F&C Investments

F&C Asset Management plc

Interim Report and Financial Statements 2011

F&C Asset Management plc

Interim Report and Financial Statements 2011

Forward-looking statements

This Interim Report and Financial Statements may contain certain "forward-looking statements" with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward-looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in market indices, interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. F&C undertakes no obligation to update the forward-looking statements contained in this Interim Report and Financial Statements. Nothing in this publication should be considered as a profit forecast.

Other information

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Definitions

"F&C, FCAM, Group or Company" F&C Asset Management plc and its subsidiaries.

"F&C REIT" F&C REIT Asset Management LLP and its subsidiaries.

"Sherborne or the Sherborne Group" Sherborne Investors (Guernsey) GP, LLC ('Sherborne GP'), SIGA, LP ('SIGA'), Sherborne Investors (Guernsey) A Limited, Sherborne Investors Management (Guernsey) LLC and Sherborne Investors LP.

"Thames River" or "TRC" Thames River Capital Group Limited and its subsidiaries or limited liability partnerships ('LLPs') which are consolidated within the Group.

Financial and Business Summary

for the six months ended 30 June 2011

Business Highlights

- Assets under management increased to £108.0 billion (31 December 2010 : £105.8 billion)
- Net inflows ex. insurance of £0.8 billion (H1 2010 : net outflow of £0.3 billion)
- Strong improvement in gross sales to £5.2 billion (H1 2010 : £2.8 billion)
- Net revenue increased by 28 per cent. to £137.0 million (H1 2010 : £106.8 million)
- Average fee margin increased to 24.3 basis points (H1 2010 : 21.6 basis points)
- Underlying earnings per share increased to 2.6p (H1 2010 : 1.4p)
- Investment performance remains competitive
- Outsourcing of investment operations to deliver cost benefits in H2 2011

Financial Summary

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Assets under management[$]	**£108.0bn**	£95.3bn	£105.8 bn
Net revenue	**£137.0m**	£106.8m	£243.2m
Underlying operating expenses*	**£104.1m**	£81.5m	£177.0m
Underlying operating profit*	**£33.2m**	£26.0m	£67.2m
Underlying operating margin*	**24.2%**	24.3%	27.6%
Underlying profit before tax*	**£22.6m**	£14.6m	£44.7m
Statutory loss after tax	**(£18.9m)**	(£19.5m)	(£13.4m)
Basic loss per Ordinary Share	**(3.9p)**	(4.1p)	(3.3p)
Underlying earnings per Ordinary Share[†]	**2.6p**	1.4p	5.6p
Interim dividend	**1.0p**	1.0p	1.0p

$ As at the end of the reporting period

* Calculations of key financial indicators are given at the end of these Interim Financial Statements

† Reconciliations between reported loss and underlying earnings and between basic loss per share and underlying earnings per share are given in note 5 to these Interim Financial Statements

Alain Grisay, Chief Executive of F&C, commented:

"We made good progress in the first half of 2011 with an 86 per cent. increase in new business generation and revenues up 28 per cent. over the first half of 2010. Encouragingly, increased revenues came from both the legacy F&C business and Thames River. We also maintained a strong cost discipline. These factors resulted in an 86 per cent. uplift in our H1 underlying earnings per share.

As we look to H2, considerable uncertainties persist from the weak macroeconomic environment and concerns about sovereign debt in both Europe and the US. However, at a Company level, more of our products have performance fees that typically crystallise at year end and in addition we expect to see the first cost benefits emerge from the recent outsourcing of our investment operations. Our review of strategy is progressing well and we expect to report to shareholders in October."

Chief Executive's Report

Market Overview

As we anticipated in our 2010 Annual Report, the macroeconomic outlook has continued to be challenging against the backdrop of the ongoing Eurozone debt crisis, bottlenecks in the global supply chain arising from the earthquake and tsunami in Japan and continued unrest in North Africa and the Middle East. Across much of the developed world, growth has at best been anaemic while the emerging markets have been dogged by inflation, fuelled by spiralling food and commodity prices. This fragile economic backdrop has been reflected in volatile but lightly traded markets during the first half of 2011.

Assets Under Management and Business Flows

Over the first six months of 2011 the Group saw its assets under management ('AUM') increase to £108.0 billion (31 December 2010: £105.8 billion) supported by positive investment returns and the strengthening of the Euro versus Sterling.

Net inflows, excluding insurance, were £0.8 billion during the first half of 2011, compared to a net outflow of £0.3 billion in the same period last year. Net flows were positive for both institutional business (£0.4 billion) and for onshore and offshore open ended funds (£0.6 billion). Net outflows of insurance assets, our lowest fee client category, were £1.7 billion of which £0.4 billion related to Eureko's sale of its subsidiary, Império France. As a result of the fee mix, with new business generated at average fees 23 per cent. higher than business lost, overall net flows for the first half have increased annualised revenues by approximately £2.3 million.

We saw a significant improvement in new business generation with gross sales, excluding insurance net flows, of £5.2 billion in the six months to 30 June 2011. This was an increase of 86 per cent. over the first half of 2010 (H1 2010: £2.8 billion). New business included £2.2 billion in open ended funds (H1 2010: £0.8 billion) and £3.0 billion of institutional business (H1 2010: £1.6 billion). In addition to this, we had a further pipeline of institutional business won but unfunded at 30 June of £1.0 billion. Key products in the institutional pipeline include German property funds and liability driven investment mandates.

Gross sales of open ended funds increased 177 per cent. over the first half of 2010, benefiting from the acquisition of Thames River in the second half of 2010 which strengthened our distribution and broadened our product range. Open ended fund outflows partly related to two mutual funds we were appointed to manage during Q1. These have brought us new net assets but, as previously highlighted, we had expected outflows following the transition.

Investment Performance

Relative investment performance continues to be competitive across the major asset classes managed by the Group. On an asset-weighted basis 78 per cent. of fixed income and 58 per cent. of equity assets were above agreed benchmarks over the three years to 30 June 2011, while 98 per cent. of property assets managed by F&C REIT and monitored by IPD were above benchmark to 31 March 2011, which is the latest data available.

Financial Results

Revenues

Our net revenues for the first half of 2011 increased to £137.0 million (H1 2010: £106.8 million). This included £110.9 million of like-for-like income from the legacy F&C business (H1 2010: £106.8 million) and £26.1 million of income from Thames River. Our performance fees in the first half were £5.9 million of which £5.4 million were generated by Thames River products. 83 per cent. of Thames River's assets that have the potential to earn performance fees are now at, or within 5 per cent. of, their high water marks. F&C products that incorporate performance fee arrangements mostly crystallise at calendar year end and are generally recognised in the second half.

Expenses

Underlying operating costs, excluding amortisation of intangible assets and exceptional items, were £104.1 million (H1 2010: £81.5 million). This includes £21.3 million of Thames River costs, £11.0 million of which was in respect of distributions payable to investment teams through the limited liability partnerships. On a like-for-like basis, core operating expenses in the legacy F&C business therefore increased by just £1.3 million compared to H1 2010, as we continued to exercise a strong cost discipline. The majority of this increase represented accruals for variable compensation.

The Group also incurred a number of exceptional and non-recurring costs which are excluded from our underlying results but included in the reported figures. These included £1.8 million of costs associated with the implementation of our operational outsourcing and costs of £10.3 million relating to the F&C Partners LLP litigation. These costs comprise £1.7 million of expenses and an increase in the provision held against the liabilities associated with the F&C Partners dispute of £8.6 million.

Underlying Earnings Per Share

The Group's reported statutory results are impacted by both non-cash items, such as amortisation, and exceptional items. The Board therefore utilises underlying earnings, which exclude non-cash and exceptional items, as a key measure of financial performance. On this basis the Group made an underlying profit before tax of £22.6 million in H1 2011 (H1 2010: £14.6 million). As a result of this, underlying earnings per share amounted to 2.6 pence for the six months to 30 June 2011 (H1 2010: 1.4 pence). Our operating margin decreased to 24.2 per cent. (H1 2010: 24.3 per cent.) reflecting the lower retained operating margin of the Thames River business.

On a statutory basis, which includes amortisation and exceptional items, the Group made a loss after tax of £18.9 million (H1 2010: loss of £19.5 million).

Interim Dividend

Based on the underlying results achieved the Board has declared an unchanged interim dividend of 1.0 pence per share which will be payable on 28 October 2011, to shareholders on the register at 7 October 2011.

Statement of Financial Position and Pension Deficit

As at 30 June 2011 the Group held £198.3 million (30 June 2010: £170.5 million) of shareholders' cash reserves and had net debt of £75.5 million. A significant proportion of the shareholders' cash reserves are held in our regulated subsidiaries against their capital requirements.

Gross debt of £275 million comprises £125 million of subordinated loan notes and £150 million of senior loan notes, neither of which include any financial covenants.

The deficit on the Group's defined benefit pension plans was some £13.5 million at 30 June 2011 (30 June 2010: £47.7 million). There was a £9.6 million reduction in the pension deficit during the first half of 2011 as a result of a change in the basis of inflation assumptions from the retail price index to the consumer price index.

Business Review

During the first half of 2011 F&C continued to focus on three medium-term objectives while the Board undertakes a review of longer-term strategy. These three medium-term objectives are:

- Growing new revenues and further diversifying the Group beyond our insurance client base;
- Creating a more flexible cost base; and
- Improving capital strength

The Thames River acquisition, alongside increasing non-insurance revenues from the legacy F&C business, has been a key component of our revenue diversification strategy. As a result of progress in both our funds and institutional businesses, some 76 per cent. of revenues were generated by non-insurance clients during the first six months of 2011, compared to 69 per cent. in H1 2010. Over the same period our average fee rate has risen to 24.3 basis points (30 June 2010: 21.6 basis points) reflecting our increased focus on higher margin new business.

In addition to enhancing our overall funds distribution capabilities, products managed by the Thames River investment teams accounted for £0.8 billion of new business over the half year and net inflows of £0.2 billion.

While the market environment is generally tough across the mutual funds industry, reflecting weaker sentiment among private investors, our funds business made good progress in the first half with a strong focus on multi-manager in the UK IFA market and three new absolute return fund launches. In addition to new product innovation, we have also closed or merged a number of sub-scale funds.

F&C is a leading manager of investment trusts and over the longer term we see new opportunities emerging for the investment trust industry as a result of the changing distribution landscape. To ensure we effectively leverage our relationships with IFAs and wealth managers, Charlie Porter has assumed executive responsibility for our investment trust business in addition to the Group's open ended funds. We believe a greater alignment between these business lines will improve our investment trust distribution and over time we will look to launch new investment trust products.

In our institutional business we continue to benefit from a wide range of consultant ratings across a number of product areas and are actively presenting further capabilities to consultants. Liability driven investments ('LDI') remains our product area with the strongest consultant support. Our competitive strength in this area resulted in us being named LDI Manager of the Year in the European Pensions Awards.

