

F&C Treasury Limited

(Registered Number 4425921)

**Annual Report & Financial Statements
for the year ended
31 October 2017**

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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 2017.

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 2017 financial year of £27,520,000 (2016: loss of £496,000).

Trading performance and development of the business

The loss of £27,520,000 incurred in the year ended 31 October 2017 compared to a loss of £496,000 in 2016 is primarily a result of a £27,371,000 impairment charge on the Company's investments in subsidiaries. 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.

Going concern

The Company has net liabilities of £18,710,000 at 31 October 2017 (31 October 2016: net assets of £8,810,000). Therefore, the Company is dependent on continuing finance being made available by its immediate parent company, F&C Asset Management plc, to enable it to continue operating and to meet its liabilities as they fall due. F&C Asset Management plc has provided guaranteed funding to the Company for those purposes. The Directors believe that it is therefore appropriate to prepare the Financial Statements on a going concern basis.

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. 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. An impairment of £27,371,000 was recognised in 2017, as disclosed in note 8.

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 2017, the Company's largest individual exposure in respect of cash and cash equivalents was a £12,813,000 deposit with an A credit-rated bank (31 October 2016: £12,015,000 deposit with an A credit-rated bank).

Note 16(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.

While the Company has net liabilities of £18,710,000 as at 31 October 2017 (31 October 2016: net assets of £8,810,000), it is recognised that a majority of the Company's liabilities are intra-group, with liquidity risk therefore considered to be low given the common overall ownership and control of the entities involved.

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 16(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 16(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 EU

Following the notice issued by the United Kingdom (UK) on 29 March 2017 of its decision to leave the European Union (EU) (Brexit), the commitment of the BMO Financial Group to its customers in the UK and the broader EU remains unchanged. Work is ongoing to position BMO Financial Group's business in a post-Brexit Europe. The key priority is to make sure BMO Financial Group's European business platform builds in sufficient optionality to enable it to continue doing business effectively in Europe, whilst enabling London to remain a focal hub. This will enable BMO Financial Group to effectively steer its European business through the transition Brexit requires and so continue serving its clients in Europe.

The key impact of this risk on the Company is through its investments in subsidiaries. The F&C Board is considering the nature and extent of risks, uncertainties and opportunities arising from the result of the UK's decision to leave the EU and the impact on the future performance and position of the Group's European business.

The Directors consider the principal risks and uncertainties to be in the following areas:

- Macro-economic uncertainty or downturn in the UK economy;
- Loss of passport rights to the EU single market currently used to offer, and provide, services and products to the Group's EU client base, with a significant element of the current EU distribution activity being conducted through branches of F&C Group companies;
- EU regulatory authorities potentially restricting the ability of the Group's EU based operations to delegate investment services to London once the UK leaves the EU; and
- Impact on strategy, performance and operations.

BMO Financial Group has formed a Brexit Steering Committee comprising the senior management, including executive directors of F&C, to monitor developments as the post-Brexit landscape evolves. The Brexit Steering Committee will also make sure effective contingency planning is carried out for all potential implications relating to Brexit.

The Brexit Steering Committee, on behalf of the Directors of the Company and other Group subsidiaries, will manage and assess risks arising from Brexit and approve and oversee the execution of any business restructure. Brexit Working groups have been formed for all main business and support function areas. They will carry out more detailed contingency planning and then propose recommendations on how to restructure the F&C Group's European business to ensure it can deal effectively with the challenges Brexit raises and continues to service clients to the high standards expected.

BY ORDER OF THE BOARD



R D Burgin
Secretary
20 July 2018

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the year ended 31 October 2017.

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2017 are shown in the Income Statement on page 10. A Strategic Report for the same period is set out on pages 2 to 4.

The Company recognised a loss of £27,520,000 for the 2017 financial year (2016: loss of £496,000).

DIVIDENDS

No dividends were approved or paid during the year ended 31 October 2017 (2016: £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 liabilities of £18,710,000 at 31 October 2017 (31 October 2016: net assets of £8,810,000). 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	(resigned 5 June 2017)
M F Mannix	(appointed 1 June 2017)
D J Sloper	(appointed 1 June 2017)
R A Watts	(appointed 1 June 2017)
F&C Asset Management plc	(resigned 5 June 2017)

There have been no appointments or resignations of Directors since 31 October 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.

