

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED**

**31 DECEMBER 2017**

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COMPANIES HOUSE

**Registered No. 07014869**

## HERMES INVESTMENTS (NORTH AMERICA) LIMITED

### STRATEGIC REPORT

Hermes Investment (North America) Limited (the “company”) is a wholly-owned subsidiary of Hermes Fund Managers Limited (“HFML”) and operates as part of the Hermes Group (the “Group”).

The profit and loss account shows that the company did not record an operating profit for the year (2016: £293). As at 31 December 2017, the company had net liabilities of £7,110,645 (2016: £7,110,645).

The Group manages its operations on a group basis. For this reason, the company’s directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the company, is discussed in HFML’s Annual Report which does not form part of this report.

### PRINCIPAL RISKS AND UNCERTAINTIES

The company is part of a group that has a comprehensive risk governance structure, group-wide policies and procedures, management reporting and system controls in place to identify, mitigate and control risks. The HFML Board has documented and approved its risk appetite which contains both qualitative and quantitative measures. Whilst the HFML Board is ultimately responsible for the oversight of risk management within its subsidiary operating companies and as such is responsible for setting and periodically reviewing risk strategy, including operational risk, counterparty credit risk and investment risk aspects, the Board has delegated oversight of day-to-day risk and control matters primarily to the HFML Risk and Compliance Committee, HFML Audit Committee and the Executive Committee. Financial instruments include debtors, creditors and cash. The risks of these financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. Bearing in mind the nature of the exposure to such instruments, the directors are satisfied that there is adequate control of the associated risks. Group risks are discussed in HFML’s Annual Report which does not form part of this report.

Operational risk is the risk of loss or unintended gain arising from inadequate or failed internal processes, or from personnel and systems, or from external clients. The company has a robust risk management framework, established risk governance arrangements and effective risk management processes to ensure appropriate challenge and oversight of operational risk exposures and continued effectiveness of controls in the context of risk appetite.

### OUTLOOK

The company is part of the Group, and will therefore be provided with financial support by the parent company, HFML. As such HFML has given a guarantee to the company under section 479C of the Companies Act 2006. Accordingly, the company has access to sufficient financial resources and, as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite its net liability position.

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****STRATEGIC REPORT (continued)****ENVIRONMENT**

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. The company operates in accordance with Group policies, which are described in the Group's Annual Report which does not form part of this Report. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption.

**EMPLOYEES**

The company has no employees as all staff are contractually employed by HFML. However, the company participates in the Group's policies and practices which keeps employees informed on matters relevant to them through regular meetings and newsletters.

Approved by the Board of Directors and signed on behalf of the Board.



J. Kagan  
Director

16 August 2018

## **HERMES INVESTMENTS (NORTH AMERICA) LIMITED**

### **DIRECTORS' REPORT**

The director presents the annual report and the financial statements for the year ended 31 December 2017.

Directors: S Cane  
J Kagan

Secretary: Hermes Secretariat Limited

Registered Office: Sixth Floor, 150 Cheapside, London, England, EC2V 6ET

Registered Number: 07014869

### **FINANCIAL STATEMENTS**

During the year the parent company, HFML, gave a guarantee to the company under section 479C of the Companies Act 2006. As such, the company is exempt from the requirements of the Companies Act relating to the audit of its individual accounts for the year ended 31 December 2017.

### **GOING CONCERN**

The company is part of the Group, and will therefore be provided with financial support by the parent company, HFML. HFML gave a guarantee to the company under section 479C of the Companies Act 2006. Accordingly, the company has access to sufficient financial resources and, as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite its net liability position. With this in mind, and having made all reasonable enquiries and having respect to the nature of the company and its activities, the directors are satisfied at the time of approving the financial statements, that there is a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

### **DIRECTORS' INDEMNITIES**

Qualifying third party indemnity provisions, which were made during the year for the benefit of the company's directors, remain in force at the date of this report.