Another notable achievement during the first half was our appointment by the UK's National Employee Savings Trust ('NEST') to manage their ethical fund option. Employees who do not currently have access to an occupational pension scheme will automatically be enrolled into NEST between October 2012 and 2017. While the benefits of this appointment will accrue over the longer term, this is an important endorsement of our capabilities in managing ethical investments.

A major development during the half year was the finalisation of an agreement to outsource certain back and middle office functions to State Street, with effect from 1 July, as part of our objective of improving the flexibility of our cost base. This has involved the transfer of 100 staff to State Street, representing approximately 70 per cent. of the Group's operations staff. We continue to estimate that the migration to this new operating model will both enhance client servicing and, along with a related business restructuring, generate around £9 million of annualised savings once fully implemented. Additionally, we estimate a further £3 million of annualised savings from reduced premises costs. Cost savings will commence in the second half of 2011, with the full savings expected to be achieved in 2013.

In common with many asset managers, the Group operates under a waiver from meeting any minimum capital requirements under the consolidated supervision rules of the Capital Requirements Directive. As previously announced, the waiver was renewed during the first half of 2011, for another five years.

Summary

In our 2010 Annual Report we stated that the Board are in the process of conducting a comprehensive review of the business. The review aims to build on F&C's strengths with the goal of improving profitability. Management are working closely with the Board on the review and our expectation is that we will be in a position to report to shareholders in October.

In the meantime, we continue to focus on the key components required of a successful asset manager: the delivery of strong investment performance, good client servicing and the generation of new revenues.

Despite the macroeconomic uncertainties, we believe these factors, coupled with the cost and client servicing benefits that will arise from migration to an outsourced operations model, leave us confident that the business is making continued progress.

Alain L. Grisay
Chief Executive

2 August 2011

Assets Under Management

The tables below disclose Assets Under Management ('AUM') at 30 June 2011 and fund flows for the six months to 30 June 2011.

1. Summary of AUM and fund flows

	AUM 1 January 2011 £bn	Jan – Jun Inflows* £bn	Jan – Jun Outflows* £bn	Jan – Jun Insurance net flows £bn	Jan – Jun Market movement £bn	AUM 30 June 2011 £bn
F&C Group ex. Thames River	100.5	4.4	(3.8)	(1.7)	3.2	102.6
Thames River	5.3	0.8	(0.6)	–	(0.1)	5.4
Total	**105.8**	**5.2**	**(4.4)**	**(1.7)**	**3.1**	**108.0**

* Excluding insurance flows

2. AUM by client category

In Sterling	30 June 2011 £bn	31 March 2011 £bn	31 December 2010 £bn
Insurance Funds	**59.3**	59.2	59.5
Institutional Funds	**30.6**	29.1	29.3
Sub Advisory	**3.0**	3.1	3.0
Investment Trusts[1]	**6.1**	6.0	5.9
Open Ended Funds (UK Onshore)[2]	**3.8**	3.8	3.5
Open Ended Funds (Offshore)[3]	**5.2**	4.9	4.6
Total Open Ended Funds	**9.0**	8.7	8.1
Total	**108.0**	106.1	105.8

In Euro	30 June 2011 €bn	31 March 2011 €bn	31 December 2010 €bn
Insurance Funds	**65.7**	67.0	69.4
Institutional Funds	**33.9**	32.9	34.2
Sub Advisory	**3.4**	3.5	3.5
Investment Trusts[1]	**6.7**	6.8	6.9
Open Ended Funds (UK Onshore)[2]	**4.2**	4.3	4.1
Open Ended Funds (Offshore)[3]	**5.7**	5.5	5.4
Total Open Ended Funds	**9.9**	9.8	9.5
Total	**119.6**	120.0	123.5

1 Includes all listed closed ended companies managed by the Group
2 UK domiciled OEICs and Unit Trusts
3 Includes Luxemburg SICAV funds, Dublin domiciled OEICs, open ended Cayman Islands funds and funds of alternative investment funds

3. AUM by asset class

In Sterling	30 June 2011 £bn	31 March 2011 £bn	31 December 2010 £bn
Fixed Interest	**61.0**	60.6	62.0
Equities	**29.5**	29.2	28.7
Property	**8.4**	8.2	8.2
Alternative Investments[4]	**2.3**	2.3	2.4
Liquidity	**6.8**	5.8	4.5
Total	**108.0**	106.1	105.8

In Euro	30 June 2011 €bn	31 March 2011 €bn	31 December 2010 €bn
Fixed Interest	**67.6**	68.5	72.4
Equities	**32.7**	33.0	33.5
Property	**9.3**	9.3	9.6
Alternative Investments[4]	**2.5**	2.6	2.8
Liquidity	**7.5**	6.6	5.2
Total	**119.6**	120.0	123.5

[4] Alternative Investments includes non-UCITs Alternative Investment Funds, Funds of Alternative Investments Funds, Private Equity Funds and fund-based products with active derivative overlay strategies

4. Fund flows

a) Fund flows for the six months to 30 June 2011

Client category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(1,733)
Institutional Funds	2,970	(2,607)	363
Sub Advisory	53	(173)	(120)
Investment Trusts	1	(76)	(75)
Open Ended Funds (UK Onshore)	417	(306)	111
Open Ended Funds (Offshore)	1,779	(1,259)	520
Total Open Ended Funds	2,196	(1,565)	631
Total	**N/A**	**N/A**	**(934)**
of which relates to Thames River	792	(595)	197

b) Fund flows for the quarter to 30 June 2011

Client category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(1,043)
Institutional Funds	1,868	(1,217)	651
Sub Advisory	28	(57)	(29)
Investment Trusts	1	(19)	(18)
Open Ended Funds (UK Onshore)	224	(153)	71
Open Ended Funds (Offshore)	503	(574)	(71)
Total Open Ended Funds	727	(727)	–
Total	**N/A**	**N/A**	**(439)**
of which relates to Thames River	361	(258)	103

5. Thames River AUM and fund flows

Six months to 30 June 2011	AUM 1 January 2011 £m	Jan – Jun Inflows £m	Jan – Jun Outflows £m	Jan – Jun Market movement £m	AUM 30 June 2011 £m
Institutional Funds	291	–	–	(15)	**276**
Investment Trusts	872	–	(25)	76	**923**
Open Ended Funds (UK Onshore)*	1,159	136	(74)	(18)	**1,203**
Open Ended Funds (Offshore)	2,927	656	(496)	(52)	**3,035**
Total Open Ended Funds	4,086	792	(570)	(70)	**4,238**
Total	**5,249**	**792**	**(595)**	**(9)**	**5,437**

* AUM at 30 June 2011 includes £192m of cross-held insurance assets (1 January 2011: £216m)

Quarter to 30 June 2011	AUM 1 April 2011 £m	Apr – Jun Inflows £m	Apr – Jun Outflows £m	Apr – Jun Market movement £m	AUM 30 June 2011 £m
Institutional Funds	288	–	–	(12)	**276**
Investment Trusts	896	–	–	27	**923**
Open Ended Funds (UK Onshore)	1,166	75	(30)	(8)	**1,203**
Open Ended Funds (Offshore)	3,011	286	(228)	(34)	**3,035**
Total Open Ended Funds	4,177	361	(258)	(42)	**4,238**
Total	**5,361**	**361**	**(258)**	**(27)**	**5,437**

Key Risks

The identification of key business risks is carried out by the Board in conjunction with management. Quarterly reports are prepared by each area of the business covering all locations. The quarterly reports identify the key risks within each area of the business. These reports are discussed in detail by the Executive Committee and all significant items, together with management actions to mitigate the risks, are reported to the Board on a regular basis.

In addition to the financial risks facing the business relating to volatile market conditions, interest rates and foreign currency fluctuations, the Group continues to have potential exposure to the loss of key personnel or clients and to a failure of the Group's operational platforms or a failure in the control processes surrounding front office investment management activities. While the judgment in relation to the F&C Partners litigation has now been handed down, the financial consequences for the Group, at this stage, remain uncertain. The Group has increased the provision in relation to this matter to £11.0 million, the detail of which is set out in note 9 to these Interim Financial Statements. The risks faced by the Group in the second half of the financial year are not expected to change significantly from those reported at the year end.

Going Concern

The Combined Code requires Directors to report, under the terms set out in the relevant guidelines to the Code, on the appropriateness of adopting the going concern basis in preparing Financial Statements.

The Group has considerable financial resources together with long-term contracts with a number of clients across different geographic areas and industries. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Report and Financial Statements.

Responsibility Statement of the Directors in respect of the Interim Financial Report

We confirm that to the best of our knowledge:

- the condensed set of Financial Statements has been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;
- the Interim Management Report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

For and on behalf of the Board

W Marrack Tonkin
Company Secretary

2 August 2011

Condensed Consolidated Income Statement

for the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Revenue				
Investment management fees	2	**142.5**	115.4	258.2
Other income	2	**3.4**	0.5	1.6
Total revenue	2	**145.9**	115.9	259.8
Fee and commission expenses	2	**(8.9)**	(9.1)	(16.6)
Net revenue	2	**137.0**	106.8	243.2
Net gains and investment income on unit-linked assets		**18.8**	17.7	74.3
Movement in fair value of unit-linked liabilities		**(18.5)**	(17.0)	(73.3)
Operating expenses				
Operating expenses		**(93.1)**	(80.2)	(169.7)
Distributions to Members of LLPs		**(11.0)**	–	(6.0)
Amortisation of intangible assets – management contracts		**(22.9)**	(24.5)	(50.7)
Other exceptional net operating expenses	3	**(20.5)**	(11.1)	(20.9)
Total operating expenses		**(147.5)**	(115.8)	(247.3)
Operating loss		**(10.2)**	(8.3)	(3.1)
Finance revenue		**7.0**	4.8	11.1
Finance costs		**(17.6)**	(16.2)	(33.6)
F&C REIT put option fair value gain		**–**	–	6.4
Loss before tax		**(20.8)**	(19.7)	(19.2)
Tax – Shareholders		**2.0**	0.5	6.2
Tax – Policyholders		**(0.1)**	(0.3)	(0.4)
Tax income	4	**1.9**	0.2	5.8
Loss for the period		**(18.9)**	(19.5)	(13.4)
Attributable to:				
Equity holders of the parent		**(20.0)**	(20.3)	(16.6)
Minority interests		**1.1**	0.8	3.2
Loss for the period		**(18.9)**	(19.5)	(13.4)
Basic loss per Ordinary Share	5	**(3.90)p**	(4.12)p	(3.31)p
Diluted loss per Ordinary Share	5	**(3.90)p**	(4.12)p	(3.31)p

		£m	£m	£m
Memo – dividends paid	6	**10.4**	19.4	24.5
Memo – dividends proposed	6	**5.2**	5.1	10.3

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	Note	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Loss for the period		**(18.9)**	(19.5)	(13.4)
Other comprehensive income/(expense):				
Foreign exchange movements on translation of foreign operations		**3.1**	(9.0)	(4.7)
Foreign exchange transfer to Income Statement on liquidation of subsidiary		**–**	(1.3)	(1.3)
Actuarial gains/(losses) on defined benefit pension schemes[#]		**12.0**	(6.5)	10.4
Gains on available for sale financial investments		**0.3**	0.6	1.3
Tax (expense)/income on items taken directly to equity	4	**(3.5)**	1.6	(3.5)
Other comprehensive income/(expense) for the period		**11.9**	(14.6)	2.2
Total comprehensive expense for the period		**(7.0)**	(34.1)	(11.2)
Total comprehensive (expense)/income attributable to:				
Equity holders of the parent		**(8.1)**	(34.9)	(14.4)
Minority interests		**1.1**	0.8	3.2
		(7.0)	(34.1)	(11.2)

[#] The actuarial gain of £12.0m for the six months ended 30 June 2011 includes £9.6m relating to the change in inflation assumptions from an RPI to a CPI basis for the UK Pension Plan. Details are provided in note 10.

