F&C Asset Management plc

Interim Report and Financial Statements 2013

F&C Asset Management plc

Interim Report and Financial Statements 2013

Contents

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; estimates of assets to be managed for Strategic Partners or other clients in the future; and the impact of changes in capital, solvency or accounting standards, 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.

Definitions

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

"FL", "FL Group" Friends Life 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 subsidiary companies or limited liability partnerships (LLPs) which are consolidated within the Group

"NCI" Non-controlling interests

Financial and Business Summary

Financial and Business Highlights

- Underlying earnings per share increased by 66% to 4.8p (H1 2012: 2.9p)
- Net revenue increased by 4.8% to £126.1m (H1 2012: £120.3m)
- Underlying operating margin strengthened to 37.6% (H1 2012: 26.8%)
- Net pipeline increased by 100% to £1.6bn (31 December 2012: £0.8bn)
- Consumer & Institutional net inflows of £432m (H1 2012: net outflows of £742m)
- Robust investment performance; overall 83% and 76% of AUM outperformed benchmarks over one and three years respectively

Financial Summary

	Six months ended 30 June 2013	Six months ended 30 June 2012#	Year ended 31 December 2012#
Assets under management$	**£92.3bn**	£98.2bn	£95.2bn
Net revenue	**£126.1m**	£120.3m	£243.5m
Underlying operating expenses*	**£78.9m**	£88.1m	£172.2m
Underlying operating profit*	**£47.4m**	£32.2m	£71.1m
Underlying operating margin*	**37.6%**	26.8%	29.2%
Group underlying profit before tax*	**£37.3m**	£22.1m	£51.9m
Statutory profit/(loss) after tax	**£8.9m**	(£4.7m)	£2.6m
Basic earnings/(loss) per Ordinary Share†	**1.4p**	(1.2p)	(0.1p)
Underlying earnings per Ordinary Share†	**4.8p**	2.9p	7.0p
Interim dividend	**1.0p**	1.0p	1.0p

As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

$ As at the end of the reporting period

* Calculations of key financial indicators are given in the 'Reconciliations of Statutory Results to Underlying Earnings' at the end of these Interim Financial Statements

† Reconciliations between statutory profit/(loss) and underlying earnings and between basic earnings/(loss) per share and underlying earnings per share are given in note 8

Richard Wilson, Chief Executive, said:

"These are solid results which demonstrate the significant progress being made in delivering the company's strategic objectives. The 66% increase in our earnings per share, to 4.8p, was driven by a combination of increased revenue, together with the delivery of planned cost reductions. Our Consumer & Institutional business has generated positive net inflows and, with a much strengthened new business pipeline, there are encouraging signs for flows in the second half of the year. As a business F&C is now more competitive and more profitable and our strong investment performance will underpin delivery of continued revenue growth in our Consumer & Institutional business."

Chief Executive's Report

Dear Shareholder,

This is my first report since taking over as Chief Executive. I am pleased to note that F&C's underlying earnings per share for the first half of 2013 increased by 1.9p, or 66%, to 4.8p, compared to the first half of 2012, with both increased revenues and reduced costs contributing to the earnings uplift.

Our net revenues for the first half of 2013 were £126.1 million, some £5.8 million, or 4.8%, ahead of the same period in 2012. Underlying operating costs, including distributions to the members of the Thames River LLPs, were £78.9 million, some £9.2 million, or 10.4%, lower than H1 2012. Our cost reduction programme remains on track to deliver the £48.8 million of planned savings by 2015.

Our assets under management ("AUM") at the end of the period were £92.3 billion. The most significant movement during the period was the previously announced withdrawal of £6.0 billion of Friends Life fixed income assets at the end of June. Whilst fixed income markets reported losses in the second quarter of the year, equity markets performed strongly over the reporting period and overall investment gains added some £1.1 billion to our AUM in the six-month period. Foreign exchange was also a positive contributor to AUM, with the strengthening of the euro versus sterling adding £3.2 billion to our AUM during the six months.

Encouragingly, our UK Retail business reported net inflows of some £0.2 billion, or 4.4% of opening AUM, for the six-month period, continuing the positive momentum of inflows experienced in the first quarter.

Our Third-Party Institutional business reported a net inflow of £0.5 billion, or 2.0% of opening AUM, for the six-month period. Moreover, net inflows in Q2 2013 were very strong at £0.6 billion. The Third-Party Institutional net pipeline of mandates won but unfunded less notified withdrawals increased to £1.6 billion, compared to £0.8 billion at year end and £1.0 billion at the end of Q1. The current net pipeline includes £1.9 billion of mandates won and £0.3 billion of notified withdrawals. We experienced good demand in several product categories including liability matching, emerging equities and property.

While our Wholesale business continued the trend reported in previous periods and incurred net outflows of £0.3 billion during the six-month period, we believe that these historic, performance-led flows are now substantially complete.

Market overview

The first six months of 2013 saw a mixed performance across the world's equity and bond markets.

The investment backdrop remained challenging, with developed economies continuing to struggle as they battled to reduce huge budget deficits. To exacerbate this, there was a marked deterioration in the performance of the main emerging market economies. China was the principal concern, with growth decelerating as the authorities stepped up their efforts to refocus the economy from exports to domestic consumption. The slowdown in China had ramifications for commodities markets, which saw the price of raw materials slide as demand eased.

Despite the lack of conviction in the shorter-term outlook for the global economy, a number of equity markets posted encouraging returns. Investors appeared confident that the central banks' determination to support growth, by pumping in billions of dollars of stimulus funding into the financial system, would continue to underpin share prices. Furthermore, despite the bailout of Cyprus in March, there was the perception that the worst of the eurozone financial crisis had passed and that a break-up of the currency union was less likely. In the US, the markets also took encouragement from evidence that housing and employment – the two most significant hurdles to sustainable recovery – were starting to show signs of improvement.

It was ironic that improved sentiment towards the US economy would be the trigger for a sharp market sell-off in May and June. Comments made by the chairman of the Federal Reserve, Ben Bernanke, that faster growth could lead to a 'tapering' of the Central Bank's quantitative easing policy led investors to worry that the main support for the equity market rally was to be removed sooner than had been expected. This led to falls in both bond and equity valuations.

Government bond returns were disappointing for much of the period as riskier assets found favour with investors. Losses accelerated following the quantitative easing announcement in May, with yields spiking to levels not seen for a number of months. The best performance was posted by the embattled nations of the eurozone periphery as greater confidence in the authorities' handling of the financial crisis caused yields to fall sharply.

The FTSE All-Share Index rose by 8.5% in the first six months of the year, which was below the global average.

Assets under management

We continue to actively manage the shift in the shape of our business, building sustainable growth in the Consumer & Institutional and Wholesale businesses while managing the decline in assets managed on behalf of our Strategic Partners. We are making significant progress here.

Strong performance in Retail and Third-Party Institutional more than offset outflows in Wholesale, resulting in Consumer & Institutional AUM growth of £1.9 billion, or 5.0%, during the period. Strategic Partners assets declined by £4.8 billion, or 8.2%, resulting in Group AUM declining by a net £2.9 billion, or 3.1%, from £95.2 billion to £92.3 billion during the reporting period. Our average assets under management for the first six months of 2013 were £95.5 billion (H1 2012: £100.0 billion).

AUM in our Consumer business, which comprises Retail and Investment Trusts, increased by £0.9 billion, or 8.0%, to £11.9 billion. Net inflows were £0.2 billion, with market gains contributing £0.6 billion and exchange gains a further £0.1 billion. Our Investment Trust business continues to perform well with seven of our trusts issuing new shares during the period. Whilst the UK retail market still appears to be absorbing the full implications of the Retail Distribution Review ("RDR"), our core Multi–Manager and Lifestyle funds generated net inflows during the reporting period.

Third-Party Institutional AUM increased by £1.2 billion, or 4.8%, to £25.6 billion. The two contributors to this growth were £0.5 billion of net inflows and £0.9 billion of exchange gains. The negative market performance of £0.2 billion principally represents declines in liability-matching portfolios, as the underlying liabilities reduced. Encouragingly, the business saw an acceleration of inflows during the second quarter compared to the first quarter. The strong inflows experienced during the period, and particularly the second quarter, represent an important sign of the potential growth for our Third-Party Institutional business.

Wholesale AUM declined by £0.2 billion, or 15.7%, to £1.1 billion at 30 June. The decline was due principally to net client withdrawals of £0.3 billion. However, the rate of withdrawal notifications appears to be moderating, with outflows in the second quarter representing approximately 60% of those experienced in the first quarter. In addition, changes in the bond markets create opportunity for the Global Macro bond funds, now the largest product range in our Wholesale business.

In summary, our Consumer & Institutional business generated net inflows of £0.4 billion, total investment gains of £0.4 billion and exchange translation gains of £1.1 billion, contributing to an overall increase in AUM of £1.9 billion, or 5.0% for the six months to 30 June 2013.

The principal reduction in Strategic Partners AUM was the withdrawal of Friends Life fixed income assets discussed above. Beyond that, Strategic Partners assets generated a further £1.6 billion of net outflows, which was offset by investment gains of £0.8 million and euro-related currency translation gains of £2.1 billion.

Investment performance

Overall investment performance continued to be strong. On a one-year basis 83% of assets performed above agreed client benchmarks and 76% on a three-year basis. By asset class, 96% of fixed income and 64% of equity assets were above agreed client benchmarks on a one-year basis and three-year performance above benchmarks was 98% and 43%, respectively. Importantly, we have strong investment performance in both core and specialist asset classes. For example, our European Equities performance continues to be exceptionally strong, and some 6.4% ahead of benchmark on a three-year basis. In other key classes, our Global Convertibles, Emerging Market Debt and Smaller Companies capabilities continue to perform strongly, with our Global Smaller Companies expertise allowing us to launch a new open-ended fund in this area. Our property performance also remains strong, with some 76% of our assets outperforming benchmark on a three-year basis.

Financial results

Revenues

Net revenues for the first half of 2013 were £126.1 million versus £120.3 million in the prior-year period; an overall increase of £5.8 million, or 4.8%, with net management fees accounting for some £1.9 million of the increase, performance fees £2.4 million and other income £1.5 million. The increased performance fees were primarily attributable to the TR Property Investment Trust, which generated a £3.1 million performance fee during H1 2013.

Consumer and Third-Party Institutional revenues increased by £7.9 million, or 22.1%, and £3.4 million, or 10.2%, respectively, and were partially offset by a decline of £5.4 million in Wholesale revenue. Total Consumer & Institutional revenues therefore grew by £5.9 million, or 7.4%, from £79.2 million to £85.1 million. Strategic Partners revenues declined by £1.8 million from £40.3 million to £38.5 million.