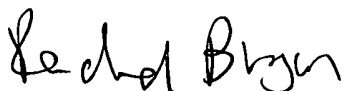
F&C TREASURY LIMITED

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
20 July 2018

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the Financial Statements of F&C Treasury Limited ("the Company") for the year ended 31 October 2017 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

Strategic Report and Report of the Directors

The Directors are responsible for the Strategic Report and the Report of the Directors. Our opinion on the Financial Statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Report of the Directors and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Report of the Directors;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

F&C TREASURY LIMITED

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

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

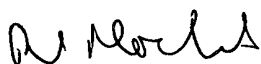
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. (

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
Edinburgh
20 July 2018

F&C TREASURY LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £000	2016 £000
Operating expenses	3	(15)	(37)
OPERATING LOSS		(15)	(37)
Impairment of investments in subsidiaries	8	(27,371)	-
Finance income	5	89	215
Finance costs	6	(252)	(790)
LOSS BEFORE TAX		(27,549)	(612)
Tax income	7	29	116
LOSS FOR THE FINANCIAL YEAR		(27,520)	(496)

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 13 to 25 form an integral part of these Financial Statements.

F&C TREASURY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2017

(Registered Number 4425921)

	Notes	31 October 2017 £000	31 October 2016 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	186,321	213,692
Loans receivable	9	38,848	53,673
Total non-current assets		225,169	267,365
Current assets			
Other receivables	10	16	406
Cash and cash equivalents	11	34,078	21,346
Total current assets		34,094	21,752
TOTAL ASSETS		259,263	289,117
LIABILITIES			
Current liabilities			
Loans and borrowings	12	269,821	272,217
Trade and other payables	13	8,152	8,090
TOTAL LIABILITIES		277,973	280,307
EQUITY			
Share capital	14	-	-
Retained earnings	15	(18,710)	8,810
TOTAL EQUITY		(18,710)	8,810
TOTAL LIABILITIES AND EQUITY		259,263	289,117

The Financial Statements were approved by the Board of Directors and authorised for issue on 20 July 2018.
They were signed on its behalf by:



M F Mannix
Director

The notes on pages 13 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 2017

	Share capital £000	Retained earnings £000	Total equity £000
At 1 November 2015	-	9,306	9,306
Loss for the financial year and total comprehensive expense	-	(496)	(496)
At 31 October 2016	-	8,810	8,810
Loss for the financial year and total comprehensive expense	-	(27,520)	(27,520)
At 31 October 2017	-	(18,710)	(18,710)

The notes on pages 13 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 6th Floor, Quatermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

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 2017 and 31 October 2016.

Basis of preparation

As the Company meets the definition of a qualifying entity under Financial Reporting Standard 100 *Application of Financial Reporting Requirements*, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (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 (UK) Companies Act 2006.

In the application of FRS 101, the Company has 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.

Measurement convention

The Financial Statements are prepared under the historical cost convention.

Going concern

The Company is dependent on continuing finance being made available by F&C Asset Management plc, its intermediate parent company, to enable it to continue operating and to meet its liabilities as they fall due. F&C Asset Management plc has provided guaranteed funding for these purposes. The Directors believe that it is therefore appropriate to prepare the Financial Statements on a going concern basis.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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 judgement has been exercised with regard to estimation uncertainties and assumptions used in the impairment review of investments in subsidiaries. The perpetual growth rates and discount rates applied to cash flow projections are disclosed in note 8.

Summary of significant accounting policies

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

- Annual Improvements to IFRSs – 2012-2014 Cycle

The adoption of this improvement 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 bank interest and charges payable. These costs are recognised in the Income Statement on an EIR basis.

(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.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(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.

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.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(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. OPERATING EXPENSES

Total operating expenses comprise the following:

	Note	2017 £000	2016 £000
Impairment charge in the year on loans receivable	16(a)(iii)	8	32
Auditor's remuneration – audit of these Financial Statements		5	5
Other expenses		2	-
		15	37

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 2017 (2016: nil).

4. DIRECTORS' REMUNERATION

No Director received any remuneration in respect of services to the Company for the year ended 31 October 2017 (2016: £nil).