Condensed Consolidated Statement of Financial Position

as at 30 June 2011

	Notes	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Assets				
Non-current assets				
Property, plant and equipment		**8.0**	7.4	8.3
Intangible assets:				
– Goodwill	7	**611.9**	595.1	611.9
– Management contracts	7	**154.6**	176.2	175.5
– Software and licences	7	**0.8**	0.9	1.0
	7	**767.3**	772.2	788.4
Financial investments		**3.8**	2.8	3.5
Other receivables		**2.4**	1.8	2.0
Deferred acquisition costs		**5.4**	5.9	6.0
Deferred tax assets		**24.8**	34.4	30.9
Total non-current assets		**811.7**	824.5	839.1
Current assets				
Financial investments		**505.2**	544.8	548.7
Reinsurance assets		**1.9**	1.9	2.0
Stock of units and shares		**1.1**	0.3	0.1
Deferred acquisition costs		**2.6**	2.5	2.8
Trade and other receivables		**117.0**	103.1	162.6
Current tax receivable		**2.8**	1.9	0.1
Cash and cash equivalents:				
– Shareholders		**198.3**	170.5	178.8
– Policyholders		**33.9**	30.8	23.4
		232.2	201.3	202.2
Total current assets		**862.8**	855.8	918.5
Total assets		**1,674.5**	1,680.3	1,757.6
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	8	**273.8**	254.0	273.7
Other payables		**7.7**	6.9	12.1
Provisions	9	**7.8**	9.3	8.1
Pension deficit	10	**13.5**	47.7	27.6
Employee benefits		**11.0**	10.2	11.6
Members' liabilities		**0.6**	–	–
Deferred income		**7.4**	8.4	8.1
Other financial liabilities		**49.5**	60.4	49.5
Non-current tax payable		**7.7**	–	–
Deferred tax liabilities		**41.0**	49.8	48.1
Total non-current liabilities		**420.0**	446.7	438.8
Current liabilities				
Investment contract liabilities		**521.9**	563.1	559.2
Insurance contract liabilities		**1.9**	1.9	2.0
Trade and other payables		**118.1**	92.5	138.5
Provisions	9	**16.7**	7.9	9.0
Employee benefits		**17.9**	14.2	24.3
Members' liabilities		**7.9**	–	4.4
Deferred income		**3.5**	3.6	3.7
Other financial liabilities		**4.5**	–	4.5
Current tax payable		**1.8**	4.5	1.6
Total current liabilities		**694.2**	687.7	747.2
Total liabilities		**1,114.2**	1,134.4	1,186.0
Equity				
Ordinary Share capital	12	**0.5**	0.5	0.5
Share premium account		**51.8**	48.0	51.8
Capital Redemption reserve		**0.8**	0.8	0.8
Merger reserve		**373.6**	396.0	383.3
Other reserves		**(16.2)**	(24.4)	(19.5)
Retained earnings		**132.9**	106.7	138.2
Total equity attributable to equity holders of the parent		**543.4**	527.6	555.1
Minority interests		**16.9**	18.3	16.5
Total equity		**560.3**	545.9	571.6
Total liabilities and equity		**1,674.5**	1,680.3	1,757.6

The Interim Financial Statements were approved by the Board of Directors and authorised for issue on 2 August 2011.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011	Attributable to equity holders of the parent									
	Ordinary Share capital £m	**Share premium account £m**	**Capital Redemption reserve £m**	**Merger reserve £m**	**Foreign currency translation reserve £m**	**Fair value reserve £m**	**Acquisition reserve £m**	**Retained earnings £m**	**Minority interests £m**	**Total equity £m**
Balance at 1 January 2011	0.5	51.8	0.8	383.3	44.1	2.4	(66.0)	138.2	16.5	571.6
(Loss)/profit for the period	–	–	–	–	–	–	–	(20.0)	1.1	(18.9)
Other comprehensive income	–	–	–	–	3.1	0.2	–	8.6	–	11.9
Total comprehensive income/(expense)	–	–	–	–	3.1	0.2	–	(11.4)	1.1	(7.0)
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(9.7)	–	–	–	9.7	–	–
Purchase of own shares	–	–	–	–	–	–	–	(3.2)	–	(3.2)
Share-based payment charges credited to equity	–	–	–	–	–	–	–	10.0	–	10.0
Final 2010 dividend paid	–	–	–	–	–	–	–	(10.4)	–	(10.4)
Distributions to minority interests	–	–	–	–	–	–	–	–	(0.7)	(0.7)
Balance at 30 June 2011	**0.5**	**51.8**	**0.8**	**373.6**	**47.2**	**2.6**	**(66.0)**	**132.9**	**16.9**	**560.3**

for the six months ended 30 June 2010	Attributable to equity holders of the parent									
	Ordinary Share capital £m	**Share premium account £m**	**Capital Redemption reserve £m**	**Merger reserve £m**	**Foreign currency translation reserve £m**	**Fair value reserve £m**	**Acquisition reserve £m**	**Retained earnings £m**	**Minority interests £m**	**Total equity £m**
Balance at 1 January 2010	0.5	33.8	0.8	416.6	50.1	1.4	(66.0)	132.5	19.2	588.9
(Loss)/profit for the period	–	–	–	–	–	–	–	(20.3)	0.8	(19.5)
Other comprehensive (expense)/income	–	–	–	–	(10.3)	0.4	–	(4.7)	–	(14.6)
Total comprehensive (expense)/income	–	–	–	–	(10.3)	0.4	–	(25.0)	0.8	(34.1)
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(20.6)	–	–	–	20.6	–	–
Share capital allotted on placement of shares	–	14.2	–	–	–	–	–	–	–	14.2
Purchase of own shares	–	–	–	–	–	–	–	(8.5)	–	(8.5)
Share-based payment charges credited to equity	–	–	–	–	–	–	–	6.5	–	6.5
Final 2009 dividend paid	–	–	–	–	–	–	–	(19.4)	–	(19.4)
Distributions to minority interests	–	–	–	–	–	–	–	–	(1.7)	(1.7)
Balance at 30 June 2010	0.5	48.0	0.8	396.0	39.8	1.8	(66.0)	106.7	18.3	545.9

for the year ended 31 December 2010	Attributable to equity holders of the parent									
	Ordinary Share capital £m	**Share premium account £m**	**Capital Redemption reserve £m**	**Merger reserve £m**	**Foreign currency translation reserve £m**	**Fair value reserve £m**	**Acquisition reserve £m**	**Retained earnings £m**	**Minority interests £m**	**Total equity £m**
Balance at 1 January 2010	0.5	33.8	0.8	416.6	50.1	1.4	(66.0)	132.5	19.2	588.9
(Loss)/profit for the year	–	–	–	–	–	–	–	(16.6)	3.2	(13.4)
Other comprehensive (expense)/income	–	–	–	–	(6.0)	1.0	–	7.2	–	2.2
Total comprehensive (expense)/income	–	–	–	–	(6.0)	1.0	–	(9.4)	3.2	(11.2)
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(33.3)	–	–	–	33.3	–	–
Transfer of investment in own shares into equity on acquisition of TRC	–	–	–	–	–	–	–	(0.8)	–	(0.8)
Purchase of own shares	–	–	–	–	–	–	–	(9.7)	–	(9.7)
Settlement proceeds received on disposal of own shares	–	–	–	–	–	–	–	1.1	–	1.1
Share-based payment charges credited to equity	–	–	–	–	–	–	–	19.5	–	19.5
Share capital allotted on placement of shares	–	14.2	–	–	–	–	–	–	–	14.2
Share capital allotted in respect of TRC Commutation arrangements	–	3.8	–	–	–	–	–	(3.8)	–	–
Final 2009 dividend paid	–	–	–	–	–	–	–	(19.4)	–	(19.4)
Interim 2010 dividend paid	–	–	–	–	–	–	–	(5.1)	–	(5.1)
Distributions to minority interests	–	–	–	–	–	–	–	–	(5.9)	(5.9)
Balance at 31 December 2010	0.5	51.8	0.8	383.3	44.1	2.4	(66.0)	138.2	16.5	571.6

The total of foreign currency translation reserve, fair value reserve and acquisition reserve constitutes 'Other reserves' as disclosed in the Condensed Consolidated Statement of Financial Position and amounts to a debit of £16.2m at 30 June 2011 (30 June 2010: £24.4m debit; 31 December 2010: £19.5m debit).