### **SUBSEQUENT EVENTS**

On 2nd July 2018 (but effective 1<sup>st</sup> July 2018) Federated Investors, Inc "Federated" acquired 60% of the share capital of HFML. From this date Federated replaced the BT Pension Scheme as the ultimate parent controlling party.

Approved by the Board of Directors and signed on behalf of the Board.

  
J Kagan  
Director

16 August 2018

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****PROFIT AND LOSS ACCOUNT  
FOR YEAR ENDED 31 DECEMBER**

	<b>Notes</b>	<b>2017 £</b>	<b>2016 £</b>
Administration Expenses		-	(293)
		-	
OPERATING LOSS		-	(293)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		-	(293)
Taxation	2	-	(118)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR		-	(411)

There is no other comprehensive income other than the profit on ordinary activities for the periods disclosed above. Accordingly, no statement of other comprehensive income is presented.

All of the results are derived from continuing operations.

The notes on pages 9 to 15 form an integral part of these financial statements.

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****BALANCE SHEET AS AT 31 DECEMBER**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Investments	3	-	-
<b>CURRENT ASSETS</b>			
Debtors – amounts falling due within one year	5	59	791
Creditors – amounts falling due within one year	6	<u>(7,110,704)</u>	<u>(7,111,436)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(7,110,645)</u>	<u>(7,110,645)</u>
<b>NET LIABILITIES</b>		<u>(7,110,645)</u>	<u>(7,110,645)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	105,777	105,777
Profit and loss account		<u>(7,216,422)</u>	<u>(7,216,422)</u>
<b>SHAREHOLDER'S DEFICIT</b>		<u>(7,110,645)</u>	<u>(7,110,645)</u>

For the year ending 31 December 2017 the company was entitled to an exemption under section 479a of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

These financial statements were approved and authorised for issue on 16 August 2018.

Signed on behalf of the Board of Directors



J Kagan

Director

Registered company number: 07014869

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER**

	<b>Called up share capital</b>	<b>Profit And Loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	105,777	(7,216,011)	(7,110,234)
Profit for the Year	-	(411)	(411)
At 31 December 2016	105,777	(7,216,422)	(7,110,645)
Profit for the year	-	-	-
At 31 December 2017	105,777	(7,216,422)	(7,110,645)

The notes on pages 9 to 15 form an integral part of these financial statements.



## **HERMES INVESTMENTS (NORTH AMERICA) LIMITED**

### **NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **a) Accounting convention**

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards and on the going concern basis as described in the Directors' Report. The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the group's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 as it is fully consolidated into group accounts and these are publicly available. The company has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

##### **b) Consolidation**

The financial statements contain information about Hermes Investments (North America) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of Hermes Fund HFML, which prepares consolidated financial statements, as stated in note 9.

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017 (continued)****1. ACCOUNTING POLICIES (continued)****c) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax notes and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**d) Foreign currencies**

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**e) Investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value.

**f) Provisions**

A provision is recognised in the balance sheet when there is a current obligation as a result of a past event and it is probable that a future outflow of economic benefits will be required to settle the obligation.

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017 (continued)****2. TAXATION ON LOSS ORDINARY ACTIVITIES**

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
a) Analysis of tax credit in the period:		
Current tax:		
Group relief receivable at 19.25% (2016: 20.00%)	-	(59)
Foreign taxation	-	177
Prior year adjustment	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>118</u>

- b) The tax credit in the period differs from that resulting from applying the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%) The differences are explained below:

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
Loss on ordinary activities before taxation	<u>-</u>	<u>(294)</u>
Tax on profit / loss on ordinary activities at standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	-	(59)
Expenses not deductible for tax purposes	-	-
Income not deductible for tax purposes	-	-
Adjustments to tax charge in respect of previous periods	-	-
Other short term timing differences	-	-
Foreign tax credits	-	177
Current tax charge for the period	<u>-</u>	<u>118</u>

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017 (continued)****3. FIXED ASSET INVESTMENTS**