5. FINANCE INCOME

	2017 £000	2016 £000
Loans and receivables:		
Bank interest receivable	46	63
Interest receivable on loans owed by group subsidiaries	43	152
	89	215

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. FINANCE COSTS

	2017 £000	2016 £000
Financial liabilities recognised at cost using the EIR method:		
Interest payable on loans owed to immediate parent company and other group subsidiaries	251	790
Bank interest and charges payable	1	-
	<u>252</u>	<u>790</u>

7. INCOME TAX

(a) Analysis of tax income in the year

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

	2017 £000	2016 £000
Current income tax:		
UK Corporation Tax		
Current tax on loss for the year	(33)	(116)
Adjustments in respect of previous periods	4	-
	<u>(29)</u>	<u>(116)</u>
Tax income reported in the Income Statement		

(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 2017 and 31 October 2016 is as follows:

	2017 £000	2016 £000
Loss before tax	<u>(27,549)</u>	<u>(612)</u>
Tax at the Company's statutory income tax rate of 19.42% (2016: 20.00%)	(5,350)	(122)
Disallowed expenses	5,317	6
Adjustments in respect of previous periods	4	-
	<u>(29)</u>	<u>(116)</u>
Tax income reported in the Income Statement		

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

The current Corporation Tax rate of 19.00% became effective from 1 April 2017, resulting in a statutory UK Corporation Tax rate of 19.42% for the year ended 31 October 2017 for the Company.

A future UK Corporation Tax rate reduction to 17.00% from 1 April 2020 was substantively enacted on 6 September 2016.

The reduction in the UK Corporation Tax rate will lead to a Company statutory UK Corporation Tax rate of 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)

8. INVESTMENTS IN SUBSIDIARIES

	£000
Cost:	
At 1 November 2015, 31 October 2016 and 31 October 2017	<u>213,692</u>
Cumulative impairment:	
At 1 November 2015 and 31 October 2016	-
Impairment in the year	<u>(27,371)</u>
At 31 October 2017	<u>(27,371)</u>
Net book value	
At 31 October 2016	<u>213,692</u>
At 31 October 2017	<u>186,321</u>

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 2017, 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.

An impairment loss of £27,731,000 (2016: £nil) in investments in subsidiaries has arisen, primarily as a result of continued Strategic Partner asset outflows in other F&C Group entities, recognising that the quantum of operating expenses borne by entities in the UK transfer pricing group is based on the relative share of revenue arising in those entities. This was recognised in profit and loss.

The recoverable amount of the asset (representing the aggregate of cash flows from all subsidiaries), to which the carrying value has been written down, is based on value in use calculated using management's latest five-year forecast and a discount rate of 10.95% (31 October 2016: 10.50%). The discount rate has been determined using the Capital Asset Pricing Model, with key model inputs based on applicable market data, including data relating to market participants, which are similar to the F&C Group, in order to calculate a market relevant rate, taking into account the relative risks associated with the F&C Group's revenue streams.

Revenue in year one of the net present value model is based on the budget for 2018, with revenue for years two to five, based on management forecasts for those years. The forecasts inherently reflect management's growth projections relating to net new business. Whilst no further adjustment is made for net new business beyond the management forecast period, all revenues and operating expenses have been grown from year six onwards at the perpetuity growth rate of 2.00% (31 October 2016: 2.00%). Operating expenses are based on the 2018 budget and management forecasts up to and including 2022, with costs for those years grown in line with management's cost inflation assumptions. Thereafter, costs have been grown at the perpetuity growth rate applied to revenues as disclosed above.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN SUBSIDIARIES (continued)

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 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.

In addition, the Company became a Designated Member of BMO Real Estate Partners LLP (the LLP), a fellow F&C Group subsidiary, on 13 March 2017, and holds one unit in the LLP which entitles the Company to participate in the operation of the LLP. The Company is not entitled to a financial reward from the LLP.

9. LOANS RECEIVABLE

	31 October 2017 £000	31 October 2016 £000
Non-current:		
Loans owed by group subsidiaries	38,848	53,673

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 2016: £1,000) which is not subject to interest.

Loans owed by group subsidiaries are stated net of an impairment provision of £724,000 (31 October 2016: £1,799,000) 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 16(a)(iii).

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

10. OTHER RECEIVABLES

	31 October 2017 £000	31 October 2016 £000
Current:		
Interest receivable	9	6
Group relief receivable	7	389
Amounts owed by intermediate parent company	-	11
	16	406

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.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CASH AND CASH EQUIVALENTS

	31 October 2017 £000	31 October 2016 £000
Short-term deposits	33,822	21,315
Cash at bank	256	31
	<u>34,078</u>	<u>21,346</u>

Recognising that the Company acts as a treasury management company for a number of UK companies in the F&C Group, cash and cash equivalents are held for the purpose of meeting short-term cash commitments of certain Group entities 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.