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Cash flows from operating activities				
Operating loss		**(10.2)**	(8.3)	(3.1)
Cash outflow relating to restructuring costs†		**–**	(0.1)	(3.9)
Adjustments for non-cash items	13	**35.1**	31.6	72.8
Changes in working capital and provisions	13	**20.2**	(6.4)	(26.3)
Cash inflows from operating activities*		**45.1**	16.8	39.5
Income tax received/(paid)		**1.8**	2.1	(4.8)
Net cash inflow from operating activities		**46.9**	18.9	34.7
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1.8)**	(0.4)	(1.1)
Proceeds from disposal of property, plant and equipment		**–**	–	0.1
Purchase of software and licenses		**(0.2)**	(0.6)	(0.7)
Consideration payment for the acquisition of TRC		**(7.4)**	–	(33.6)
Fair value of cash acquired with the acquisition of TRC		**–**	–	27.2
Expenses of acquisitions#		**–**	(0.1)	(0.1)
Payments to acquire investments		**–**	(1.2)	(1.2)
Proceeds from disposal of investments		**3.4**	2.8	3.0
Investment income – interest and dividends		**1.2**	0.5	1.1
Net cash (outflow)/inflow from investing activities		**(4.8)**	1.0	(5.3)
Cash flows from financing activities				
Equity dividends paid	6	**(10.4)**	(19.4)	(24.5)
Proceeds from issue of share capital		**–**	14.2	14.2
Drawdown of acquisition loan facility		**–**	–	15.0
Repayment of acquisition loan facility		**–**	–	(15.0)
Proceeds from issue of Guaranteed Loan Notes 2016		**–**	–	20.0
Repayment of Floating Rate Secured Notes 2010		**–**	(10.0)	(10.0)
Expenses in respect of debt arrangements		**–**	–	(1.6)
Interest paid on Loan Notes		**–**	(0.3)	(20.8)
Other interest paid		**(0.4)**	–	(0.2)
Purchases and disposals of own shares		**(3.2)**	(8.5)	(8.6)
Distributions to minority interests		**(0.7)**	(1.7)	(5.9)
Net cash outflow from financing activities		**(14.7)**	(25.7)	(37.4)
Net increase/(decrease) in cash and cash equivalents		**27.4**	(5.8)	(8.0)
Effect of exchange rate fluctuations on cash held		**2.6**	(6.8)	(3.7)
Cash and cash equivalents at 1 January		**202.2**	213.9	213.9
Cash and cash equivalents at 30 June (31 December)		**232.2**	201.3	202.2
Cash and cash equivalents				
Shareholders		**198.3**	170.5	178.8
Policyholders		**33.9**	30.8	23.4
		232.2	201.3	202.2

† Cash payment in respect of restructuring costs recognised on previous acquisitions

* Cash inflows from operating activities includes investments and disinvestments relating to unit-linked assets attributable to policyholders in the Group's insurance subsidiary. These activities can result in significant fluctuations in "Cash flows from operating activities".

Cash flows relating to acquisitions before the period commencing 1 January 2010

Accounting Policies

Basis of preparation and statement of compliance

This Condensed set of unaudited Interim Consolidated Financial Statements ('Interim Financial Statements') has been prepared in accordance with International Financial Reporting Standards ('IFRS') IAS 34: Interim Financial Reporting, as adopted by the EU, and the Disclosure and Transparency Rules issued by the Financial Services Authority.

Section 435 statement

The comparative figures for the year ended 31 December 2010 included in these Interim Financial Statements do not constitute the Company's statutory Financial Statements for that financial year within the meaning of section 435 of the Companies Act 2006 but are derived from the 2010 Annual Report and Financial Statements. Those Financial Statements, which were prepared in accordance with IFRS and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the EU, were approved by the Board of Directors on 6 April 2011 and have been delivered to the Registrar of Companies. Those Financial Statements have been reported on by the Company's auditors; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Group has considerable financial resources together with long-term contracts with a number of clients across different geographic areas. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these Interim Financial Statements.

Significant accounting policies

The Interim Financial Statements for the six months ended 30 June 2011 have been prepared in accordance with accounting policies that the Directors anticipate will be applied in the Annual Financial Statements for the year ending 31 December 2011.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Report and Financial Statements for the year ended 31 December 2010, as amended for the revised standards and interpretations adopted in 2011, as described below:

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Financial liabilities can occasionally be settled by the issue of Ordinary Share capital. Any amendment to the carrying amount of the financial liability is recognised in profit or loss. The fair value of the Ordinary Share capital issued is recognised and measured at the date the financial liability is settled.

The amendments to the following standards and new interpretations below did not have any impact on the accounting policies, financial position or performance of the Group.

(a) Amendments to IFRS:

IAS 32	Financial Instruments: Presentation: Amendments relating to classification of Rights Issues
IAS 24	Related Party Disclosures: Revised definition of related parties
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement

(b) Improvements to IFRS (issued May 2010):

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IAS 34	Interim Financial Reporting

Financial Statements

The preparation of the Interim Financial Statements requires management to make estimates and assumptions in respect of the reported income and expenses, assets and liabilities and disclosure of contingencies at the date of the Interim Financial Statements. While these estimates and assumptions are based on management's best judgement at the date of the Interim Financial Statements, actual results may differ from these estimates.

There have been no significant changes to the accounting estimates, assumptions and judgements disclosed in the 2010 Annual Report and Financial Statements, other than certain pension scheme obligation assumptions, as disclosed in note 10, and the reassessment of provisions, as highlighted in note 9.

The Interim Financial Statements, which are in a condensed format, do not include all the information and disclosures required in the Annual Report and Financial Statements and should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 31 December 2010.

The 2010 Annual Report and Financial Statements are available on the Group's Corporate website (www.fcamplc.com) or from its registered office.

Notes to the Interim Financial Statements

1. Operating segments

From a management perspective, the Group has three operating units and therefore presents three operating segments for segment reporting purposes:

- F&C
- F&C REIT
- Thames River Capital ('TRC')

While there are different sources of revenue within the F&C operating segment and distinct distribution channels, and assets under management can be categorised by client type and asset class, the Directors do not consider these to constitute separate operating segments within the meaning of IFRS 8: Operating Segments.

Management monitors the results of its three operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between the operating segments reflect the arm's-length agreements entered into at the time of acquiring REIT and TRC and creating the F&C REIT and TRC operating segments. Segment revenue, segment expense and segment result include transfers between operating segments, which are eliminated on consolidation. The accounting policies of the operating segments are the same as those of the Group.

(a) Operating segments' financial information

	F&C			F&C REIT			TRC			Total		
	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Revenue												
External clients	**102.5**	99.2	205.2	**16.8**	16.7	40.0	**26.6**	–	14.6	**145.9**	115.9	259.8
Inter-segment revenue	**0.5**	0.4	1.0	**–**	–	–	**0.7**	–	0.7	**1.2**	0.4	1.7
Segment revenue	**103.0**	99.6	206.2	**16.8**	16.7	40.0	**27.3**	–	15.3	**147.1**	116.3	261.5
Fee and commission expenses	**(6.9)**	(7.4)	(14.4)	**(1.5)**	(1.7)	(2.1)	**(0.5)**	–	(0.1)	**(8.9)**	(9.1)	(16.6)
Net gains and investment income on unit-linked assets	**18.8**	17.7	74.3	**–**	–	–	**–**	–	–	**18.8**	17.7	74.3
Movement in fair value of unit-linked liabilities	**(18.5)**	(17.0)	(73.3)	**–**	–	–	**–**	–	–	**(18.5)**	(17.0)	(73.3)
Operating expenses*	**(103.5)**	(102.0)	(197.7)	**(13.8)**	(14.2)	(28.7)	**(31.4)**	–	(22.6)	**(148.7)**	(116.2)	(249.0)
Operating (loss)/profit	**(7.1)**	(9.1)	(4.9)	**1.5**	0.8	9.2	**(4.6)**	–	(7.4)	**(10.2)**	(8.3)	(3.1)
Finance revenue	**14.4**	4.8	21.3	**–**	–	0.1	**–**	–	0.3	**14.4**	4.8	21.7
Finance costs	**(17.6)**	(16.2)	(33.6)	**–**	–	–	**–**	–	–	**(17.6)**	(16.2)	(33.6)
F&C REIT put option fair value gain	**–**	–	6.4	**–**	–	–	**–**	–	–	**–**	–	6.4
Tax income/(expense)	**1.8**	–	6.9	**0.3**	0.2	(1.4)	**(0.2)**	–	0.3	**1.9**	0.2	5.8
(Loss)/profit for the period	**(8.5)**	(20.5)	(3.9)	**1.8**	1.0	7.9	**(4.8)**	–	(6.8)	**(11.5)**	(19.5)	(2.8)
Segment assets	**1,393.7**	1,472.4	1,479.3	**210.6**	214.3	210.6	**76.7**	–	79.2	**1,681.0**	1,686.7	1,769.1
Segment liabilities	**(1,055.3)**	(1,068.5)	(1,116.3)	**(19.5)**	(24.6)	(23.8)	**(32.4)**	–	(29.8)	**(1,107.2)**	(1,093.1)	(1,169.9)
Other information												
Expenditure on non-current assets	**1.3**	0.9	3.5	**0.2**	0.1	0.2	**0.4**	–	40.1	**1.9**	1.0	43.8
Depreciation and amortisation	**16.0**	20.2	40.2	**5.5**	5.8	11.6	**3.5**	–	2.3	**25.0**	26.0	54.1
Non-cash expenses other than depreciation and amortisation	**5.7**	2.5	1.8	**–**	0.1	0.1	**6.9**	–	6.1	**12.6**	2.6	8.0

* Operating expenses include depreciation and amortisation of intangible assets

Revenues from two external clients each represent 10% or more of the Group's total revenues. Revenues from the largest client amount to £17.6m for the six months ended 30 June 2011 (six months ended 30 June 2010: £18.2m; year ended 31 December 2010: £36.6m) and are earned in the F&C segment. Revenues from the second largest client amount to £15.9m for the six months ended 30 June 2011 (six months ended 30 June 2010: £16.3m; year ended 31 December 2010: £32.7m) and are earned in the F&C and F&C REIT segments.

1. Operating segments continued

(b) Reconciliations to Group Financial Statements

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Total revenue			
Total revenue for reportable segments	**147.1**	116.3	261.5
Elimination of inter-segment revenue	**(1.2)**	(0.4)	(1.7)
Group revenue	**145.9**	115.9	259.8
Operating expenses			
Total operating expenses for reportable segments	**148.7**	116.2	249.0
Elimination of inter-segment expenses	**(1.2)**	(0.4)	(1.7)
Group operating expenses	**147.5**	115.8	247.3
Finance revenue			
Total finance revenue for reportable segments	**14.4**	4.8	21.7
Elimination of inter-segment finance revenue	**(7.4)**	–	(10.6)
Group finance revenue	**7.0**	4.8	11.1
Loss for the period			
Total loss for reportable segments	**(11.5)**	(19.5)	(2.8)
Adjustment for inter-segment profit distributions	**(7.4)**	–	(10.6)
Group loss for the period	**(18.9)**	(19.5)	(13.4)
Assets			
Total assets for reportable segments	**1,681.0**	1,686.7	1,769.1
Elimination of inter-segment assets	**(5.7)**	(2.6)	(9.0)
Reclassification between assets and liabilities	**(0.8)**	(3.8)	(2.5)
Group assets	**1,674.5**	1,680.3	1,757.6
Liabilities			
Total liabilities for reportable segments	**(1,107.2)**	(1,093.1)	(1,169.9)
Elimination of inter-segment liabilities	**5.7**	2.6	9.0
Reclassification between assets and liabilities	**0.8**	3.8	2.5
Unallocated defined benefit pension liabilities	**(13.5)**	(47.7)	(27.6)
Group liabilities	**(1,114.2)**	(1,134.4)	(1,186.0)

The reportable segments' totals for all other line items reported in the table at note 1(a) are the same as those for the Group, with no reconciling differences.