Retail revenues increased from £19.6 million to £22.3 million; whilst this increase arose across a variety of funds and products, notable contributors to the increased revenues included the Global Convertibles and Multi-Manager Distribution funds, both of which have strong underlying investment performance. Investment Trust revenues increased from £16.2 million in H1 2012 to £21.4 million in the first half of 2013. This was driven principally by the performance fee from TR Property Investment Trust, an increase in equity market levels and incremental income from the revised pricing structures put in place for our investment trust savings schemes earlier this year. Third-Party Institutional revenues increased from £32.9 million in the first six months of 2012, to £36.3 million in H1 2013. Wholesale revenues were £5.1 million for the reporting period, compared to £10.5 million in the prior-year period, with reduced revenues principally reflecting the declining AUM over 2011 and 2012.

Within Strategic Partners, as described previously, Friends Life withdrew £6.0 billion of fixed income assets at the end of the reporting period. These assets contributed revenues of £3.6 million in H1 2013. As previously announced, we anticipate that Achmea will withdraw approximately £10.8 billion of fixed income assets at the end of October 2013. Compared to H1 2013, we anticipate these withdrawals and associated changes will reduce Achmea revenues by £2.3 million in H2 2013 and £6.9 million in 1H 2014, assuming constant market levels.

Expenses

Our underlying operating expense base, excluding the Thames River distributions, fell by £10.0 million, or 12.2%, versus the prior-year period as we continued to implement our previously announced cost reduction plans. After allowing for some £0.5 million of expense directly incurred to increase our investment trust savings plan revenues, our cost reduction would have been £10.5 million, against a target for H1 of £10.2 million, indicating we remain on track to deliver the planned savings. Total underlying operating expenses declined by £9.2 million to £78.9 million, from £88.1 million in the prior-year period. Included in these underlying operating costs were total distributions payable to members of the Thames River Capital LLPs of £7.1 million (H1 2012: £6.3 million), the majority of which are directly correlated to the revenues and profitability of the respective investment teams. The year-on-year increase in distributions is due to the TR Property Investment Trust performance fee, which is substantially distributed to the underlying investment team.

As announced previously, we expect further cost savings in H2 2013 of £2.0 million compared to H1 2013.

The Group also incurred a number of exceptional and non-recurring costs, which are excluded from our underlying results but included in our reported figures. These include £1.4 million of exceptional staff costs associated with achieving the expense reductions and £1.6 million of costs associated with our outsourcing activity. As the outsourcing project is now complete and our current expense reduction programme is nearing completion, we do not anticipate any further significant restructuring costs in H2 2013.

Earnings per share

The Group's reported results are impacted by non-cash items, such as amortisation, and restructuring costs. The Board therefore utilises underlying earnings, which exclude non-cash and other exceptional items, as a key measure of financial performance. As exchange gains and losses reflect currency movements and are by their nature non-recurring, the Group presents underlying operating earnings excluding these items. On this basis, after excluding exchange gains of £0.5 million, the underlying profit after tax attributable to shareholders was £26.1 million in the six-month period (H1 2012: £15.3 million). As noted above, this resulted in underlying earnings per share of 4.8p (H1 2012: 2.9p, after restatement for the adoption of new accounting standards). Our underlying operating margin increased to 37.6% (H1 2012: 26.8%) during the period, principally as a result of the reductions in our cost base.

On a statutory basis, which includes amortisation and exceptional items, the Group made a profit after tax of £8.9 million (H1 2012: loss after tax of £4.7 million). After deduction of the share of profits attributable to the non-controlling interests in F&C REIT, the basic earnings per share attributable to shareholders for H1 2013 was 1.4p (H1 2012: loss of 1.2p).

Interim dividend

The Board has declared an unchanged interim dividend of 1p per share, payable on 25 October 2013 to shareholders on the register at 4 October 2013. The Board is mindful of the significant increase in dividend cover achieved over the last two years and will review the level of the final dividend in light of full-year financial results and the longer-term prospects for the business.

Statement of financial position and net debt

As at 30 June 2013, the Group held £170.6 million of shareholders cash reserves and had net debt of £87.4 million. In line with its stated strategy of reducing gross debt, the Group anticipates further repurchases of loan notes from free cash flow; the quantum of these repurchases will be determined by market conditions.

The deficit on the Group's defined benefit pension plans was some £23.0 million at 30 June 2013 (31 December 2012: £24.1 million).

Business review

During the first half of 2013, the Group sought to deliver the planned cost savings associated with its strategic review and improve cashflow generation, while focusing on the retention of Strategic Partner and third-party assets, executing short-term sales and growth plans and developing product and marketing plans for the medium term.

As demonstrated by the financial information above, the Group continues to make good progress with its cost reduction initiatives. During the first half of 2013 the Company elected not to repurchase its debt based on market conditions, but will keep repurchases under review.

Our Retail business had a positive first half, with net inflows of some £0.2 billion, compared to marginal net outflows in the prior-year period. Gross sales in Retail also continue to improve. Some of this success arises from the reorganisation of our Retail, Wholesale and Institutional sales teams in H2 2012, ensuring that they are focused on the Group's full product range. Whilst it appears that the full effects of RDR will not be seen and understood for some time, we continue to believe that our Multi-Manager and Lifestyle product ranges leave us well placed to benefit from emerging trends in this market place.

Our Third-Party Institutional business continues to make progress, with gross inflows increasing from £1.4 billion in H1 2012, to £2.2 billion in H1 2013. Importantly, a significant proportion of our inflows continues to be generated from "long-duration" products, such as LDI and Property, which should have a long period under management. As we look forward, we aim to maintain and grow the gross inflows from this business, widen the product range generating gross inflows and continue to reduce the level of gross outflows. We are currently assessing the longer-term opportunities for the Group in the Third-Party Institutional market and expect to report our plans later in the year.

Summary

We have made good progress in implementing our previously communicated strategy over the last six months; our cost reduction remains on track and our Consumer and Third-Party Institutional businesses are generating incremental revenues. We look forward to continuing to deliver on these existing initiatives, whilst setting out and executing further strategies to accelerate growth.

Richard Wilson
Chief Executive Officer

30 July 2013

Assets Under Management

The tables below disclose Assets Under Management (AUM) at 30 June 2013 and fund flows for the six months to 30 June 2013.

1. Summary of AUM and fund flows

a) Six months to 30 June 2013

Client Category	AUM 1 January 2013 £m	Jan – Jun Net flows £m	FX £m	Performance £m	AUM 30 June 2013 £m
Wholesale	1,316	(259)	45	7	**1,109**
Retail	5,017	223	85	114	**5,439**
Investment Trusts	5,996	(26)	9	474	**6,453**
Third-Party Institutional	24,421	494	923	(235)	**25,603**
Consumer & Institutional	36,750	432	1,062	360	**38,604**
Strategic Partners	58,475	(7,636)	2,100	768	**53,707**
Total	95,225	(7,204)	3,162	1,128	**92,311**

b) Quarter to 30 June 2013

Client Category	AUM 1 April 2013 £m	Apr – Jun Net flows £m	FX £m	Performance £m	AUM 30 June 2013 £m
Wholesale	1,191	(81)	2	(3)	**1,109**
Retail	5,430	84	16	(91)	**5,439**
Investment Trusts	6,408	(2)	2	45	**6,453**
Third-Party Institutional	25,740	631	187	(955)	**25,603**
Consumer & Institutional	38,769	632	207	(1,004)	**38,604**
Strategic Partners	60,019	(6,341)	513	(484)	**53,707**
Total	98,788	(5,709)	720	(1,488)	**92,311**

2. AUM by client category

In Sterling	31 December 2012 £bn	31 March 2013 £bn	**30 June 2013 £bn**
Wholesale	1.3	1.2	**1.1**
Retail	5.0	5.4	**5.4**
Investment Trusts	6.0	6.4	**6.5**
Third-Party Institutional	24.5	25.8	**25.6**
Consumer & Institutional	36.8	38.8	**38.6**
Strategic Partners	58.4	60.0	**53.7**
Total	95.2	98.8	**92.3**

In Euro	31 December 2012 €bn	31 March 2013 €bn	**30 June 2013 €bn**
Wholesale	1.6	1.4	**1.3**
Retail	6.2	6.4	**6.3**
Investment Trusts	7.4	7.6	**7.6**
Third-Party Institutional	30.2	30.4	**29.9**
Consumer & Institutional	45.4	45.8	**45.1**
Strategic Partners	72.1	71.0	**62.7**
Total	117.5	116.8	**107.8**

3. AUM by asset class

In Sterling	31 December 2012 £bn	31 March 2013 £bn	**30 June 2013 £bn**
Fixed Interest	56.3	57.3	**51.5**
Equities	25.7	28.3	**27.4**
Property	7.5	7.8	**7.8**
Alternative Investments	1.2	1.1	**1.1**
Liquidity	4.5	4.3	**4.5**
Total	95.2	98.8	**92.3**

In Euro	31 December 2012 €bn	31 March 2013 €bn	**30 June 2013 €bn**
Fixed Interest	69.5	67.7	**60.1**
Equities	31.8	33.5	**32.0**
Property	9.2	9.3	**9.1**
Alternative Investments	1.5	1.3	**1.3**
Liquidity	5.5	5.0	**5.3**
Total	117.5	116.8	**107.8**

4. Fund flows

a) Fund flows for the six months to 30 June 2013

Client Category	Inflows £m	Outflows £m	Net Flows £m
Wholesale	179	(438)	(259)
Retail	950	(727)	223
Investment Trusts	79	(105)	(26)
Third-Party Institutional	2,158	(1,664)	494
Consumer & Institutional	3,366	(2,934)	432
Strategic Partners	1,892	(9,528)	(7,636)
Total	**5,258**	**(12,462)**	**(7,204)**

b) Fund flows for the quarter to 30 June 2013

Client Category	Inflows £m	Outflows £m	Net Flows £m
Wholesale	84	(165)	(81)
Retail	482	(398)	84
Investment Trusts	25	(27)	(2)
Third-Party Institutional	1,222	(591)	631
Consumer & Institutional	1,813	(1,181)	632
Strategic Partners	1,315	(7,656)	(6,341)
Total	**3,128**	**(8,837)**	**(5,709)**

Key Risks

The identification of major business risks is carried out by the Risk Committee and the Board in conjunction with management and procedures to control these risks, where possible, are reviewed and agreed. 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 Group Management, which includes both Executive Directors, and all significant items, together with management actions to mitigate the risks, are reported to the Risk Committee and 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, the failure to comply with regulatory requirements and to a failure of the Group's operational platforms, including outsourced activities, or a failure in the control processes surrounding front office investment management activities. The risks faced by the Group in the second half of the financial year are not expected to change significantly from those faced during the six months to 30 June 2013. Further detail of the above risks is given in the 2012 Annual Report and Financial Statements on pages 10 and 11.