<b>Shares/units in subsidiary undertakings</b>	<b>2017 £</b>	<b>2016 £</b>
At 31 December	-	-

A \$0.1 investment was made by the company during 2010 of 100 shares in Common Stock, with a par value of \$0.001 per share in Hermes Fund Managers (North America) GP, Inc.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital/units are as follows:

	<b>Country of incorporation / registration</b>	<b>Share / unit class</b>	<b>Proportion of capital held</b>
Hermes Fund Managers (North America) GP, Inc.	USA	Common stock	100.00%

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017 (continued)****4. DIRECTORS' REMUNERATION AND TRANSACTIONS**

The directors serving the company during the year also provided services to other Hermes Group companies. The directors were not remunerated for their services to the company during the year.

The average number of staff, excluding the directors, employed by the company during the year was nil (2016: nil).

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Directors' remuneration</b>		
Fees paid for directors' services	388,942	359,389
Company contributions to money purchase pension schemes	28,236	28,159
	<u>417,178</u>	<u>387,548</u>

The directors' remuneration above is paid by HFML in respect of services provided by the whole group.

The Group operates co-investment/bonus deferral schemes whereby a portion of bonuses awarded in respect of the year are deferred. The full value of deferred awards granted to directors in respect of the year is £13,000 (2016: £11,500), although they will only become payable after the directors satisfy future service conditions. Deferred awards are included in total remuneration disclosed above.

	<b>2017</b>	<b>2016</b>
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	2	2

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Remuneration of highest paid director</b>		
Emoluments	278,347	255,706
Company contributions to money purchase pension scheme	13,998	14,559
	<u>292,345</u>	<u>270,265</u>

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017 (continued)****4. DIRECTORS' REMUNERATION AND TRANSACTIONS (continued)**

Of this amount £13,000 (2016: £11,500) is deferred over a period of up to three years. There is no accrued lump sum.

Two directors (2016: two) were directors of other entities in the HFML Group. Their total emoluments during the year were £417,178 (2016: £387,548) but it is not practicable to allocate these between services to the HFML Group and the company.

**5. DEBTORS - Amounts falling due within one year**

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
Amounts due from fellow subsidiaries	59	791
	<u>59</u>	<u>791</u>

**6. CREDITORS – amounts falling due within one year**

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
Amounts owed to fellow subsidiaries	-	731
Amounts owed to subsidiary	178	178
Amounts owed to immediate parent	7,110,526	7,110,527
	<u>7,110,704</u>	<u>7,111,436</u>

**7. CALLED UP SHARE CAPITAL**

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
Allotted, called up and unpaid: 105,777 ordinary shares of £1 each	<u>105,777</u>	<u>105,777</u>

**HERMES INVESTMENTS (NORTH AMERICA) LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2017 (continued)****8. RELATED PARTIES**

The company is exempt from disclosing related party transactions with members of HFML under FRS 102, Standard 33, Related Party Disclosures, as it is a wholly-owned subsidiary and provided that any other subsidiary undertaking which is a party to the transaction is wholly-owned by a member of that group.

**9. CONTROLLING PARTY**

The immediate parent undertaking is HFML. It is the parent of the smallest group which includes the company and for which group financial statements are prepared.

For the year ended 31<sup>st</sup> December 2017 the directors regard the BT Pension Scheme as the company's ultimate parent controlling party. From 2<sup>nd</sup> July 2018 the directors regard Federated Investors, Inc. as the company's ultimate parent controlling party. It is the parent of the largest group which includes the company and for which group financial statements are prepared.

The financial statements of HFML can be obtained at the Registered Office, Sixth Floor, 150 Cheapside, London, England, EC2V 6ET.

**10. SUBSEQUENT EVENTS**

On 2nd July 2018 (but effective 1st July 2018) Federated acquired 60% of the share capital of HFML. From this date Federated replaced the BT Pension Scheme as the ultimate parent controlling party.