(c) Geographical information

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Revenue by location of clients			
United Kingdom	**55.6**	49.1	102.1
Continental Europe*	**77.0**	57.9	138.0
Rest of the World	**13.3**	8.9	19.7
Group total	**145.9**	115.9	259.8

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Non-current assets by domicile†			
United Kingdom	**97.7**	94.5	113.1
Continental Europe*	**45.9**	65.4	53.1
Rest of the World	**19.8**	24.6	18.6
	163.4	184.5	184.8
Unallocated	**611.9**	595.1	611.9
Group total	**775.3**	779.6	796.7

* Continental Europe is defined as being within the European Economic Area

† Excluding financial investments, other receivables, deferred acquisition costs and deferred tax assets

2. Net revenue

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Base management fees	**136.6**	114.8	245.3
Performance related management fees*	**5.9**	0.6	12.9
Total investment management fees	**142.5**	115.4	258.2
Other income	**3.4**	0.5	1.6
Total revenue	**145.9**	115.9	259.8
Renewal commission on open ended investment products	**(5.1)**	(5.4)	(10.1)
Other selling expenses	**(3.8)**	(3.7)	(6.5)
Fee and commission expenses	**(8.9)**	(9.1)	(16.6)
Net revenue	**137.0**	106.8	243.2

* Many of the Group's performance fee arrangements are assessed over a calendar year. Therefore, in accordance with the Group's accounting policy, a significant proportion of performance fees are generally recognised in the second half of a financial year.

3. Other exceptional net operating expenses

The Group has classified the following operating (expenses)/income as exceptional:

		Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
TRC Commutation expenses	(i)	**(4.6)**	–	(6.2)
TRC Management Retention and Incentive Plans	(ii)	**(2.6)**	–	(1.8)
F&C REIT variable minority interest SBP (expense)/income	(iii)	**(1.0)**	(1.9)	0.3
F&C Partners litigation expense	(iv)	**(10.3)**	(3.3)	(6.0)
TRC integration expenses	(v)	**(0.2)**	–	(1.1)
Operations outsourcing expenses	(vi)	**(1.8)**	–	–
Corporate advisory fees	(vii)	**–**	(9.8)	(9.9)
Exceptional employment and staff related income/(expenses)	(viii)	**–**	2.6	2.5
Foreign exchange transfer from reserves on liquidation of subsidiary	(ix)	**–**	1.3	1.3
		(20.5)	(11.1)	(20.9)

(i) TRC Commutation expenses

The Divisional Members of TRC Investment teams have entered into put and call options which, if exercised, will transfer up to 20% of their entitlement to management fee profits to the F&C Group. Under IFRS, the share element of the consideration payable under these Commutation arrangements requires to be accounted for as a share-based payment. The Commutation expense for the year ended 31 December 2010 includes a cash payment of £1.4m in respect of the initial Commutation.

Given the capital nature of these arrangements, the Directors consider it appropriate to treat the total Commutation expense as exceptional in nature and exclude it from the measurement of underlying earnings.

(ii) TRC Management Retention and Incentive Plans

As a condition of the acquisition of TRC, the Group established a Management Retention Plan ('MRP') and Management Incentive Plan ('MIP') to retain and incentivise certain TRC personnel. The respective cost of the MRP and MIP (including NIC) charged to the Income Statement for the period ended 30 June 2011 was £2.4m and £0.2m.

Given the nature of these expenses, the Directors consider it appropriate to treat them as exceptional and exclude them from underlying earnings.

(iii) F&C REIT variable minority interest share-based payment (expense)/income

30% of F&C REIT, the Group's property asset management business, is held by the former owners of REIT, two of whom occupy key management roles within F&C REIT.

The former owners have the opportunity to increase their ownership of F&C REIT by a further 10% through the achievement of certain performance targets over a six year period. This earn-out mechanism meets the criteria of a share-based payment ('SBP') and results in a charge of £1.0m to the Income Statement in the period ended 30 June 2011. This arrangement continues to be excluded from underlying earnings as it is considered to be capital in nature.

3. Other exceptional net operating expenses continued

(iv) F&C Partners litigation expense

Note 9 outlines the background and status of the F&C Partners LLP litigation. During the six months ended 30 June 2011 the Group incurred a further £1.7m of legal and associated advisory costs in continuing to defend its position in respect of the matters which were the subject of a trial in the High Court. In addition, following the court judgment being handed down on 14 July 2011, the Directors have increased the provision held in respect of the totality of the dispute by £8.6m, resulting in a total charge of £10.3m to the Income Statement for the six months to 30 June 2011.

Given the quantum and nature of these costs, the Directors consider it appropriate to treat this expense as exceptional in nature and exclude it from the measurement of underlying earnings.

(v) TRC integration expenses

Following the acquisition of TRC, the Group incurred a number of integration expenses associated with the alignment of certain activities within the enlarged Group. This expense includes redundancy related and other integration costs.

Given the nature of this expense, the Directors consider it appropriate to treat it as exceptional in nature and exclude it from the measurement of underlying earnings.

(vi) Operations outsourcing expenses

During the six months ended 30 June 2011, £1.8m of legal, advisory and consultancy support costs were incurred in the planning and execution of the outsourcing of certain of the Group's back and middle office investment operations activities to State Street.

The Directors consider these project costs to be exceptional in nature and have therefore excluded this expense from the measurement of underlying earnings.

(vii) Corporate advisory fees

During 2010, £7.5m of corporate advisory and related transaction expenses were incurred in connection with the acquisition of TRC, together with £2.0m of abortive acquisition costs in respect of C-Quadrat and other corporate costs of some £0.4m. The Directors considered these corporate costs to be exceptional in nature and therefore excluded this £9.9m aggregate expense from the measurement of underlying earnings.

(viii) Exceptional employment and staff related income/(expenses)

During 2010, the Group recognised a net £2.5m of non-recurring income associated with employee remuneration arrangements. This comprised a £4.0m pension curtailment credit arising from benefit changes made to defined benefit pension arrangements offset by a £0.6m past service pension cost and £0.9m of redundancy and related staff costs, which were incurred as a result of cost saving actions initiated during 2010.

(ix) Foreign exchange transfer from reserves on liquidation of subsidiary

Following the transfer of its assets under management to another F&C Group company, F&C Luxembourg was put into voluntary liquidation during 2010. The cumulative foreign exchange gain of £1.3m previously recognised in the foreign currency translation reserve was 'recycled' to the Income Statement in accordance with accounting requirements.

Due to the non-recurring nature of this gain, the Directors excluded this credit from the calculation of underlying earnings for 2010.

4. Income tax

The major components of tax (income)/expense recognised in the Condensed Income Statement and Condensed Statement of Comprehensive Income for each period are:

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Current income tax:			
Current income tax expense	**3.2**	5.1	9.3
Adjustments in respect of previous periods	**–**	0.1	(0.2)
Deferred income tax:			
Relating to origination and reversal of temporary differences	**(4.4)**	(5.4)	(12.8)
Adjustments in respect of previous periods	**–**	–	(1.3)
Adjustments in respect of Corporation Tax rate change	**(0.7)**	–	(0.8)
Tax income reported in the Condensed Income Statement	**(1.9)**	(0.2)	(5.8)

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Deferred and current income tax related to items charged or credited directly to equity:			
Gain on available for sale financial investments	**0.1**	0.2	0.3
Actuarial gain/(loss) on defined benefit pension schemes	**3.2**	(1.8)	3.0
Adjustments in respect of Corporation Tax rate change	**0.2**	–	0.2
Tax expense/(income) recognised directly in the Condensed Statement of Comprehensive Income	**3.5**	(1.6)	3.5

Effective rate of tax

The net tax income for the six month period ended 30 June 2011 has been determined by using an effective annual tax rate for each tax jurisdiction and applying that rate to the pre-tax result of that jurisdiction.

The combined effective tax rate on all jurisdictions brings the total tax income to £1.9m for the period ended 30 June 2011 (period ended 30 June 2010: £0.2m; year ended 31 December 2010: £5.8m).

The Chancellor of the Exchequer's Emergency Budget on 22 June 2010 announced that the UK Corporation Tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK Corporation Tax rate from 28% to 27% was substantively enacted on 20 July 2010 and an additional 1% reduction in the UK Corporation Tax rate was announced in the Chancellor's Budget of 23 March 2011 and was substantively enacted on 29 March 2011.

As a result of the above measures, the Corporation Tax rate has moved to 26% with effect from 1 April 2011.

Of the three remaining forecast 1% Corporation Tax reductions, one was substantively enacted on 5 July 2011. If this had occurred on or before the reporting date it would have had the effect of reducing the net deferred tax liability recognised at that date by £0.4m, comprising:

- A £0.8m tax charge which would impact underlying earnings of the Group; and
- A £1.2m tax credit attributable to intangible assets, which would be excluded from underlying earnings, consistent with the treatment of the corresponding amortisation charge.

The Directors are of the view that, due to the significant level of estimation required, it is not yet possible to quantify the full anticipated effect of the proposed subsequent 2% rate reduction, although this will further reduce the Group's current tax charge in future and reduce the Group's deferred tax assets/(liabilities) recognised in the Statement of Financial Position.

Taking all the above rate changes into account, the Group's UK effective tax rate is expected to reduce to 23% by 2015.

5. Earnings per share

Basic loss per share amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

In the opinion of the Directors the "underlying earnings" as quantified in the "Reconciliation of (loss)/earnings" table below more accurately reflects the earnings performance of the Group.

Reconciliation of earnings per Ordinary Share	**Six months ended 30 June 2011 p**	Six months ended 30 June 2010 p	Year ended 31 December 2010 p
Basic loss per Ordinary Share	**(3.90)**	(4.12)	(3.31)
Amortisation of intangibles	**2.77**	3.35	6.48
TRC Commutation expenses	**0.90**	–	1.24
TRC Management Retention and Incentive Plans	**0.43**	–	0.30
F&C REIT variable minority interest SBP expense/(income)	**0.19**	0.39	(0.06)
F&C Partners litigation expense	**1.93**	0.67	0.88
TRC integration expenses	**0.02**	–	0.18
Operations outsourcing expenses	**0.25**	–	–
Corporate advisory fees	**–**	1.99	1.97
Exceptional employment and staff related (income)/expenses	**–**	(0.41)	(0.38)
Foreign exchange transfer from reserves on liquidation of subsidiary	**–**	(0.27)	(0.26)
Prior period unrealised losses on forward currency contracts, now realised	**–**	(0.18)	(0.18)
F&C REIT put option fair value gain	**–**	–	(1.28)
Underlying earnings per Ordinary Share	**2.59**	1.42	5.58
Foreign exchange (gains)/losses included within underlying earnings per share	**(0.04)**	0.28	0.28
Underlying earnings per Ordinary Share excluding foreign exchange gains and losses	**2.55**	1.70	5.86

	Six months ended 30 June 2011 p	Six months ended 30 June 2010 p	Year ended 31 December 2010 p
Diluted loss per Ordinary Share*	**(3.90)**	(4.12)	(3.31)

* Where the Group has incurred a basic loss per Ordinary Share, no dilution arises despite the "dilutive potential weighted average number of Ordinary Shares" being greater than the "weighted average number of Ordinary Shares" used to determine the basic loss per share. As a result, the reported basic and diluted loss per Ordinary Share are the same at 30 June 2011, 30 June 2010 and 31 December 2010.