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. 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

30 July 2013

Condensed Consolidated Income Statement

for the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Revenue				
Investment management fees	3	**130.6**	125.3	252.6
Other income	3	**3.8**	2.3	4.8
Total revenue	3	**134.4**	127.6	257.4
Fee and commission expenses	3	**(8.3)**	(7.3)	(13.9)
Net revenue	3	**126.1**	120.3	243.5
Net gains and investment income on unit-linked assets		**6.5**	14.3	40.6
Movement in fair value of unit-linked liabilities		**(6.3)**	(14.3)	(40.8)
Operating expenses				
Operating expenses		**(71.3)**	(83.0)	(162.6)
Distributions to members of LLPs		**(7.1)**	(6.3)	(11.6)
Amortisation of intangible assets – management contracts	10	**(20.7)**	(22.4)	(42.5)
Other exceptional net operating expenses	4	**(5.1)**	(6.2)	(21.9)
Total operating expenses		**(104.2)**	(117.9)	(238.6)
Operating profit		**22.1**	2.4	4.7
Finance revenue	5	**1.0**	1.4	3.9
Finance costs	6	**(11.1)**	(11.5)	(23.1)
F&C REIT put option fair value gain		**–**	–	11.5
Profit/(loss) before tax		**12.0**	(7.7)	(3.0)
Tax – Shareholders		**(3.1)**	3.1	5.4
Tax – Policyholders		**–**	(0.1)	0.2
Tax (expense)/income	7	**(3.1)**	3.0	5.6
Profit/(loss) for the period		**8.9**	(4.7)	2.6
Attributable to:				
Equity holders of the parent		**7.5**	(6.1)	(0.3)
Non-controlling interests		**1.4**	1.4	2.9
Profit/(loss) for the period		**8.9**	(4.7)	2.6
Basic earnings/(loss) per Ordinary Share	8	**1.37p**	(1.17)p	(0.06)p
Diluted earnings/(loss) per Ordinary Share	8	**1.25p**	(1.17)p	(0.06)p
		£m	£m	£m
Memo – dividends paid	9	**10.9**	10.4	15.8
Memo – dividends proposed	9	**5.6**	5.5	10.9

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013

	Note	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Profit/(loss) for the period		**8.9**	(4.7)	2.6
Other comprehensive income/(expense):				
Items that will never be reclassified to profit or loss:				
Net actuarial gains/(losses) on defined benefit pension schemes		**–**	1.0	(8.4)
Tax (expense)/income on items taken directly to Other Comprehensive Income	7	**–**	(0.6)	1.6
Corporation tax rate change	7	**–**	(0.1)	(0.3)
Items which may be reclassified to profit or loss:				
Foreign exchange movements on translation of foreign operations		**3.9**	(3.1)	(2.6)
Gains on revaluation of available for sale financial investments		**0.1**	0.1	0.7
Realised gains on available for sale financial investments transferred to the Income Statement		**(0.5)**	(0.2)	(1.1)
Tax income on items taken directly to Other Comprehensive Income	7	**0.1**	0.1	0.1
Other comprehensive income/(expense) for the period		**3.6**	(2.8)	(10.0)
Total comprehensive income/(expense) for the period		**12.5**	(7.5)	(7.4)
Attributable to:				
Equity holders of the parent		**11.1**	(8.9)	(10.3)
Non-controlling interests		**1.4**	1.4	2.9
		12.5	(7.5)	(7.4)

* As restated for the adoption of IAS 1 Presentation of Items in Other Comprehensive Income (Amendments) and for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

Condensed Consolidated Statement of Financial Position

as at 30 June 2013

	Notes	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Assets				
Non-current assets				
Property, plant and equipment		**6.1**	7.5	7.1
Intangible assets:				
– Goodwill	10	**611.9**	611.9	611.9
– Management contracts	10	**65.5**	104.6	84.5
– Software and licences	10	**8.5**	4.4	7.8
	10	**685.9**	720.9	704.2
Financial investments		**0.8**	1.5	1.3
Other receivables	12	**0.3**	2.0	0.4
Deferred acquisition costs		**2.6**	3.9	3.3
Deferred tax assets		**23.7**	27.9	28.6
Total non-current assets		**719.4**	763.7	744.9
Current assets				
Financial investments		**4.8**	444.3	138.2
Reinsurance assets		**–**	2.0	–
Stock of units and shares		**1.1**	1.1	0.3
Deferred acquisition costs		**1.7**	2.2	2.0
Trade and other receivables	12	**168.1**	110.0	87.2
Current tax receivable		**0.2**	0.6	1.0
Cash and cash equivalents:				
– Shareholders		**170.6**	185.8	160.7
– Policyholders		**0.4**	29.2	4.5
		171.0	215.0	165.2
Total current assets		**346.9**	775.2	393.9
Total assets		**1,066.3**	1,538.9	1,138.8
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	13	**257.4**	269.4	257.4
Other payables		**5.3**	5.8	3.3
Provisions	14	**3.5**	6.1	5.1
Pension deficit	15	**23.0**	17.3	24.1
Employee benefits		**3.4**	6.1	5.0
Liabilities to members of LLPs		**0.2**	0.3	–
Deferred income		**4.9**	6.3	5.6
Other financial liabilities		**30.0**	41.5	30.0
Deferred tax liabilities		**15.1**	25.3	19.7
Total non-current liabilities		**342.8**	378.1	350.2
Current liabilities				
Investment contract liabilities		**1.6**	468.3	136.9
Insurance contract liabilities		**–**	2.0	–
Trade and other payables		**135.7**	104.5	53.2
Provisions	14	**6.3**	8.2	8.3
Employee benefits		**14.8**	13.4	24.7
Liabilities to members of LLPs		**3.3**	2.5	4.0
Deferred income		**2.5**	3.0	2.7
Other financial liabilities		**3.8**	3.8	3.8
Current tax payable		**8.1**	10.3	8.8
Total current liabilities		**176.1**	616.0	242.4
Total liabilities		**518.9**	994.1	592.6
Equity				
Ordinary Share capital	17	**0.6**	0.5	0.6
Share premium account		**58.9**	58.9	58.9
Capital redemption reserve		**0.8**	0.8	0.8
Merger reserve		**327.2**	347.4	336.8
Other reserves		**(22.1)**	(26.0)	(25.7)
Retained earnings		**172.0**	149.9	162.7
Total equity attributable to equity holders of the parent		**537.4**	531.5	534.1
Non-controlling interests		**10.0**	13.3	12.1
Total equity		**547.4**	544.8	546.2
Total liabilities and equity		**1,066.3**	1,538.9	1,138.8

The Interim Financial Statements were approved by the Board of Directors and authorised for issue on 30 July 2013.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013

	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	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013	0.6	58.9	0.8	336.8	39.5	0.8	(66.0)	162.7	12.1	546.2
Profit for the period	–	–	–	–	–	–	–	7.5	1.4	8.9
Other comprehensive income/(expense)	–	–	–	–	3.9	(0.3)	–	–	–	3.6
Total comprehensive income/(expense)	–	–	–	–	3.9	(0.3)	–	7.5	1.4	12.5
Transactions with owners:										
Purchase of own shares	–	–	–	–	–	–	–	(1.5)	–	(1.5)
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(9.6)	–	–	–	9.6	–	–
Share-based payment charges credited to equity	–	–	–	–	–	–	–	4.5	–	4.5
Tax credit in respect of share-based payments	–	–	–	–	–	–	–	0.1	–	0.1
Final 2012 dividend paid	–	–	–	–	–	–	–	(10.9)	–	(10.9)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(3.5)	(3.5)
Balance at 30 June 2013	**0.6**	**58.9**	**0.8**	**327.2**	**43.4**	**0.5**	**(66.0)**	**172.0**	**10.0**	**547.4**

for the six months ended 30 June 2012

	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	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	0.5	51.8	0.8	359.7	42.1	1.1	(66.0)	154.3	12.5	556.8
(Loss)/profit for the period (as restated*)	–	–	–	–	–	–	–	(6.1)	1.4	(4.7)
Other comprehensive (expense)/income (as restated*)	–	–	–	–	(3.1)	(0.1)	–	0.4	–	(2.8)
Total comprehensive (expense)/income	–	–	–	–	(3.1)	(0.1)	–	(5.7)	1.4	(7.5)
Transactions with owners:										
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(12.3)	–	–	–	12.3	–	–
Share capital allotted in respect of TRC Commutation arrangements	–	7.1	–	–	–	–	–	(7.1)	–	–
Share-based payment charges credited to equity	–	–	–	–	–	–	–	6.7	–	6.7
Adjustment to consideration for non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	(0.3)	–	(0.3)
Tax credit associated with adjustment to consideration for non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	0.1	–	0.1
Final 2011 dividend paid	–	–	–	–	–	–	–	(10.4)	–	(10.4)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(0.6)	(0.6)
Balance at 30 June 2012	0.5	58.9	0.8	347.4	39.0	1.0	(66.0)	149.9	13.3	544.8

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

	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	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	0.5	51.8	0.8	359.7	42.1	1.1	(66.0)	154.3	12.5	556.8
(Loss)/profit for the year (as restated*)	–	–	–	–	–	–	–	(0.3)	2.9	2.6
Other comprehensive (expense)/income (as restated*)	–	–	–	–	(2.6)	(0.3)	–	(7.1)	–	(10.0)
Total comprehensive (expense)/income	–	–	–	–	(2.6)	(0.3)	–	(7.4)	2.9	(7.4)
Transactions with owners:										
Share capital allotted in respect of TRC Commutation arrangements	0.1	7.1	–	–	–	–	–	(7.2)	–	–
Purchase of own shares	–	–	–	–	–	–	–	(0.1)	–	(0.1)
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(22.9)	–	–	–	22.9	–	–
Share-based payment charges credited to equity	–	–	–	–	–	–	–	13.4	–	13.4
Tax credit in respect of share-based payments	–	–	–	–	–	–	–	0.6	–	0.6
Adjustment to consideration for non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	2.8	–	2.8
Tax associated with adjustment to consideration for non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	(0.8)	–	(0.8)
Final 2011 dividend paid	–	–	–	–	–	–	–	(10.4)	–	(10.4)
Interim 2012 dividend paid	–	–	–	–	–	–	–	(5.4)	–	(5.4)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(3.3)	(3.3)
Balance at 31 December 2012	0.6	58.9	0.8	336.8	39.5	0.8	(66.0)	162.7	12.1	546.2

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

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 £22.1m at 30 June 2013 (30 June 2012: £26.0m debit; 31 December 2012: £25.7m debit).

