smallest group of which the Company is a member and for which Group Financial Statements are prepared is F&C Asset Management plc. Copies of the Annual Report and Financial Statements can be obtained from its registered office at 80 George Street, Edinburgh, EH2 3BU.

In the Directors' opinion the Company's ultimate parent undertaking and controlling party is Bank of Montreal, a company incorporated in Canada. The consolidated accounts of Bank of Montreal are available from Bank of Montreal Public Affairs Department, P.O. Box 6002, Place d'Armes, Montreal, Quebec H2Y, Canada or Corporate Communications Department, BMO Financial Group, 28th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.