All amounts disclosed in the table above are stated net of any attributable tax, as presented in the Reconciliation of (loss)/earnings table below.

5. Earnings per share continued

The following tables disclose the earnings and share capital data used in the basic, diluted and underlying (loss)/earnings per share calculations:

	Six months ended 30 June 2011			Six months ended 30 June 2010			Year ended 31 December 2010		
Reconciliation of (loss)/earnings	**Gross £m**	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
Loss attributable to ordinary equity holders of the parent for basic loss per share	**(21.4)**	**1.4**	**(20.0)**	(20.1)	(0.2)	(20.3)	(22.1)	5.5	(16.6)
Amortisation of intangibles[1]	**21.3**	**(7.1)**	**14.2**	22.9	(6.4)	16.5	47.3	(14.8)	32.5
TRC Commutation expenses	**4.6**	**–**	**4.6**	–	–	–	6.2	–	6.2
TRC Management Retention and Incentive Plans	**2.6**	**(0.4)**	**2.2**	–	–	–	1.8	(0.3)	1.5
F&C REIT variable minority interest SBP expense/(income)	**1.0**	**–**	**1.0**	1.9	–	1.9	(0.3)	–	(0.3)
F&C Partners litigation expense	**10.3**	**(0.4)**	**9.9**	3.3	–	3.3	6.0	(1.6)	4.4
TRC integration expenses	**0.2**	**(0.1)**	**0.1**	–	–	–	1.1	(0.2)	0.9
Operations outsourcing expenses	**1.8**	**(0.5)**	**1.3**	–	–	–	–	–	–
Corporate advisory fees	**–**	**–**	**–**	9.8	–	9.8	9.9	–	9.9
Exceptional employment and staff related (income)/expenses[2]	**–**	**–**	**–**	(2.8)	0.8	(2.0)	(2.6)	0.7	(1.9)
Foreign exchange transfer from reserves on liquidation of subsidiary	**–**	**–**	**–**	(1.3)	–	(1.3)	(1.3)	–	(1.3)
Prior period unrealised losses on forward currency contracts, now realised	**–**	**–**	**–**	(1.3)	0.4	(0.9)	(1.3)	0.4	(0.9)
F&C REIT put option fair value gain	**–**	**–**	**–**	–	–	–	(6.4)	–	(6.4)
Underlying earnings attributable to ordinary equity holders of the parent	**20.4**	**(7.1)**	**13.3**	12.4	(5.4)	7.0	38.3	(10.3)	28.0
Foreign exchange (gains)/losses included within underlying earnings	**(0.3)**	**0.1**	**(0.2)**	2.0	(0.6)	1.4	2.0	(0.6)	1.4
Underlying earnings attributable to ordinary equity holders of the parent excluding foreign exchange gains and losses	**20.1**	**(7.0)**	**13.1**	14.4	(6.0)	8.4	40.3	(10.9)	29.4

(1) Excludes £1.6m for the six months ended 30 June 2011 (six months ended 30 June 2010: £1.6m; year ended 31 December 2010: £2.3m) of amortisation of intangibles (gross) which is attributable to minority interests

(2) Excludes £nil of exceptional employment and staff related costs (gross) attributable to minority interests for the six months ended 30 June 2011 (six months ended 30 June 2010: £0.2m; year ended 31 December 2010: £0.1m)

Share capital	**Six months ended 30 June 2011 No.**	Six months ended 30 June 2010 No.	Year ended 31 December 2010 No.
Weighted average number of Ordinary Shares for (loss)/earnings per share[1]	**513,455,595**	493,033,108	501,469,251
Dilutive potential weighted average number of Ordinary Shares	**552,529,537**	505,079,734	520,838,263

(1) Excluding own shares held by Employee Benefit Trusts or similar arrangements

As disclosed in the 2010 Annual Report and Financial Statements, there are a number of share-based payment and acquisition arrangements which could potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted earnings per share because they were either anti-dilutive for the periods presented or had not met the relevant performance criteria at the reporting date.

6. Ordinary dividends

Declared and paid during the period	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Equity dividends on Ordinary Shares:			
– Final dividend for 2010: 2.0p (2009: 4.0p)	**10.4**	19.4	19.4
– Interim dividend for 2010: 1.0p	**–**	–	5.1
	10.4	19.4	24.5

Proposed dividends	**Six months ended 30 June 2011 £m**	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Equity dividends on Ordinary Shares:			
– Final dividend for 2010: 2.0p	**–**	–	10.3
– Interim dividend for 2011: 1.0p (2010: 1.0p)	**5.2**	5.1	–

The proposed interim dividend for 2011 is based on 1.0p per share and 520,119,827 Ordinary Shares being eligible for dividends as at 2 August 2011. This dividend was approved by the Board on 2 August 2011. The interim dividend will be payable on 28 October 2011, to shareholders on the register as at 7 October 2011.

7. Intangible assets

	Goodwill £m	**Management contracts £m**	**Software and licences £m**	**Total £m**
Cost:				
At 1 July 2010	595.1	679.1	5.3	1,279.5
Fair value of additions arising on acquisition of TRC	–	23.0	0.5	23.5
Additions	16.8	–	–	16.8
Foreign exchange gains	–	2.5	–	2.5
At 31 December 2010	611.9	704.6	5.8	1,322.3
Additions	–	–	0.2	0.2
Foreign exchange gains	–	2.0	–	2.0
At 30 June 2011	**611.9**	**706.6**	**6.0**	**1,324.5**
Amortisation and impairment:				
At 1 July 2010	–	502.9	4.4	507.3
Amortisation charge for the period	–	26.2	0.4	26.6
At 31 December 2010	–	529.1	4.8	533.9
Amortisation charge for the period	–	22.9	0.4	23.3
At 30 June 2011	**–**	**552.0**	**5.2**	**557.2**
Net book values:				
At 30 June 2010	595.1	176.2	0.9	772.2
At 31 December 2010	611.9	175.5	1.0	788.4
At 30 June 2011	**611.9**	**154.6**	**0.8**	**767.3**

7. Intangible assets continued

Goodwill

Goodwill has arisen from various business combinations and, reflecting the Group's reportable operating segments disclosed in note 1, is represented by three cash generating units (CGUs), as follows:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
F&C	**467.2**	467.2	467.2
F&C REIT	**127.9**	127.9	127.9
Thames River Capital	**16.8**	–	16.8
	611.9	595.1	611.9

Goodwill is not amortised but is tested for impairment annually at individual CGU level, or when indicators of potential impairment are identified. The carrying value of goodwill attributable to each CGU was last tested for impairment at 31 December 2010, as described in note 13 of the 2010 Annual Report and Financial Statements; to date, none of the CGUs has suffered any impairment of goodwill. There are no indicators of potential impairment in the period ended 30 June 2011.

Management contracts

Management contracts predominantly relate to contracts arising from business acquisitions. They are amortised over their expected useful lives and are tested for impairment only when indicators of potential impairment are identified. No such indicators have been identified since the last impairment review undertaken as at 31 December 2008 and therefore no impairment review of management contracts has been undertaken this period. The foreign exchange gains recognised in the period ended 30 June 2011 arise from the relative strengthening of the Euro over the course of the first half of 2011, increasing the value of Euro-denominated contracts in Sterling terms.

8. Interest bearing loans and borrowings

The key contractual terms of the Group's interest bearing loans and borrowings are as follows:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Fixed/Floating Rate Subordinated Notes 2016/2026 Interest rate of 6.75% per annum until 19 December 2016, payable annually in arrears. Issuer has the option to extend the notes beyond this date at a rate of 2.69% above 3-month LIBOR until 19 December 2026, payable quarterly in arrears.	**124.4**	124.3	124.4
Guaranteed Fixed Rate Loan Notes 2016 Interest rate of 9.0% per annum until 19 December 2016, payable annually in arrears	**149.4**	129.7	149.3
	273.8	254.0	273.7

Repayment periods			
Amounts repayable:			
In one year or less, or on demand	**–**	–	–
In more than one year but not more than two years	**–**	–	–
In more than two years but not more than five years	**–**	–	–
In more than five years	**273.8**	254.0	273.7
	273.8	254.0	273.7

9. Provisions

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Summary:			
Onerous premises contracts	**5.9**	7.9	6.6
NIC on share schemes	**6.1**	4.3	6.6
F&C Partners dispute	**11.0**	2.4	2.4
Other provisions	**1.5**	2.6	1.5
	24.5	17.2	17.1

Split as follows:			
Non-current	**7.8**	9.3	8.1
Current	**16.7**	7.9	9.0
	24.5	17.2	17.1

9. Provisions continued

F&C Partners dispute

On 14 July 2011 a judgment was handed down by the High Court in respect of litigation between the Group and the two individual founder members of F&C Partners LLP ('Partners'), the Group's majority-owned fund of hedge funds business which is now in run-off.

As disclosed in the Group's last two Annual Reports and Financial Statements, the Group had sought a declaration as to the validity of the exercise of put options by the individual founder members to sell their minority interest in Partners to the Group for a sum of approximately £7.8m. The individual founder members had sought an order that the Group buy out their minority interest, either at the put option price or at a price determined by the Court under section 996 of the Companies Act 2006 on the grounds that the affairs of Partners had been conducted in a manner which was unfairly prejudicial to the individual founder members' interests.

The Court has held that the put options were validly exercised by the individual founder members and that their interests were unfairly prejudiced with the result that the Group will have to buy out the relevant interests. The extent of F&C's liability is yet to be quantified by the Court, but the Board has been advised that it is likely to be equal to the £7.8m exercise price under the put options plus a significant proportion of the individual founder members' legal costs. The proportion of costs payable is to be determined by the Court, but the individual founder members' total legal costs are not believed to be in excess of £4.5m.

As a result of the judgment outlined above, the Directors have re-assessed their estimate of the provision held in respect of this matter, resulting in a total provision of £11.0m as at 30 June 2011.