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Cash flows from operating activities				
Operating profit		**22.1**	2.4	4.7
Adjustments for non-cash items	18	**27.4**	31.6	61.4
Changes in working capital and provisions	18	**(27.6)**	(23.5)	(54.5)
Cash inflows from operating activities#		**21.9**	10.5	11.6
Income tax paid		**(3.2)**	(1.4)	(6.5)
Net cash inflow from operating activities		**18.7**	9.1	5.1
Cash flows from investing activities				
Purchase of property, plant and equipment		**(0.3)**	(1.8)	(3.6)
Proceeds from disposal of property, plant and equipment		**–**	0.1	0.1
Purchase of software and licenses		**(1.6)**	(2.2)	(5.8)
Proceeds from disposal of software and licenses		**0.1**	–	–
Payments to acquire investments		**–**	(0.1)	(0.1)
Proceeds from disposal of investments		**1.2**	3.1	3.3
Investment income – interest and dividends		**0.8**	1.2	2.0
Consideration payment for the acquisition of F&C GH†		**–**	–	(0.7)
Net cash inflow/(outflow) from investing activities		**0.2**	0.3	(4.8)
Cash flows from financing activities				
Equity dividends paid	9	**(10.9)**	(10.4)	(15.8)
Repayment of Guaranteed Loan Notes 2016		**–**	(4.6)	(8.0)
Repayment of Subordinated Loan Notes 2016/2026		**–**	–	(7.6)
Interest paid on Loan Notes		**–**	(0.2)	(21.6)
Other interest paid		**(0.2)**	(0.1)	(0.3)
Distributions to non-controlling interests		**(3.5)**	(0.6)	(3.3)
Payment for change in ownership interest in F&C Partners LLP		**–**	(0.7)	–
Purchases and disposals of own shares		**(1.5)**	–	(0.1)
Payments in respect of debt arrangements		**–**	–	(0.2)
Net cash outflow from financing activities		**(16.1)**	(16.6)	(56.9)
Net increase/(decrease) in cash and cash equivalents		**2.8**	(7.2)	(56.6)
Effect of exchange rate fluctuations on cash held		**3.0**	(2.8)	(3.2)
Cash and cash equivalents at 1 January		**165.2**	225.0	225.0
Cash and cash equivalents at 30 June (31 December)		**171.0**	215.0	165.2
Cash and cash equivalents				
Shareholders		**170.6**	185.8	160.7
Policyholders		**0.4**	29.2	4.5
		171.0	215.0	165.2

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

\# 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".

† Final consideration settlement in respect of the acquisition of F&C Group (Holdings) Limited in 2004

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 (now the Financial Conduct Authority).

Section 435 statement

The comparative figures for the year ended 31 December 2012 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 2012 Annual Report and Financial Statements, as restated by the prior period restatement outlined below and in note 1. 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 25 March 2013 and have been delivered to the Registrar of Companies. Those Financial Statements have been reported on by the Company's auditors; their report (i) was 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 and, 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 2013 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 2013. The accounting policies adopted in the preparation of these 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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013, as set out below:

- **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

  The amendments to IAS 1 affect the classification of items shown in Other Comprehensive Income (OCI). The components of OCI now have to be classified as either 'items which could be recycled to profit or loss' at a future point in time and 'items which can never be recycled to the profit or loss'. It does not affect what should be shown in OCI. The amendment only affects presentation and has no impact on the F&C Group's financial results.

- **IAS 19 Employee Benefits (Revised 2011) (IAS 19R)**

  IAS 19R has several amendments to accounting for defined benefit plans. The main impact on the F&C Group is that 'expected returns on plan assets' are no longer recognised in profit or loss; instead 'net interest' is now calculated as the 'net defined benefit liability/(asset)' multiplied by the discount rate that is used to measure the defined benefit obligation. Further changes are in respect of accounting for taxes and administration costs payable by the plan. Some additional disclosures are also required by the standard.

  The amended standard requires recognition of termination benefits at the earlier of when the entity recognises related restructuring costs and when it can no longer withdraw the offer of those benefits.

  Other amendments to the standard include the distinction between long-term and short-term employee benefits, which is now based on expected timing of settlement, rather than when the employees are entitled to the benefits.

  The prior period impact of adopting this standard in respect of the Group's defined benefit pension arrangements is shown in note 1.

- **IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7**

  The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g. collateral agreements).

  The new disclosures are required for all recognised financial instruments that are set-off or are subject to an enforceable master netting arrangement or similar agreement.

  There are no additional disclosures required for the F&C Group in respect of the six months ended 30 June 2013.

- **IFRS 13 Fair Value Measurement**

  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not impacted the fair value measurements carried out by the F&C Group.

  IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards. Some of these disclosures are specifically required by IAS 34 Interim Financial Reporting for financial instruments. They have therefore been included in these Interim Financial Statements.

Several other new standards and amendments are effective from 1 January 2013:

- IAS 1 Clarification of the requirement for comparative information (amendment);
- IAS 32 Tax effects of distributions to holders of equity instruments (amendments); and
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (amendment).

These amendments do not impact on either the interim or annual consolidated financial statements of the F&C Group.

The F&C Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 on page 47 of the 2012 Annual Report and Financial Statements.

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 2012.

The 2012 Annual Report and Financial Statements are available on the Group's website (www.fandc.com) or from the Company's registered office.

Notes to the Interim Financial Statements

1. Prior period restatement

With effect from 1 January 2013, the Group has adopted IAS 19 Employee Benefits (revised) in respect of accounting for defined benefit pension obligations. This has resulted in prior period adjustments for the year ended 31 December 2012 and the six months ended 30 June 2012. There was no adjustment to the opening Statement of Financial Position at 31 December 2011.

The main change is that 'expected returns on plan assets' are no longer recognised in profit or loss. Expected returns are replaced by recording interest income or expense in profit or loss, which is calculated using the discount rate used to measure the pension obligation.

There is no overall change in the net assets of the Group or tax impact from the adoption of IAS 19 (revised).

The impact of the prior period adjustments on the Income Statement for each period is shown below:

Six months ended 30 June 2012:

	£m
Operating expenses	0.1
Finance revenue	(5.3)
Finance costs	5.1
Decrease in profit for the period	**(0.1)**

Year ended 31 December 2012:

	£m
Operating expenses	(0.1)
Finance revenue	(10.7)
Finance costs	10.3
Tax income	0.1
Decrease in profit for the year	**(0.4)**

There is no adjustment to the Statement of Financial Position at either 30 June 2012 or 31 December 2012.

The Group has also adopted IAS 1 Presentation of Items in Other Comprehensive Income – Amendments to IAS 1 for the year beginning 1 January 2013. This amendment has resulted in a prior period adjustment changing the grouping of items presented in OCI. Items which would be reclassified (or recycled) to profit or loss in the future are now presented separately from items that would never be reclassified. The amendments do not change the nature of items that are recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods.

2. 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; and
- Thames River Capital (TRC).

While there are different sources of revenue and distinct distribution channels within operating segments, 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.

Segment revenue, operating expenses, finance revenue, finance costs and profit/(loss) for the period include transactions between operating segments, which are eliminated on consolidation. The accounting policies of the operating segments are the same as those of the Group.

2. Operating segments continued

(a) Operating segments' financial information

	F&C			F&C REIT			TRC			Total		
	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Revenue												
External clients	**99.4**	91.7	187.0	**19.3**	19.6	38.4	**15.7**	16.3	32.0	**134.4**	127.6	257.4
Inter-segment revenue	**0.3**	0.4	0.7	**–**	–	–	**0.8**	0.8	1.5	**1.1**	1.2	2.2
Segment revenue	**99.7**	92.1	187.7	**19.3**	19.6	38.4	**16.5**	17.1	33.5	**135.5**	128.8	259.6
Fee and commission expenses	**(5.3)**	(5.8)	(11.1)	**(1.4)**	(1.2)	(2.2)	**(1.6)**	(0.3)	(0.6)	**(8.3)**	(7.3)	(13.9)
Net gains and investment income on unit-linked assets	**6.5**	14.3	40.6	**–**	–	–	**–**	–	–	**6.5**	14.3	40.6
Movement in fair value of unit-linked liabilities	**(6.3)**	(14.3)	(40.8)	**–**	–	–	**–**	–	–	**(6.3)**	(14.3)	(40.8)
Operating expenses												
Operating expenses	**(57.3)**	(65.0)	(128.7)	**(7.9)**	(8.8)	(16.5)	**(12.1)**	(14.9)	(27.6)	**(77.3)**	(88.7)	(172.8)
Amortisation and depreciation	**(14.2)**	(15.3)	(28.4)	**(5.5)**	(5.5)	(11.0)	**(3.2)**	(3.4)	(6.7)	**(22.9)**	(24.2)	(46.1)
Other exceptional net operating expenses	**(3.3)**	(2.7)	(11.6)	**–**	–	–	**(1.8)**	(3.5)	(10.3)	**(5.1)**	(6.2)	(21.9)
Total operating expenses	**(74.8)**	(83.0)	(168.7)	**(13.4)**	(14.3)	(27.5)	**(17.1)**	(21.8)	(44.6)	**(105.3)**	(119.1)	(240.8)
Operating profit/(loss)	**19.8**	3.3	7.7	**4.5**	4.1	8.7	**(2.2)**	(5.0)	(11.7)	**22.1**	2.4	4.7
Finance revenue	**7.8**	2.3	9.6	**–**	–	0.1	**–**	–	0.2	**7.8**	2.3	9.9
Finance costs	**(11.1)**	(11.5)	(23.0)	**–**	–	–	**–**	(0.9)	(1.0)	**(11.1)**	(12.4)	(24.0)
F&C REIT put option fair value gain	**–**	–	11.5	**–**	–	–	**–**	–	–	**–**	–	11.5
Tax (expense)/income	**(2.3)**	2.1	4.4	**(0.7)**	(0.3)	(0.8)	**(0.1)**	1.2	2.0	**(3.1)**	3.0	5.6
Profit/(loss) for the period	**14.2**	(3.8)	10.2	**3.8**	3.8	8.0	**(2.3)**	(4.7)	(10.5)	**15.7**	(4.7)	7.7
Segment assets	**836.2**	1,290.4	898.9	**191.4**	199.9	197.2	**53.3**	60.0	55.5	**1,080.9**	1,550.3	1,151.6
Segment liabilities	**(476.1)**	(949.1)	(544.1)	**(18.3)**	(18.2)	(19.2)	**(16.1)**	(20.9)	(18.0)	**(510.5)**	(988.2)	(581.3)
Other information												
Expenditure on non-current assets	**1.6**	4.7	8.8	**0.2**	0.3	0.5	**–**	0.1	0.3	**1.8**	5.1	9.6
Non-cash expenses/(income) other than depreciation and amortisation	**3.2**	4.3	(4.8)	**–**	–	0.2	**1.8**	3.4	7.0	**5.0**	7.7	2.4

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

Revenues from two external clients each represent 10% or more of the Group's total revenues:

Client	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m	**Segment(s)**
Largest*	**15.1**	12.9	26.9	F&C; F&C REIT
Second largest*	**13.8**	13.4	26.8	F&C