12. LOANS AND BORROWINGS

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

	31 October 2017 £000	31 October 2016 £000
Current:		
Loans owed to group subsidiaries (i)	187,566	195,601
Loans owed to immediate parent company (ii)	82,255	76,616
	<u>269,821</u>	<u>272,217</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 one loan of £70,000 (31 October 2016: three loans totalling £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.

13. TRADE AND OTHER PAYABLES

	31 October 2017 £000	31 October 2016 £000
Current:		
Corporation tax payable	7,730	7,668
Other payables	422	422
	<u>8,152</u>	<u>8,090</u>

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.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL

	31 October 2017 £000	31 October 2016 £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.

15. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 12.

Nature and purpose of reserves:

Retained earnings

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

16. 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.

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 Company, including the liquidity requirements of F&C Group entities for which the Company provides treasury management. 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 liabilities of £18,710,000 as at 31 October 2017 (31 October 2016: net assets of £8,810,000), 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:

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT (continued)

(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 2017	A £000	BBB- £000	Not rated £000	Total £000
Loans and receivables:				
Loans receivable [†]	-	-	38,848	38,848
Other receivables	-	-	16	16
Cash and cash equivalents	33,822	256	-	34,078
	<u>33,822</u>	<u>256</u>	<u>38,864</u>	<u>72,942</u>

[†] 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 2016	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
	<u>21,315</u>	<u>31</u>	<u>54,079</u>	<u>75,425</u>

[†] 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 16(a)(i) above were neither past due nor impaired at both 31 October 2017 and 31 October 2016.

(iii) Impairment losses

The loans receivable disclosed in note 9 are stated net of this impairment provision. Details of the impairment provision for loans receivable at 31 October 2017 and 31 October 2016 are as follows:

	Note	2017 £000	2016 £000
Loans receivable impairment provision			
At 1 November		1,799	1,767
Utilised in the year		(1,083)	-
Charge in the year*	3	<u>8</u>	<u>32</u>
At 31 October		<u>724</u>	<u>1,799</u>

* Included within operating expenses in the Income Statement.

No other financial instruments have been impaired during the years ended 31 October 2017 or 31 October 2016.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT (continued)

(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 2017 £000	31 October 2016 £000
Concentrations of £1.0m or more		
Loans receivable – 2017: 4 group subsidiaries (2016: 6)	37,400	51,924
Cash and cash equivalents – 2017: 5 financial institutions (2016:3)	33,822	21,315
	<u>71,222</u>	<u>73,239</u>

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.

(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 2017 £000	31 October 2016 £000
Loans and borrowings:		
Loans owed to group subsidiaries	(187,566)	(195,601)
Loans owed to immediate parent company	(82,255)	(76,616)
Trade and other payables:		
Other payables	(422)	(422)
	<u>(270,243)</u>	<u>(272,639)</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 may be required to provide funding to entities within the F&C Group, it is unlikely that all entities would require their loans to be repaid simultaneously. Hence the F&C Group treasury function monitors the F&C Group cash position on a daily basis. However, as 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.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT (continued)

(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 2017 £000	31 October 2016 £000
Variable rate		
Loans and receivables:		
Loans owed by group subsidiaries	38,847	53,672
Cash and cash equivalents	34,078	21,346
Loans and borrowings:		
Loans owed to group subsidiaries	(187,496)	(195,394)
Loans owed to immediate parent company	(82,255)	(76,616)
	<u>(196,826)</u>	<u>(196,992)</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.

	Profit or loss sensitivity £000	Profit or loss sensitivity £000	Equity sensitivity £000	Equity sensitivity £000
As at 31 October 2017				
Interest rate movement	+1%	-1%	+1%	-1%
(Decrease)/increase in profit/equity.	(1,586)	1,586	(1,586)	1,586
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

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. 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 until 7 March 2017, when it acquired the remaining 30% of the property asset management business. Consequently transactions between F&C Group companies and the BMO REP Group until 6 March 2017 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 by BMO REP Asset Management plc, a subsidiary of BMO Real Estate Partners LLP. Loan interest accrued during the period to 6 March 2017 was £13 (year ended 31 October 2016: £108) of which £108 was outstanding at 31 October 2016. This loan receivable is included within 'Loans owed by group subsidiaries' in note 9.

18. 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.

19. 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 F&C Asset Management plc Annual Report and Financial Statements can be obtained from its registered office at 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

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.