10. Pension scheme obligations

The deficit on defined benefit pension obligations is summarised as follows:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Fair value of plan assets	**193.8**	159.3	190.4
Benefit obligations	**(207.3)**	(207.0)	(218.0)
Aggregate pension deficit	**(13.5)**	(47.7)	(27.6)

The valuation of the UK benefit obligations is based on:

	30 June 2011	30 June 2010	31 December 2010
Discount rate	**5.50%**	5.40%	5.30%
Inflation rate (RPI)	**3.60%**	3.45%	3.50%
Inflation rate (CPI)	**2.90%**	n/a	n/a

The components of the Income Statement charge/(credit) for defined benefit pension obligations are as follows:

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Current service cost	**1.2**	1.1	2.1
Past service cost	**0.1**	0.6	0.6
Curtailment income*	**–**	(4.0)	(4.0)
Expected return on plan assets	**(5.6)**	(4.6)	(9.5)
Interest cost of benefit obligations	**5.7**	5.6	11.3
Total defined benefit pension expense/(income) recognised in the Condensed Income Statement	**1.4**	(1.3)	0.5

* The Board and Trustees implemented changes to the UK FCAM Pension Plan during the six months ended 30 June 2010. The changes capped future increases in pensionable salary and increased the pension age for future accrual. These changes resulted in a one-off credit to the Income Statement. The curtailment income has been recognised as an exceptional item within exceptional employment and staff related (income)/expenses (see note 3).

In July 2010, the UK Government announced that the Consumer Price Index ('CPI') rather than Retail Price Index ('RPI') should be used as the inflation measure for statutory increases in UK occupational pension plans. The CPI rate has historically been in the region of 0.9% per annum lower than the RPI rate and, on the assumption that CPI continues to be lower than RPI, this has the effect of reducing the liability of a scheme's statutory pension increases.

The Trustees of the UK Pension Plan conducted a review of the Plan rules to assess the impact of the change of the definition of inflation. Previously the UK Pension Plan used RPI as the basis of inflation. After obtaining legal advice the Trustees and the Company agreed on 19 May 2011 that future revaluation in deferment should be based upon CPI not RPI, in accordance with the UK Government's intentions and as permitted under the Plan rules. An actuarial gain of £9.6m has been recognised on the UK Pension Plan. This is included within the £12.0m actuarial gains on defined benefit pension schemes in the Condensed Consolidated Statement of Comprehensive Income.

11. Share-based payments

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Total share-based payment expense recognised in the Condensed Income Statement	**15.2**	9.7	22.6

In accordance with the Group's accounting policy, a review has been performed at 30 June 2011 of the number of awards expected to vest and the estimated fair value of cash-settled awards.

The Group has granted the following awards during the period ended 30 June 2011:

Scheme	**Grant date**	**Vesting date**	**No. of shares awarded**	**Share price at date of issue (fair value)**
Long-Term Remuneration Plan (Deferred awards)	10 March 2011	10 March 2014	15,437,379	£0.8235
Long-Term Remuneration Plan (Restricted awards)[#]	4 May 2011	4 May 2014	3,749,683	£0.778

Scheme	**Grant date**	**Vesting date**	**No. of units awarded**	**Market value per unit at grant date**
F&C REIT LTRP (2011 deferred awards)	1 May 2011	1 May 2014	15,833.33	£90.00

[#] The performance conditions applied to the LTRP are determined by the Board and are measured over a three-year performance period and comprise the following:

- 25% of the award comprises an Earnings Per Share ('EPS') condition;
- 25% of the award comprises a Total Shareholder Return ('TSR') condition;
- 25% of the award comprises an Investment Performance condition;
- 25% of the award comprises a Net New Business condition.

To the extent that any element of the award does not vest in accordance with the performance criteria it lapses immediately.

Details of all share-based payment ('SBP') schemes are disclosed in note 26 of the 2010 Annual Report and Financial Statements. There have been no changes to the Group's SBP arrangements during the six months ended 30 June 2011.

12. Share capital

The Group has the following amounts recorded within shareholders' equity:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Issued Ordinary Shares of 0.1p each	**0.5**	0.5	0.5

The number of Ordinary Shares in issue was as follows:

	30 June 2011 No.	30 June 2010 No.	31 December 2010 No.
Allotted, called up and fully paid Ordinary Shares of 0.1p each	**532,118,789**	525,652,064	532,118,789
Ordinary Shares held by Employee Benefit Trusts*	**(16,011,101)**	(17,725,180)	(21,177,605)
Ordinary Shares available in the market	**516,107,688**	507,926,884	510,941,184

* Or similar arrangements

12. Share capital continued

The movements in Ordinary Shares during the periods were as follows:

	Six months ended 30 June 2011 No.	Six months ended 30 June 2010 No.	Year ended 31 December 2010 No.
Issued at 1 January	**532,118,789**	499,273,120	499,273,120
Issue of new shares by way of placing	**–**	24,807,145	24,807,145
Issue at Completion in respect of TRC Commutation arrangements	**–**	–	6,085,996
Issue of shares at par to settle share-based payment awards	**–**	1,571,799	1,952,528
Issued at 30 June (31 December)	**532,118,789**	525,652,064	532,118,789

13. Analysis of statement of cash flows movements

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2010 £m
Adjustments for non-cash items:			
Non-cash movements on forward currency contracts	**–**	(0.9)	(0.9)
Depreciation of property, plant and equipment	**1.7**	1.2	2.7
Amortisation of intangible assets	**23.3**	24.8	51.4
Loss on disposal of property, plant and equipment	**0.2**	–	0.1
Equity-settled share-based payment expenses	**10.0**	6.5	19.5
Release of acquisition creditor to Income Statement	**(0.1)**	–	–
	35.1	31.6	72.8
Changes in working capital and provisions:			
Decrease/(increase) in trade and other receivables	**44.5**	(11.6)	(57.2)
(Decrease)/increase in trade and other payables	**(28.0)**	19.1	50.9
Decrease in other liabilities	**–**	(0.4)	(0.4)
Increase in Members' liabilities	**4.1**	–	1.0
(Increase)/decrease in stock of units and shares	**(1.0)**	–	0.2
Decrease in investment contract liabilities	**(37.3)**	(86.8)	(90.7)
(Decrease)/increase in insurance contract liabilities	**(0.1)**	–	0.1
Decrease in employee benefit liabilities	**(7.0)**	(6.5)	(2.1)
Decrease in deferred acquisition costs	**0.8**	0.6	0.4
Decrease in deferred income	**(0.9)**	(0.9)	(1.8)
Pension charge to operating profit less defined benefit pension contributions paid	**(2.3)**	(6.0)	(10.3)
Increase/(decrease) in provisions for liabilities and charges	**7.2**	(2.2)	(2.5)
Decrease in policyholder financial investments	**40.2**	88.3	86.1
	20.2	(6.4)	(26.3)

14. Acquisition of subsidiaries

Acquisition of Thames River Capital Group

The Group acquired and gained control of the Thames River Capital Group ('TRC' or 'TRC Group') on 1 September 2010 (Completion date).

The tables below summarise the fair value of consideration paid by the F&C Group for its 100% holding in Thames River Capital Group Limited and the fair value of assets and liabilities acquired. The actual additional cash consideration settled during the six months ended 30 June 2011 was £0.1 million less than the estimate at date of acquisition. The difference has been credited to the Income Statement.

	At date of acquisition £m
Initial consideration – cash	33.6
Estimated additional cash consideration payable as a result of TRC net assets exceeding target net assets	7.5[#]
Estimated fair value of first instalment of conditional consideration	5.0
Estimated fair value of second instalment of conditional consideration	2.5
Fair value of consideration paid for 100% of TRC Group	**48.6**

[#] Settled as cash consideration of £7.4m in 2011. The difference of £0.1m was credited to "other income" in the Income Statement.

The summarised fair values of assets and liabilities acquired at Completion were as follows:

	Provisional fair value to the Group at acquisition £m
Estimated net assets acquired	31.8
Goodwill	16.8
Total consideration	**48.6**

Full details of the acquisition of TRC are disclosed in note 15 to the 2010 Annual Report and Financial Statements.

15. Related party transactions

In the ordinary course of business, the Group undertakes transactions with related parties, as defined by IAS 24: Related Party Disclosures. Material related party transactions are set out below. There are no significant changes in the type or nature of related party transactions from those disclosed in the 2010 Annual Report and Financial Statements except for transactions with Sherborne, which are detailed below.

(a) Related party transactions with Eureko B.V. and subsidiary companies (Eureko Group)

While the Eureko Group held in excess of 10% of the Ordinary Share capital of the Company they were entitled to appoint a representative to the Board of the Company. However, since 1 March 2011, Eureko no longer has Board representation and as a result ceased to be a related party. The disclosures below represent transactions up to that date or balances at that date.

Companies within the F&C Group provide investment management services to the Eureko Group. The F&C Group has entitlement to receive management fees in line with the contracted terms of relevant investment management agreements. The Eureko Group investment management agreements referred to below are deemed significant. These agreements are long-term contracts terminable on 12 months' notice falling on or after the ninth anniversary of their commencement date (typically October 2004). In the event of a change of control whereby a third party acquires a controlling interest in F&C, immediate termination is possible with compensation payable to F&C by the Eureko Group based on revenue streams.

Companies within the Eureko Group provide, under the Transitional Services Agreement, services in respect of investment accounting and other administration services.

	Total invoiced and accrued during the six months ended 30 June 2011 £m	**Outstanding at 30 June 2011 £m**	Total invoiced and accrued during the six months ended 30 June 2010 £m	Outstanding at 30 June 2010 £m	Total invoiced and accrued during 2010 £m	Outstanding at 31 December 2010 £m
Management fees Amounts outstanding at the period end are included within trade and other receivables	**5.9**	**n/a**	18.2	3.3	36.6	3.0
Shared services and administrative services Amounts outstanding at the period end are included within trade and other payables	**0.1**	**n/a**	0.1	0.1	0.3	0.1
Ordinary dividends paid to Eureko B.V.	**n/a**	**n/a**	2.0	–	2.6	–

15. Related party transactions continued

Other amounts owed to/from Eureko Group

In addition to the above, the Group was owed £1.7m at 1 March 2011 (30 June 2010: £1.4m; 31 December 2010: £1.4m) by Eureko B.V. and its subsidiaries.

The Group owed Eureko B.V. £0.7m at 30 June 2011 (30 June 2010: £0.7m; 31 December 2010: £0.7m) in respect of estimated purchase consideration for the acquisition of F&C Group (Holdings) Limited on 11 October 2004.

The Group also owed Eureko B.V. £1.3m at 1 March 2011 (30 June 2010: £1.3m; 31 December 2010: £1.3m) in respect of taxation balances.