* In the current period

2. Operating segments continued

(b) Reconciliations to Group Financial Statements

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Total revenue			
Total revenue for reportable segments	**135.5**	128.8	259.6
Elimination of inter-segment revenue	**(1.1)**	(1.2)	(2.2)
Group revenue	**134.4**	127.6	257.4
Operating expenses			
Total operating expenses for reportable segments	**105.3**	119.1	240.8
Elimination of inter-segment expenses	**(1.1)**	(1.2)	(2.2)
Group operating expenses	**104.2**	117.9	238.6
Finance revenue			
Total finance revenue for reportable segments	**7.8**	2.3	9.9
Elimination of inter-segment finance revenue	**(6.8)**	(0.9)	(6.0)
Group finance revenue	**1.0**	1.4	3.9
Finance costs			
Total finance costs for reportable segments	**11.1**	12.4	24.0
Elimination of inter-segment finance costs	**–**	(0.9)	(0.9)
Group finance costs	**11.1**	11.5	23.1
Profit/(loss) for the period			
Total profit/(loss) for reportable segments	**15.7**	(4.7)	7.7
Adjustment for inter-segment profit distributions	**(6.8)**	–	(5.1)
Group profit/(loss) for the period	**8.9**	(4.7)	2.6
Assets			
Total assets for reportable segments	**1,080.9**	1,550.3	1,151.6
Elimination of inter-segment assets	**(14.6)**	(11.4)	(12.8)
Group assets	**1,066.3**	1,538.9	1,138.8
Liabilities			
Total liabilities for reportable segments	**(510.5)**	(988.2)	(581.3)
Elimination of inter-segment liabilities	**14.6**	11.4	12.8
Unallocated defined benefit pension liabilities	**(23.0)**	(17.3)	(24.1)
Group liabilities	**(518.9)**	(994.1)	(592.6)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

The reportable segments' totals for all other line items reported in the table at note 2(a) are the same as those for the Group, with no reconciling differences.

2. Operating segments continued

(c) Geographical information

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Revenue by location of clients			
United Kingdom	**59.4**	53.0	105.4
Continental Europe*	**66.5**	65.0	132.3
Rest of the World	**8.5**	9.6	19.7
Group total	**134.4**	127.6	257.4

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Non-current assets by domicile†			
United Kingdom	**51.2**	67.0	60.2
Continental Europe*	**19.9**	36.8	28.6
Rest of the World	**9.0**	12.7	10.6
	80.1	116.5	99.4
Unallocated – Goodwill	**611.9**	611.9	611.9
Group total	**692.0**	728.4	711.3

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

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

3. Net revenue

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Base management fees	**123.3**	120.4	243.1
Performance-related management fees	**7.3**	4.9	9.5
Total investment management fees	**130.6**	125.3	252.6
Other income	**3.8**	2.3	4.8
Total revenue	**134.4**	127.6	257.4
Renewal commission on open-ended investment products	**(5.6)**	(4.0)	(8.0)
Other selling expenses	**(2.7)**	(3.3)	(5.9)
Fee and commission expenses	**(8.3)**	(7.3)	(13.9)
Net revenue	**126.1**	120.3	243.5

4. Other exceptional net operating expenses

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

		Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Exceptional outsourcing expenses	(i)	**(1.6)**	(1.7)	(3.3)
TRC Commutation (expenses)/income	(ii)	**(1.6)**	0.1	(1.6)
Exceptional employment expenses	(iii)	**(1.4)**	(3.2)	(8.2)
TRC Management Retention Plan expense	(iv)	**(0.9)**	(3.3)	(6.2)
Exceptional premises income/(expenses)	(v)	**0.4**	0.2	(1.3)
F&C Partners litigation income/(expenses)	(vi)	**–**	1.7	(1.3)
		(5.1)	(6.2)	(21.9)

(i) Exceptional outsourcing expenses

During the six months ended 30 June 2013, a further £1.2m of consultancy costs were incurred in completing the project to outsource certain of the Group's back and middle office investment operations to State Street. In addition, £0.4m of non-recurring outsourcing costs were incurred as part of implementing strategic changes.

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

(ii) TRC Commutation (expenses)/income

The Divisional Members of TRC Investment Teams entered into put and call options at the time of the TRC acquisition, which, if exercised, will typically 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 net expense of £1.6m recognised in the six months to 30 June 2013 reflects the charge for the Investment Teams where options have been, or are expected to be exercised. At 30 June 2013, F&C's call options are the only remaining options; they become exercisable in September 2013.

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

(iii) Exceptional employment expenses

During the six months ended 30 June 2013 a further £1.4m of non-recurring redundancy and related staff costs were incurred in order to achieve the targeted level of staff cost savings.

The Directors consider these non-recurring employment expenses to be exceptional in nature and have therefore excluded them from the measurement of underlying earnings.

(iv) TRC Management Retention Plan expense

As a condition of the acquisition of TRC, the Group established the Management Retention Plan (MRP) to retain and incentivise certain TRC personnel. The cost of the MRP (including NIC) charged to the Income Statement for the six months ended 30 June 2013 was £0.9m. The MRP share awards vest on 1 September 2013.

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

(v) Exceptional premises income/(expenses)

As part of the strategic review programme, significant cost savings have been realised as a result of premises restructuring activity at the Group's Head Office in London. A total net expense of £1.3m was recognised in the Income Statement for the year to 31 December 2012, of which a credit of £0.2m related to the six months to 30 June 2012; this comprised £1.2m of non-recurring premises-related costs associated with the restructuring activities, offset by a £1.4m credit in respect of an accelerated release of lease incentive liabilities.

Following the successful assignment and termination of lease arrangements in respect of the former TRC premises, a £0.4m excess onerous property provision has been released to the Income Statement in the six months to 30 June 2013.

(vi) F&C Partners litigation income/(expenses)

The F&C Partners litigation was settled in 2012, resulting in an overall charge of £1.3m for that year.

5. Finance revenue

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Loans and receivables:			
Bank interest receivable	**0.3**	0.5	0.8
Other interest receivable	**–**	–	0.2
Designated as fair value through profit or loss:			
Gain on fair value of investments	**0.2**	0.3	0.7
Gain on redemption of bonds	**–**	–	1.1
Designated as available for sale:			
Investment income receivable	**0.5**	0.6	1.1
Total finance revenue	**1.0**	1.4	3.9

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

6. Finance costs

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Interest expense on financial liabilities recognised at cost using the effective interest rate method:			
Fixed/Floating Rate Subordinated Loan Notes 2016/2026	**3.9**	4.2	8.4
Guaranteed Fixed Rate Loan Notes 2016	**6.3**	6.6	13.1
Bank charges and other interest payable	**0.2**	0.1	0.3
Total interest expense	**10.4**	10.9	21.8
Amortisation of loan note issue costs and facility fees	**0.2**	0.1	0.3
Unwinding of discount on onerous provisions	**0.1**	0.1	0.3
Other finance costs:			
Interest cost on pension obligations	**0.4**	0.4	0.7
Total finance costs	**11.1**	11.5	23.1

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

7. Income tax

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

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Current income tax:			
Current income tax expense	**2.9**	4.1	6.0
Adjustments in respect of previous periods	**–**	(0.1)	(1.9)
Deferred income tax:			
Relating to origination and reversal of temporary differences	**0.5**	(6.9)	(10.9)
Adjustments in respect of previous periods	**(0.3)**	0.1	1.3
Adjustments in respect of Corporation Tax rate change	**–**	(0.2)	(0.1)
Tax expense/(income) reported in the Condensed Income Statement	**3.1**	(3.0)	(5.6)

* As restated for the adoption of IAS19 (revised) Employee Benefits, as disclosed in note 1

7. Income tax continued

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Deferred and current income tax related to items charged or credited directly to equity:			
Fair value movements on financial investments	**(0.1)**	(0.1)	(0.1)
Net actuarial gains/(losses) on defined benefit pension schemes	**–**	0.3	(1.9)
Gain on non-UK pension schemes	**–**	0.3	0.3
Adjustments in respect of Corporation Tax rate change	**–**	0.1	0.3
Tax (income)/expense recognised directly in the Condensed Statement of Comprehensive Income	**(0.1)**	0.6	(1.4)
Tax associated with purchase of NCI in F&C Partners LLP	**–**	(0.1)	0.8
Share-based payments	**(0.1)**	–	(0.6)
Tax (income)/expense recognised directly in the Condensed Statement of Changes in Equity	**(0.2)**	0.5	(1.2)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

Effective rate of tax and factors affecting future tax charges

The net tax expense for the six-month period ended 30 June 2013 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 expense to £3.1m for the period to 30 June 2013 (period ended 30 June 2012: tax income of £3.0m; year ended 31 December 2012: tax income of £5.6m).

The current Corporation Tax rate is 23% which became effective from 1 April 2013, leading to a statutory UK Corporation Tax rate of 23.25% for 2013 for the Group.

Since the reporting date, the UK 2013 Finance Bill has enacted the further 3% reduction in the Corporation Tax rate. A 2% reduction to 21% will become effective from 1 April 2014 and the remaining 1% will be effective from 1 April 2015. This will bring the statutory UK tax rate to 20% for the Group in 2016.

It is estimated that the effect of this additional 3% rate change, substantively enacted on 2 July 2013, will lead to a further reduction in the Group's deferred tax asset of £0.9m through the Consolidated Income Statement and £0.4m through the Consolidated Statement of Comprehensive Income.

8. Earnings per share

Basic earnings/(loss) per share amounts are calculated by dividing the earnings/(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 earnings/(loss) per share amounts are calculated by dividing the earnings/(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 at the reporting date.

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

Reconciliation of earnings/(loss) per Ordinary Share	**Six months ended 30 June 2013** p	Six months ended 30 June 2012 (as restated*) p	Year ended 31 December 2012 (as restated*) p
Basic earnings/(loss) per Ordinary Share	**1.37**	(1.17)	(0.06)
Amortisation of intangibles	**2.69**	2.80	5.25
Exceptional outsourcing expenses	**0.22**	0.25	0.47
TRC Commutation expenses/(income)	**0.29**	(0.02)	0.30
Exceptional employment expenses	**0.18**	0.46	1.13
TRC Management Retention Plan expense	**0.14**	0.52	1.02
Exceptional premises (income)/expenses	**(0.05)**	–	0.21
Deferred Tax – Corporation Tax rate change	**–**	0.17	0.36
F&C Partners litigation (income)/expense	**–**	(0.25)	0.19
F&C REIT put option fair value gain	**–**	–	(2.16)
Underlying earnings per Ordinary Share	**4.84**	2.76	6.71
Foreign exchange (gains)/losses included within underlying earnings per Ordinary Share	**(0.07)**	0.17	0.28
Underlying earnings per Ordinary Share excluding foreign exchange gains and losses	**4.77**	2.93	6.99

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

	Six months ended 30 June 2013 p	Six months ended 30 June 2012 (as restated*) p	Year ended 31 December 2012 (as restated*) p
Diluted earnings/(loss) per Ordinary Share†	**1.25**	(1.17)	(0.06)
Diluted underlying earnings per Ordinary Share	**4.44**	2.49	6.03
Diluted underlying earnings per Ordinary Share excluding foreign exchange (gains)/losses	**4.37**	2.65	6.28

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

† 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 2012 and 31 December 2012.

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

8. Earnings per share continued

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

	Six months ended 30 June 2013			Six months ended 30 June 2012 (as restated*)			Year ended 31 December 2012 (as restated*)		
Reconciliation of earnings/(loss)	**Gross £m**	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
Earnings/(loss) attributable to ordinary equity holders of the parent for basic earnings/(loss) per share	**10.6**	**(3.1)**	**7.5**	(9.0)	2.9	(6.1)	(5.6)	5.3	(0.3)
Amortisation of intangibles[(1)]	**19.1**	**(4.4)**	**14.7**	20.8	(6.2)	14.6	39.3	(11.4)	27.9
Exceptional outsourcing expenses	**1.6**	**(0.4)**	**1.2**	1.7	(0.4)	1.3	3.3	(0.8)	2.5
TRC Commutation expenses/(income)	**1.6**	**–**	**1.6**	(0.1)	–	(0.1)	1.6	–	1.6
Exceptional employment expenses	**1.4**	**(0.4)**	**1.0**	3.2	(0.8)	2.4	8.2	(2.2)	6.0
TRC Management Retention Plan expense	**0.9**	**(0.1)**	**0.8**	3.3	(0.6)	2.7	6.2	(0.8)	5.4
Exceptional premises (income)/expenses	**(0.4)**	**0.1**	**(0.3)**	(0.2)	0.2	–	1.3	(0.2)	1.1
Deferred Tax – Corporation Tax rate change	**–**	**–**	**–**	–	0.9	0.9	–	1.9	1.9
F&C Partners litigation (income)/expense	**–**	**–**	**–**	(1.7)	0.4	(1.3)	1.3	(0.3)	1.0
F&C REIT put option fair value gain	**–**	**–**	**–**	–	–	–	(11.5)	–	(11.5)
Underlying earnings attributable to ordinary equity holders of the parent	**34.8**	**(8.3)**	**26.5**	18.0	(3.6)	14.4	44.1	(8.5)	35.6
Foreign exchange (gains)/losses included within underlying earnings	**(0.5)**	**0.1**	**(0.4)**	1.2	(0.3)	0.9	2.0	(0.5)	1.5
Underlying earnings attributable to ordinary equity holders of the parent excluding foreign exchange gains and losses	**34.3**	**(8.2)**	**26.1**	19.2	(3.9)	15.3	46.1	(9.0)	37.1

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

(1) Excludes £1.2m for the six months ended 30 June 2013 (six months ended 30 June 2012: £1.1m; year ended 31 December 2012: £2.2m) of amortisation of intangibles (net of tax) which is attributable to non-controlling interests

Share capital	**Six months ended 30 June 2013 No.**	Six months ended 30 June 2012 No.	Year ended 31 December 2012 No.
Weighted average number of Ordinary Shares[(1)]	**547,099,979**	521,348,657	530,962,557
Dilutive potential weighted average number of Ordinary Shares	**596,385,567**	576,887,186	590,275,767

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

As disclosed in the 2012 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.

9. Ordinary dividends

Declared and paid during the period	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Equity dividends on Ordinary Shares:			
– Final dividend for 2012: 2.0p (2011: 2.0p)	**10.9**	10.4	10.4
– Interim dividend for 2012: 1.0p	**–**	–	5.4
	10.9	10.4	15.8

Proposed dividends	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Equity dividends on Ordinary Shares:			
– Final dividend for 2012: 2.0p	**–**	–	10.9
– Interim dividend for 2013: 1.0p (2012: 1.0p)	**5.6**	5.5	–

The proposed interim dividend for 2013 is based on 1.0p per share and 559,483,126 Ordinary Shares being eligible for dividends as at 30 July 2013. This dividend was approved by the Board on 30 July 2013. The interim dividend will be payable on 25 October 2013, to shareholders on the register as at 4 October 2013.

10. Goodwill and other intangible assets

	Goodwill £m	**Management contracts £m**	**Software and licences £m**	**Total £m**
Cost:				
At 1 July 2012	611.9	701.9	9.0	1,322.8
Additions	–	–	3.7	3.7
Disposals	–	–	(0.1)	(0.1)
At 31 December 2012	611.9	701.9	12.6	1,326.4
Additions	–	–	1.5	1.5
Disposals	–	–	(0.2)	(0.2)
Foreign exchange gains	–	1.7	–	1.7
At 30 June 2013	**611.9**	**703.6**	**13.9**	**1,329.4**
Amortisation and impairment:				
At 1 July 2012	–	597.3	4.6	601.9
Amortisation charge for the period	–	20.1	0.3	20.4
Disposals	–	–	(0.1)	(0.1)
At 31 December 2012	–	617.4	4.8	622.2
Amortisation charge for the period	–	20.7	0.8	21.5
Disposals	–	–	(0.2)	(0.2)
At 30 June 2013	**–**	**638.1**	**5.4**	**643.5**
Net book values:				
At 30 June 2012	611.9	104.6	4.4	720.9
At 31 December 2012	611.9	84.5	7.8	704.2
At 30 June 2013	**611.9**	**65.5**	**8.5**	**685.9**

10. Goodwill and other intangible assets continued

Goodwill

Goodwill has arisen from various business combinations and, reflecting the Group's reportable operating segments disclosed in note 2, is represented by three cash generating units (CGUs), as follows:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £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	16.8
	611.9	611.9	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 as at 31 December 2012, as described in note 13 of the 2012 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 2013.

Investment management contracts

Management contracts predominantly relate to contracts arising from business acquisitions.

Management contracts 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 2013 arise from the relative strengthening of the euro over the course of the first half of 2013, increasing the value of euro-denominated contracts in sterling terms.

11. Financial instruments

Carrying amounts versus fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the Condensed Consolidated Statement of Financial Position, are as follows:

30 June 2013	Carrying amount £m	Fair value £m
Non-current financial assets:		
Financial investments:		
Equity securities – available for sale	0.8	0.8
Other receivables	0.3	0.3
Current financial assets:		
Other investments:		
Equity securities – designated as fair value through profit or loss (FVTPL)	4.4	4.4
Debt securities – designated as FVTPL	0.4	0.4
Stock of units and shares	1.1	1.1
	5.9	5.9
Trade and other receivables	168.1	168.1
Cash and cash equivalents	171.0	171.0
Non-current financial liabilities:		
Interest-bearing loans and borrowings:		
Fixed/Floating Rate Subordinated Loan Notes 2016/2026	(115.6)	(100.5)
Guaranteed Fixed Rate Loan Notes 2016	(141.8)	(153.4)
	(257.4)	(253.9)
Other payables	(5.3)	(5.3)
Other financial liabilities – F&C REIT Put Options (FVTPL)	(30.0)	(30.0)
Current financial liabilities:		
Investment contract liabilities	(1.6)	(1.6)
Trade and other payables	(135.7)	(135.7)
Other financial liabilities – F&C REIT Put Options (FVTPL)	(3.8)	(3.8)

Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, but are corroborated by observable market data.
- **Level 3:** unobservable inputs for the asset or liability.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

11. Financial instruments continued

30 June 2013

Assets measured at fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value through profit or loss:				
Financial investments in respect of unit-linked contracts	1.8	–	–	1.8
Other financial investments	–	3.0	–	3.0
Classified as held for trading:				
Stock of units and shares	0.4	0.7	–	1.1
Available for sale financial assets:				
Unquoted investments	–	–	0.8	0.8
Total financial assets carried at fair value	**2.2**	**3.7**	**0.8**	**6.7**

Liabilities measured at fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss:				
F&C REIT put options	–	–	(33.8)	(33.8)
Investment contract liabilities	–	(1.6)	–	(1.6)
Total financial liabilities carried at fair value	**–**	**(1.6)**	**(33.8)**	**(35.4)**

Valuation techniques

The Level 2 assets are mainly:

- offshore funds which can use valuation techniques other than unadjusted quoted prices in active markets and are not necessarily traded on a daily basis; and
- liquidity pooled funds which have no quoted prices.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the six months ended 30 June 2013.

Level 3 fair values

Details of the determination of Level 3 fair value measurements and the movements in Level 3 fair values during the six months ended 30 June 2013 are set out below:

	Available for sale financial assets £m	Financial liabilities at FVTPL £m
At 1 January 2013	1.2	(33.8)
Total gains or losses:		
In profit or loss	(0.5)	–
In other comprehensive income	0.1	–
At 30 June 2013	**0.8**	**(33.8)**

There were no transfers out of Level 3 of the fair value hierarchy during the six months ended 30 June 2013.

The Group's Level 3 fair values are obtained from external parties. The unquoted investments consist of private equity investments and carried interest entitlements. The fair value of unlisted investments has been valued in accordance with International Private Equity and Venture Capital Valuation Guidelines and in accordance with the underlying limited partnership agreements.

The fair value of the put options is based on an external valuation of the F&C REIT business at each year-end reporting date. The average of three valuation methodologies (equally weighted) was used to place a fair value on the F&C REIT business, namely:

1. Discounted cash flow method
2. Market earnings before interest, taxation, depreciation and amortisation (EBITDA) multiple
3. Fixed EBITDA multiple

11. Financial instruments continued

The main assumptions used in the valuation methodologies are:

(a) Projections of the profit and loss for F&C REIT:

Net new business:	based on the F&C REIT approved budget for year one, with management forecast projections for the subsequent four years
Revenue growth:	3.0% per annum
Cost inflation:	3.5% per annum and 5.25% per annum for staff costs

(b) Discount rates: 12.5% on recurring cash flows
25.0% on non-recurring cash flows

(c) Perpetuity growth rates: 3.0% for recurring cash flows
3.0% for non-recurring cash flows

(d) Earnings multipliers: 9.0 x recurring EBITDA
3.0 x non-recurring EBITDA

Further details of the F&C REIT put option liabilities are disclosed in note 27 of the 2012 Annual Report and Financial Statements.