(b) Related party transactions with Sherborne

Sherborne owns in excess of 19% of the Ordinary Share capital of F&C and is represented on the Board by the Chairman, Edward Bramson, who is a partner in Sherborne. Sherborne is entitled to ordinary dividends, and a fee in respect of the Chairman's services to F&C. These are disclosed below:

	Total invoiced and accrued during the six months ended 30 June 2011 £m	**Outstanding at 30 June 2011 £m**	Total invoiced and accrued during the six months ended 30 June 2010 £m	Outstanding at 30 June 2010 £m	Total invoiced and accrued during 2010 £m	Outstanding at 31 December 2010 £m
Ordinary dividends paid to Sherborne*	**2.0**	**–**	n/a	n/a	n/a	n/a
Directors fees payable to Sherborne*	**0.1**	**–**	n/a	n/a	n/a	n/a

* With effect from Mr Bramson's appointment as Chairman on 3 February 2011

(c) Transactions with minority interests

(i) F&C REIT Asset Management LLP

F&C Asset Management plc owns 70% of the "A" and "B" partnership units in F&C REIT Asset Management LLP. The other partners in the partnership, all of whom have significant influence over the management of the partnership or a significant economic interest in the partnership, are:

Kendray Properties Limited	30.0% ownership interest in "B" units
L. Noé	22.5% ownership interest in "A" units
I. Smith	7.5% ownership interest in "A" units

These parties are considered to be related parties.

The partners are entitled to receive a share of the profits of the F&C REIT Group:

Six months ended 30 June 2011

	Amortisation of intangible assets £m	**Profit share £m**	**Distributions paid £m**	**Minority interest at 30 June 2011 £m**
Kendray Properties Limited	**(0.5)**	**1.2**	**–**	**9.7**
L. Noé	**(0.3)**	**0.5**	**(0.3)**	**5.8**
I. Smith	**(0.1)**	**0.1**	**(0.2)**	**1.4**
	(0.9)	**1.8**	**(0.5)**	**16.9**

Six months ended 30 June 2010

	Amortisation of intangible assets £m	Profit share £m	Distributions paid £m	Minority interest at 30 June 2010 £m
Kendray Properties Limited	(0.6)	1.2	(1.0)	9.8
L. Noé	(0.45)	0.45	(0.3)	6.6
I. Smith	(0.15)	0.15	(0.2)	1.9
	(1.2)	1.8	(1.5)	18.3

15. Related party transactions continued

Year ended 31 December 2010

	Amortisation of intangible assets £m	Profit share £m	Distributions paid £m	Minority interest at 31 December 2010 £m
Kendray Properties Limited	(1.2)	2.4	(2.4)	9.0
L. Noé	(0.9)	2.2	(2.3)	5.9
I. Smith	(0.3)	0.7	(0.9)	1.6
	(2.4)	5.3	(5.6)	16.5

(ii) F&C Partners LLP

F&C Alternative Investments (Holdings) Limited owns 60% of F&C Partners LLP. The other partners in the partnership, both of whom have significant influence over the management of the partnership and a significant economic interest in the partnership, are:

F. Barthelemy	20% ownership interest
A. Culligan	20% ownership interest

These parties are considered to be related parties.

The partners are entitled to receive a share of profits in F&C Partners LLP:

	Six months ended 30 June 2011			Six months ended 30 June 2010			Year ended 31 December 2010		
	Profit entitlement £m	**Distri-butions £m**	**Minority interest at 30 June 2011 £m**	Profit entitlement £m	Distri-butions £m	Minority interest at 30 June 2010 £m	Profit entitlement £m	Distri-butions £m	Minority interest at 31 December 2010 £m
F. Barthelemy	**0.1**	**(0.1)**	**–**	0.1	(0.1)	–	0.15	(0.15)	–
A. Culligan	**0.1**	**(0.1)**	**–**	0.1	(0.1)	–	0.15	(0.15)	–
	0.2	**(0.2)**	**–**	0.2	(0.2)	–	0.3	(0.3)	–

16. Contingent liabilities

Ongoing business operations

In the normal course of its business, the Group is 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 Group.

Independent Review Report to F&C Asset Management plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2011 which comprises the Condensed Consolidated Statements of Income, Comprehensive Income, Financial Position, Changes in Equity, Cash Flows and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FSA.

As disclosed in the Accounting Policies, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

J. M. Mills
for and on behalf of KPMG Audit Plc
Chartered Accountants, Edinburgh

2 August 2011

Key Financial Indicators

The following tables reconcile the reported earnings to underlying earnings and demonstrate the impact of foreign exchange gains and losses. The calculation of key financial indicators is also given below.

Six months ended 30 June 2011

	£ millions unless otherwise stated		Underlying Group Earnings		Profit attributable to equity holders of the parent	
		Reported earnings	Adjustments	Adjusted Income Statement	Minority interest profits*	Underlying earnings
A	**Net Revenue**	**137.0**	**–**	**137.0**	**–**	**137.0**
	Net policyholder income	0.3	–	0.3	–	0.3
	Operating expenses	(93.4)	–	(93.4)	–	(93.4)
	Exchange gains	0.3	–	0.3	–	0.3
	Operating expenses	**(93.1)**	**–**	**(93.1)**	**–**	**(93.1)**
	Distribution to Members of LLPs	(11.0)	–	(11.0)	–	(11.0)
	Amortisation of intangible assets	(22.9)	22.9	–	–	–
	Other exceptional net operating expenses	(20.5)	20.5	–	–	–
	Total operating expenses	**(147.5)**	**43.4**	**(104.1)†**	**–**	**(104.1)**
B	**Operating (loss)/profit**	**(10.2)**	**43.4**	**33.2**	**–**	**33.2**
	Interest paid	(11.9)	–	(11.9)	–	(11.9)
	Interest and investment income received	1.4	–	1.4	–	1.4
	Other non-operating items	(0.1)	–	(0.1)	–	(0.1)
	Minority interest	–	–	–	(2.2)	(2.2)
	(Loss)/profit before tax	**(20.8)**	**43.4**	**22.6‡**	**(2.2)**	**20.4**
	Tax income/(expense)	1.9	(9.2)	(7.3)	0.2	(7.1)
C	**(Loss)/profit for period**	**(18.9)**	**34.2**	**15.3**	**(2.0)**	**13.3**
	Underlying EPS (C÷D)					**2.6p**
	Underlying operating margin (B÷A)			**24.2%**		
D	**Weighted average number of shares (000's)**					**513,456**

* Excluding minority interest share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'underlying profit before tax'

Six months ended 30 June 2010

	£ millions unless otherwise stated		Underlying Group Earnings		Profit attributable to equity holders of the parent	
		Reported earnings	Adjustments	Adjusted Income Statement	Minority interest profits*	Underlying earnings
A	**Net Revenue**	**106.8**	**–**	**106.8**	**–**	**106.8**
	Net policyholder income	0.7	–	0.7	–	0.7
	Operating expenses	(79.5)	–	(79.5)	–	(79.5)
	Exchange losses	(1.6)	–	(1.6)	–	(1.6)
	Realised gains attributable to closed FX contracts	0.9	–	0.9	–	0.9
	FX contract losses recognised in prior periods	–	(1.3)	(1.3)	–	(1.3)
	Operating expenses	**(80.2)**	**(1.3)**	**(81.5)**	**–**	**(81.5)**
	Amortisation of intangible assets	(24.5)	24.5	–	–	–
	Other exceptional net operating expenses	(11.1)	11.1	–	–	–
	Total operating expenses	**(115.8)**	**34.3**	**(81.5)†**	**–**	**(81.5)**
B	**Operating (loss)/profit**	**(8.3)**	**34.3**	**26.0**	**–**	**26.0**
	Interest paid	(10.7)	–	(10.7)	–	(10.7)
	Interest and investment income received	0.2	–	0.2	–	0.2
	Other non-operating items	(0.9)	–	(0.9)	–	(0.9)
	Minority interest	–	–	–	(2.2)	(2.2)
	(Loss)/profit before tax	**(19.7)**	**34.3**	**14.6‡**	**(2.2)**	**12.4**
	Tax income/(expense)	0.2	(5.8)	(5.6)	0.2	(5.4)
C	**(Loss)/profit for period**	**(19.5)**	**28.5**	**9.0**	**(2.0)**	**7.0**
	Underlying EPS (C÷D)					**1.4p**
	Underlying operating margin (B÷A)			**24.3%**		
D	**Weighted average number of shares (000's)**					**493,033**

* Excluding minority interest share of amortisation of intangible assets and other exceptional costs

† Defined as 'underlying operating costs'

‡ Defined as 'underlying profit before tax'

Year ended 31 December 2010

£ millions unless otherwise stated			Underlying Group Earnings		Profit attributable to equity holders of the parent	
		Reported earnings	Adjustments	Adjusted Income Statement	Minority interest profits*	Underlying earnings
A	**Net Revenue**	**243.2**	**–**	**243.2**	**–**	**243.2**
	Net policyholder income	1.0	–	1.0	–	1.0
	Operating expenses	(169.0)	–	(169.0)	–	(169.0)
	Exchange losses	(1.6)	–	(1.6)	–	(1.6)
	Realised gains attributable to closed FX contracts	0.9	–	0.9	–	0.9
	FX contract losses recognised in prior periods	–	(1.3)	(1.3)	–	(1.3)
	Operating expenses	**(169.7)**	**(1.3)**	**(171.0)**	**–**	**(171.0)**
	Distribution to Members of LLPs	(6.0)	–	(6.0)	–	(6.0)
	Amortisation of intangible assets	(50.7)	50.7	–	–	–
	Other exceptional net operating expenses	(20.9)	20.9	–	–	–
	Total operating expenses	**(247.3)**	**70.3**	**(177.0)†**	**–**	**(177.0)**
B	**Operating (loss)/profit**	**(3.1)**	**70.3**	**67.2**	**–**	**67.2**
	F&C REIT put option fair value gain	6.4	(6.4)	–	–	–
	Interest paid	(22.3)	–	(22.3)	–	(22.3)
	Interest and investment income received	1.6	–	1.6	–	1.6
	Other non–operating items	(1.8)	–	(1.8)	–	(1.8)
	Minority interest	–	–	–	(6.4)	(6.4)
	(Loss)/profit before tax	**(19.2)**	**63.9**	**44.7‡**	**(6.4)**	**38.3**
	Tax income/(expense)	5.8	(16.8)	(11.0)	0.7	(10.3)
C	**(Loss)/profit for year**	**(13.4)**	**47.1**	**33.7**	**(5.7)**	**28.0**
	Underlying EPS (C÷D)					**5.6p**
	Underlying operating margin (B÷A)			**27.6%**		
D	**Weighted average number of shares (000's)**					**501,469**

* Excluding minority interest share of amortisation of intangible assets and other exceptional costs

† Defined as 'underlying operating costs'

‡ Defined as 'underlying profit before tax'

Corporate Information

Directors

Edward Bramson, Chairman‡
Alain Grisay, Chief Executive
Keith Bedell-Pearce, Senior Independent Non-executive*†‡
Ian Brindle, Non-executive
David Logan, Chief Financial Officer
Jeff Medlock, Non-executive*†
Derham O'Neill, Non-executive*†
Kieran Poynter, Non-executive*†‡

‡ Member of Nomination Committee
* Member of Remuneration Committee
† Member of Audit, Risk & Compliance Committee

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Corporate information

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Company Registration Number SC73508

Website

Shareholders are encouraged to visit our website www.fcamplc.com.

arkobinks
coordinated communication

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