Sensitivities for Level 3

While the Group believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. In respect of Level 3 financial assets and liabilities, changing one or more of the unobservable inputs to reasonably possible alternative assumptions would have the following effects:

	Effect on profit or loss		Effect on other comprehensive income	
At 30 June 2013	**Favourable £m**	**(Unfavourable) £m**	**Favourable £m**	**(Unfavourable) £m**
Available for sale financial assets	–	–	0.1	(0.1)
Financial liabilities at FVTPL	2.7	(2.4)	–	–

The F&C REIT put option sensitivities were derived from reasonable changes to the assumptions on the following unobservable inputs:

- Recurring discount rates +/- 1%
- Weightings of 2012 results +/- 10%
- Recurring EBITDA multiple +/- 1x
- Flexing the relative weightings of the three valuation methodologies +/- 10%

12. Trade and other receivables

Non-current assets	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
Other debtors	**0.2**	1.9	0.3
Prepayments	**0.1**	0.1	0.1
Other receivables	**0.3**	2.0	0.4
Current assets			
Trade debtors	**32.6**	24.1	32.0
Accrued income	**34.4**	29.4	30.6
OEIC and unit trust debtors*	**91.2**	40.8	10.6
Other debtors	**5.1**	7.7	5.7
Prepayments	**4.8**	8.0	8.3
Trade and other receivables	**168.1**	110.0	87.2

* OEIC and unit trust debtors are due from investors in respect of units and shares in open-ended funds. The level of OEIC and unit trust debtors is inherently volatile and the Group recognises 'OEIC and unit trust creditors' of a similar magnitude at any point in time.

12. Trade and other receivables continued

The analysis of trade debtors which are receivable but have not been impaired is as follows:

Trade debtors	Neither past due nor impaired £m	Less than 30 days overdue £m	Between 30 and 90 days overdue £m	Between 90 days and 1 year overdue £m	Beyond 1 year overdue £m	Total £m
At 30 June 2013	**9.5**	**2.4**	**3.9**	**12.9**	**3.9**	**32.6**
At 30 June 2012	8.6	0.8	3.9	9.3	1.5	24.1
At 31 December 2012	11.0	4.2	4.0	12.7	0.1	32.0

13. Interest-bearing loans and borrowings

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Fixed/Floating Rate Subordinated Loan Notes 2016/2026	**115.6**	124.5	115.6
Being notes with an aggregate nominal value of £115,973,000 (30 June 2012: £125,000,000; 31 December 2012: £115,973,000).			
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 three-month LIBOR until 19 December 2026, payable quarterly in arrears.			
Guaranteed Fixed Rate Loan Notes 2016	**141.8**	144.9	141.8
Being notes with an aggregate nominal value of £142,035,000 (30 June 2012: £145,148,000; 31 December 2012: £142,035,000).			
Interest rate of 9.0% per annum until 19 December 2016, payable annually in arrears.			
	257.4	269.4	257.4
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*	**257.4**	269.4	257.4
In more than five years	**–**	–	–
	257.4	269.4	257.4

* Assumes Fixed/Floating Rate Subordinated Loan Notes are not extended beyond 2016

The Group bought back 4.5m of Guaranteed Fixed Rate Loan Notes, with a nominal value of £1 each, in the six months ended 30 June 2012 for a cash consideration of £4.6m, and a further 3.1m in the second half of 2012 for a consideration of £3.4m. In addition, 9.0m Fixed/Floating Rate Subordinated Loan Notes were purchased in the second half of 2012 for a consideration of £7.6m. No buy backs were made in the six months ended 30 June 2013.

The Group entered into a £20.0m revolving credit facility agreement on 29 June 2012. The agreement expires on 31 August 2013. To date, no drawdown has been made from the facility.

14. Provisions

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Summary:			
Onerous premises contracts	**3.3**	5.1	5.3
NIC on share schemes	**5.5**	7.6	7.0
Other provisions	**1.0**	1.6	1.1
	9.8	14.3	13.4
Split as follows:			
Non-current	**3.5**	6.1	5.1
Current	**6.3**	8.2	8.3
	9.8	14.3	13.4

15. Pension scheme obligations

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Fair value of plan assets	**245.3**	214.9	232.7
Benefit obligations	**(268.3)**	(232.2)	(256.8)
Total pension deficit	**(23.0)**	(17.3)	(24.1)

The valuation of the UK benefit obligations is based on the following key assumptions:

	30 June 2013	30 June 2012	31 December 2012
Discount rate	**4.75%**	4.70%	4.50%
Inflation rate (RPI)	**3.55%**	3.15%	3.15%
Inflation rate (CPI)	**2.85%**	2.45%	2.45%

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

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Current service cost	**1.1**	0.9	1.9
Past service cost	**–**	–	0.5
Settlement gains	**–**	–	(0.1)
Administration expenses and taxes	**0.2**	0.2	0.4
Net interest cost	**0.4**	0.4	0.7
Total defined benefit pension expense recognised in the Condensed Income Statement	**1.7**	1.5	3.4

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

16. Share-based payments

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Total share-based payment expense recognised in the Condensed Income Statement	**5.7**	11.6	21.5

In accordance with the Group's accounting policy, a review has been performed at 30 June 2013 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 2013:

Scheme	**Grant date**	**Vesting date**	**No. of shares awarded**	**Share price at date of issue (fair value)**
Long-Term Remuneration Plan (Deferred awards)	13 May 2013	13 May 2016	132,789	95.0p
Long-Term Remuneration Plan (Restricted awards) (i)	13 May 2013	13 May 2017	8,379,775	95.0p

Scheme	**Grant date**	**Vesting date**	**No. of units awarded**	**Market value per unit at grant date**
F&C REIT LTRP (deferred awards)	1 April 2013	1 April 2016	10,886.52	£70.50

16. Share-based payments continued

(i) Long-Term Remuneration Plan (2013 Restricted awards)

Ordinary Shares that are the subject of a Restricted Share Award under the LTRP will vest dependent upon achieving four specified performance conditions and conditions of continued service being met. The performance conditions applied to the 2013 LTRP award, as determined by the Board, are measured over a four-year performance period and comprise the following:

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

To the extent that any element of the award does not meet the performance criteria, it expires immediately.

(ii) Long-Term Remuneration Plan (2010 Restricted Awards)

The 2010 LTRP (restricted awards) vested on 4 May 2013.

The vesting percentages, and therefore the achievement of the specified performance conditions, were as follows:

Underlying EPS element	95.6%
Total Shareholder Return (TSR) element	0%
Investment Performance element	84.9%
Net New Business element	0%

The final charge to the Income Statement has been trued-up where applicable to reflect the final outcome.

Details of all share-based payment (SBP) schemes are disclosed in note 25 of the 2012 Annual Report and Financial Statements. There have been no other changes to the Group's SBP arrangements during the six months ended 30 June 2013.

17. Share capital

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Ordinary Shares of 0.1p each	**0.6**	0.5	0.6

The number of Ordinary Shares in issue was as follows:

	30 June 2013 No.	30 June 2012 No.	31 December 2012 No.
Allotted, called up and fully paid Ordinary Shares of 0.1p each	**561,852,036**	542,803,481	555,180,788
Ordinary Shares held by Employee Benefit Trusts*	**(6,592,396)**	(16,033,772)	(13,001,180)
Ordinary Shares available in the market	**555,259,640**	526,769,709	542,179,608

* Or similar arrangements

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

	Six months ended 30 June 2013 No.	Six months ended 30 June 2012 No.	Year ended 31 December 2012 No.
Issued at 1 January	**555,180,788**	532,118,789	532,118,789
Issue of shares in respect of TRC Commutation arrangements	**–**	10,684,692	10,684,692
Issue of shares at par to settle share-based payment awards	**6,671,248**	–	12,377,307
Issued at 30 June (31 December)	**561,852,036**	542,803,481	555,180,788

18. Notes to the statement of cash flows

Analysis of movements in statement of cash flows

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	**1.4**	1.5	3.0
Amortisation of intangible assets	**21.5**	22.7	43.1
Loss on disposal of property, plant and equipment	**–**	0.7	0.9
Equity-settled share-based payment expenses	**4.5**	6.7	13.4
Non-cash movement in respect of adjustment to consideration for NCI in F&C Partners LLP	**–**	–	1.0
	27.4	31.6	61.4
Changes in working capital and provisions:			
Increase in trade and other receivables	**(80.8)**	(26.9)	(2.5)
Increase/(decrease) in trade and other payables	**74.4**	20.2	(16.5)
Decrease in liabilities to members of LLPs	**(0.5)**	(1.9)	(0.7)
(Increase)/decrease in stock of units and shares	**(0.8)**	(0.2)	0.6
Decrease in investment contract liabilities†	**(135.3)**	(4.5)	(335.9)
Decrease in reinsurance assets	**–**	–	2.0
Decrease in insurance contract liabilities	**–**	–	(2.0)
Decrease in employee benefit liabilities	**(11.5)**	(15.2)	(5.0)
Decrease in deferred acquisition costs	**1.0**	1.0	1.8
Decrease in deferred income	**(0.9)**	(1.0)	(2.0)
Pension charge to operating profit less defined benefit pension contributions paid	**(2.0)**	(2.3)	(5.4)
Decrease in provisions	**(3.6)**	(0.1)	(2.5)
Decrease in unit-linked financial investments†	**132.4**	7.4	313.6
	(27.6)	(23.5)	(54.5)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

† The decreases in investment contract liabilities and unit-linked financial investments are as a result of the decision to close the Group's unit-linked pooled pension fund product, which operates in the Group's insurance subsidiary, F&C Managed Pension Funds Limited.

19. Related party transactions

In the ordinary course of business, the Group carried out 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 2012 Annual Report and Financial Statements.

(a) Related party transactions with Sherborne

Sherborne owns approximately 20% 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. Ian Brindle, who is a representative of Sherborne, retired from the F&C Board on 10 May 2013. Sherborne is entitled to ordinary dividends, and a fee in respect of the Chairman's services to F&C up to 31 December 2012, following which, fees have been paid directly to Mr Bramson. The Group's transactions with Sherborne are disclosed below:

	Total invoiced and accrued during the six months ended 30 June 2013 £m	**Outstanding at 30 June 2013 £m**	Total invoiced and accrued during the six months ended 30 June 2012 £m	Outstanding at 30 June 2012 £m	Total invoiced and accrued during 2012 £m	Outstanding at 31 December 2012 £m
Ordinary dividends paid to Sherborne	**2.2**	**–**	2.1	–	3.2	–
Director's fees payable to Sherborne	**–**	**–**	0.1	–	0.2	–
Other expenses payable to Sherborne	**0.1**	**–**	0.2	–	0.3	–

19. Related party transactions continued

(b) Transactions with non-controlling interests

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 Partnership). 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 as disclosed in the tables below:

Six months ended 30 June 2013	**Amortisation of intangible assets £m**	**Profit share £m**	**Distributions paid £m**	**NCI at 30 June 2013 £m**
Kendray Properties Limited	**(0.6)**	**1.3**	**(0.8)**	**8.2**
L. Noé	**(0.5)**	**1.0**	**(1.9)**	**2.0**
I. Smith	**(0.1)**	**0.3**	**(0.8)**	**(0.2)**
	(1.2)	**2.6**	**(3.5)**	**10.0**

Six months ended 30 June 2012	Amortisation of intangible assets £m	Profit share £m	Distributions paid £m	NCI at 30 June 2012 £m
Kendray Properties Limited	(0.5)	1.6	–	7.9
L. Noé	(0.4)	0.7	(0.4)	4.6
I. Smith	(0.2)	0.2	(0.2)	0.8
	(1.1)	2.5	(0.6)	13.3

Year ended 31 December 2012	Amortisation of intangible assets £m	Profit share £m	Distributions paid £m	NCI at 31 December 2012 £m
Kendray Properties Limited	(1.1)	3.1	(0.5)	8.3
L. Noé	(0.8)	1.5	(2.0)	3.4
I. Smith	(0.3)	0.5	(0.8)	0.4
	(2.2)	5.1	(3.3)	12.1

20. Commitments

The Group has future minimum rentals payable and receivable under non-cancellable operating leases at the period end as disclosed in the tables below:

	Premises		
Operating leases	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
Not later than one year	**8.1**	9.8	8.8
Later than one year and not later than five years	**30.9**	32.3	31.7
Later than five years	**31.7**	38.5	34.9
	70.7	80.6	75.4

	Premises		
Sub-lease receivables	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
Not later than one year	**2.9**	3.3	3.0
Later than one year and not later than five years	**10.4**	11.0	10.6
Later than five years	**4.6**	7.0	5.8
	17.9	21.3	19.4

21. 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 2013 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Jonathan Mills

for and on behalf of KPMG Audit Plc
Chartered Accountants, Edinburgh

30 July 2013

Reconciliations of Statutory Results to Underlying Earnings

The following tables reconcile the statutory results to underlying earnings attributable to equity holders of the parent. In addition the calculation of certain key financial indicators is given below.

Six months ended 30 June 2013

£ millions unless otherwise stated

		Statutory results	Adjustments	Adjusted Income Statement	Adjustments for FX gains	Underlying earnings	Non-controlling interests profits*	Underlying earnings (ex NCI)
A	**Net Revenue**	**126.1**	**–**	**126.1**	**–**	**126.1**	**–**	**126.1**
	Net policyholder income	0.2	–	0.2	–	0.2	–	0.2
	Operating expenses	(71.8)	–	(71.8)	–	(71.8)	–	(71.8)
	Exchange gains	0.5	–	0.5	(0.5)	–	–	–
	Operating expenses	**(71.3)**	**–**	**(71.3)**	**(0.5)**	**(71.8)**	**–**	**(71.8)**
	Distributions to members of LLPs	(7.1)	–	(7.1)	–	(7.1)	–	(7.1)
	Amortisation of intangible assets	(20.7)	20.7	–	–	–	–	–
	Other exceptional net operating expenses	(5.1)	5.1	–	–	–	–	–
	Total operating expenses	**(104.2)**	**25.8**	**(78.4)**	**(0.5)**	**(78.9)**	**–**	**(78.9)†**
B	**Operating profit**	**22.1**	**25.8**	**47.9**	**(0.5)**	**47.4**	**–**	**47.4**
	Interest paid	(10.7)	–	(10.7)	–	(10.7)	–	(10.7)
	Interest and investment income received	1.0	–	1.0	–	1.0	–	1.0
	Other non-operating items	(0.4)	–	(0.4)	–	(0.4)	–	(0.4)
	Non-controlling interests profits	–	–	–	–	–	(3.0)	(3.0)
	Profit before tax	**12.0**	**25.8**	**37.8**	**(0.5)**	**37.3‡**	**(3.0)**	**34.3**
	Tax (expense)/income	(3.1)	(5.5)	(8.6)	0.1	(8.5)	0.3	(8.2)
C	**Profit for period**	**8.9**	**20.3**	**29.2**	**(0.4)**	**28.8**	**(2.7)**	**26.1**
	Underlying EPS (C÷D)							**4.8p**
	Underlying operating margin (B÷A)							**37.6%**
D	**Weighted average number of shares (000's)**							**547,100**

* Excluding NCI share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'Group underlying profit before tax'

Six months ended 30 June 2012 (as restated[ø])

£ millions unless otherwise stated

		Statutory results	Adjustments	Adjusted Income Statement	Adjustments for FX losses	Underlying earnings	Non-controlling interests profits*	Underlying earnings (ex NCI)
A	**Net Revenue**	**120.3**	**–**	**120.3**	**–**	**120.3**	**–**	**120.3**
	Operating expenses	(81.8)	–	(81.8)	–	(81.8)	–	(81.8)
	Exchange losses	(1.2)	–	(1.2)	1.2	–	–	–
	Operating expenses	**(83.0)**	**–**	**(83.0)**	**1.2**	**(81.8)**	**–**	**(81.8)**
	Distributions to members of LLPs	(6.3)	–	(6.3)	–	(6.3)	–	(6.3)
	Amortisation of intangible assets	(22.4)	22.4	–	–	–	–	–
	Other exceptional net operating expenses	(6.2)	6.2	–	–	–	–	–
	Total operating expenses	**(117.9)**	**28.6**	**(89.3)**	**1.2**	**(88.1)**	**–**	**(88.1)†**
B	**Operating profit**	**2.4**	**28.6**	**31.0**	**1.2**	**32.2**	**–**	**32.2**
	Interest paid	(11.1)	–	(11.1)	–	(11.1)	–	(11.1)
	Interest and investment income received	1.4	–	1.4	–	1.4	–	1.4
	Other non-operating items	(0.4)	–	(0.4)	–	(0.4)	–	(0.4)
	Non-controlling interests profits	–	–	–	–	–	(2.9)	(2.9)
	(Loss)/profit before tax	**(7.7)**	**28.6**	**20.9**	**1.2**	**22.1‡**	**(2.9)**	**19.2**
	Tax income/(expense)	3.0	(6.9)	(3.9)	(0.3)	(4.2)	0.3	(3.9)
C	**(Loss)/profit for period**	**(4.7)**	**21.7**	**17.0**	**0.9**	**17.9**	**(2.6)**	**15.3**
	Underlying EPS (C÷D)							**2.9p**
	Underlying operating margin (B÷A)							**26.8%**
D	**Weighted average number of shares (000's)**							**521,349**

ø As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

* Excluding NCI share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'Group underlying profit before tax'

Year ended 31 December 2012 (as restated[ø])

£ millions unless otherwise stated

		Statutory results	Adjustments	Adjusted Income Statement	Adjustments for FX losses	Underlying earnings	Non-controlling interests profits*	Underlying earnings (ex NCI)
A	**Net Revenue**	**243.5**	**–**	**243.5**	**–**	**243.5**	**–**	**243.5**
	Net policyholder expense	(0.2)	–	(0.2)	–	(0.2)	–	(0.2)
	Operating expenses	(160.6)	–	(160.6)	–	(160.6)	–	(160.6)
	Exchange losses	(2.0)	–	(2.0)	2.0	–	–	–
	Operating expenses	**(162.6)**	**–**	**(162.6)**	**2.0**	**(160.6)**	**–**	**(160.6)**
	Distributions to members of LLPs	(11.6)	–	(11.6)	–	(11.6)	–	(11.6)
	Amortisation of intangible assets	(42.5)	42.5	–	–	–	–	–
	Other exceptional net operating expenses	(21.9)	21.9	–	–	–	–	–
	Total operating expenses	**(238.6)**	**64.4**	**(174.2)**	**2.0**	**(172.2)**	**–**	**(172.2)†**
B	**Operating profit**	**4.7**	**64.4**	**69.1**	**2.0**	**71.1**	**–**	**71.1**
	Interest paid	(22.4)	–	(22.4)	–	(22.4)	–	(22.4)
	Interest and investment income received	3.9	–	3.9	–	3.9	–	3.9
	F&C REIT put option fair value gain	11.5	(11.5)	–	–	–	–	–
	Other non-operating items	(0.7)	–	(0.7)	–	(0.7)	–	(0.7)
	Non-controlling interests profits	–	–	–	–	–	(5.8)	(5.8)
	(Loss)/profit before tax	**(3.0)**	**52.9**	**49.9**	**2.0**	**51.9‡**	**(5.8)**	**46.1**
	Tax income/(expense)	5.6	(14.8)	(9.2)	(0.5)	(9.7)	0.7	(9.0)
C	**Profit for year**	**2.6**	**38.1**	**40.7**	**1.5**	**42.2**	**(5.1)**	**37.1**
	Underlying EPS (C÷D)							**7.0p**
	Underlying operating margin (B÷A)							**29.2%**
D	**Weighted average number of shares (000's)**							**530,963**

ø As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

* Excluding NCI share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'Group underlying profit before tax'

Underlying Operating Expenses

The underlying operating expenses of the Group are as follows:

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (as restated*) £m	Year ended 31 December 2012 (as restated*) £m
Staff costs and related expenses	**45.0**	53.1	104.5
Premises expenses	**4.9**	6.7	12.2
Communication and information technology expenses	**8.1**	8.0	16.4
Outsourced services	**6.1**	4.6	9.7
Promotional and client servicing expenses	**2.0**	2.8	5.1
Other expenses	**5.7**	6.6	12.7
Operating expenses	**71.8**	81.8	160.6
Distributions to members of LLPs	**7.1**	6.3	11.6
Underlying operating expenses	**78.9**	88.1	172.2

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1

Corporate Information

Directors
Edward Bramson, Chairman[‡]
Richard Wilson, Chief Executive Officer
Keith Bedell-Pearce, Senior Independent Non-executive[*†‡o]
Keith Jones, Non-executive[*o]
David Logan, Chief Financial Officer
Derham O'Neill, Non-executive[*†]
Keith Percy, Non-executive[o]
Kieran Poynter, Non-executive[*†‡o]

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

Head Office
Exchange House
Primrose Street
London
EC2A 2NY
Telephone 020 7628 8000
Facsimile 020 7628 8188
Email: enquiries@fandc.com

Secretary and Registered Office
W Marrack Tonkin, FCCA
80 George Street
Edinburgh
EH2 3BU
Telephone 0131 718 1000
Facsimile 0131 225 2375

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

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

Principal Banker
The Royal Bank of Scotland plc
142-144 Princes Street
Edinburgh
EH2 4EQ

Stockbrokers
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

HSBC Bank plc
8 Canada Square
Canary Wharf
London
E14 5HQ

Auditor
KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Registrar and Transfer Office
Equiniti Limited
34 South Gyle Crescent
South Gyle Business Park
Edinburgh
EH12 9EB

Corporate Information
F&C Asset Management plc
Registered in Scotland
Company Registration Number SC73508

Website
Shareholders are encouraged to visit our website
www.fandc.com

F&C Asset Management plc
Head Office: **Exchange House Primrose Street London EC2A 2NY**
Telephone: **020 7628 8000** Email: **enquiries@fandc.com**

Website: **www.fandc.com**