**F&C Asset Management plc**
Interim Report and Financial Statements 2010

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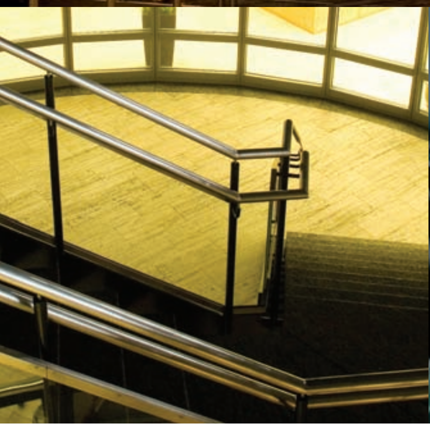

F&C Investments

**Expect excellence**

# Contents



# Definitions

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

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

**"REIT"** REIT Property Asset Management Group

**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 interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Group operates.

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

# Financial and Business Summary

for the six months ended 30 June 2010

### Business Highlights

- Competitive investment performance across fixed income, equities and property
- Positive momentum in fund flows with £1.9 billion unfunded pipeline of new institutional business and strong start to Q3
- Operating profits and underlying earnings benefit from increased revenues, lower expenses and reduced FX hedging losses
- Acquisition of Thames River Capital expected to complete imminently
- Intention to improve capital strength through progressive reduction of debt, financed by earnings and a reduced dividend

### Financial Summary

| | Six months ended 30 June 2010 | Six months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| Assets under management$ | £95.3bn | £88.3bn | £97.8bn |
| Net revenue | £106.8m | £105.1m | £225.1m |
| Operating expenses | £80.2m | £81.6m | £164.8m |
| Statutory (loss)/profit after tax | (£19.5m) | (£8.7m) | £18.7m |
| Underlying operating profit* | £26.0m | £19.0m | £51.8m |
| Underlying operating margin* | 24.3% | 18.1% | 23.0% |
| Basic (loss)/earnings per ordinary share | (4.1p) | (2.0p) | 3.2p |
| Underlying earnings per ordinary share excluding foreign exchange gains and losses† | 1.7p | 1.9p | 5.8p |
| Underlying earnings per ordinary share† | 1.4p | 1.0p | 4.6p |
| Interim dividend | 1.0p | 2.0p | 2.0p |

$ As at the end of the reporting period.

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

† Reconciliations between reported earnings and underlying earnings and between basic (loss)/earnings per share and underlying earnings per share are given in note 5 to the Interim Financial Statements.

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

"A year on from achieving independence after a prolonged period of ownership uncertainty, our consistent competitive investment performance and significantly strengthened position with investment consultants is starting to feed through to an improvement in fund flows, particularly in higher fee business. This was never going to be a quick fix but we believe we are now gaining momentum.

Our three key strategic priorities are to accelerate revenue growth, manage the cost base to create greater flexibility and to strengthen our capital position through the progressive reduction of debt funded in part through a reduced dividend. By focusing on these priorities we will ensure the business remains robust under the various scenarios that could emerge as the long-term contracts with our insurance partners come to the end of their exclusivity periods in the years ahead and we look to extend those relationships.

The acquisition of Thames River Capital, to be completed imminently, is a core component of our plan. Thames River is already performing well as a standalone business, with £381 million of net sales year-to-date, and we believe that as part of the F&C group there will be considerable cross-selling opportunities. Thames River will enhance both our product and distribution capabilities, enabling us to accelerate the shift in our growth profile"

# Chief Executive's Report

## F&C reports improving revenue margins, updates on the Thames River Capital acquisition and announces plans to improve capital strength and cost flexibility

After a strong start to the year, the second quarter saw a sharp downturn in equity indices and renewed dislocation in fixed income markets as investors became preoccupied with concerns about government debt levels in Europe. The FTSE 100 closed at 4,917 points on 30 June, posting a return of minus 9.2 per cent in the six month period while the Euro slipped 8.5 per cent against Sterling.

### Investment performance

F&C's investment performance continues to be competitive, with three-year track records remaining strong. On an asset-weighted basis some 71 per cent of our fixed income assets and 69 per cent of equities were ahead of benchmarks for the three years to 30 June 2010. Our property performance remains strong with all of the portfolios monitored by Investment Property Databank ahead of their benchmarks over three years.

### Assets under management and business flows

Against the headwinds of volatile markets and a weakening Euro our assets under management ("AUM") declined by 2.6 per cent from £97.8 billion at 31 December 2009 to £95.3 billion at 30 June 2010. The biggest impact on our reported AUM was the downward movement in the Euro against Sterling, which reduced our reported AUM by £4.9 billion, as we began the year with some 55 per cent of our assets denominated in Euros, reflecting our client mix. On a constant currency basis assets under management would have risen 2.5 per cent to £100.2 billion.

We generated £2.8 billion of new business, excluding insurance flows, in the six months to 30 June 2010 (H1 2009: £1.9 billion) with a further pipeline of new institutional business won but unfunded at that date of £1.9 billion (H1 2009: £1.4 billion). Net sales during the six month period under review were minus £605 million (H1 2009: minus £4.3 billion), the lowest level of half-yearly outflows since 2004. Net flows were positive in our highest fee client categories (OEICs and SICAV funds) and marginally negative in institutional. However the average fee rate on new institutional business generated during the first half was 24 per cent higher than that on institutional outflows. Overall net flows in the first half, while negative in AUM terms, increased annualised revenues by some £1.0 million due to improved margins.

| Client Type | Average Net Fee H1 2010 (bps) | Net Business Flows (£ mills) H1 2010 | H1 2009 |
|---|---|---|---|
| SICAVs | 107.5 | 260 | 36 |
| OEICs | 85.8 | 123 | (66) |
| Investment Trusts | 60.0 | (241) | (117) |
| Institutional Funds | 25.9 | (75) | (962) |
| Sub-Advisory | 13.6 | (383) | (1,516) |
| Insurance Funds | 11.6 | (289) | (1,676) |
| **Total** | 21.6 | (605) | (4,301) |

On 9 June 2010 we announced that we had been served with six months termination notice on the management contract for F&C Commercial Property Trust (FCPT). This arose from a proposal by UK Commercial Property Trust to merge with FCPT. That merger was not approved by shareholders at an EGM on 9 August 2010 and therefore we are currently in discussions with the Board of FCPT over the future management arrangements.

We have made a strong start to the third quarter with £740 million gross sales of new institutional business expected to be funded by the end of August 2010.

### Financial results

#### Revenues

Our net revenues for the first half of 2010 were £106.8 million (H1 2009: £105.1 million, including £2.9 million of non recurring revenues). Excluding performance fees, which mostly crystallise at the end of the calendar year, investment management revenues in the first half of £106.2 million were also higher than those generated in the second half of 2009 (£102.9 million). The average net fees earned (excluding performance fees) in H1 2010 were 21.6 basis points up from 20.8 basis points in H2 2009.

#### Expenses

Reported operating expenses were £80.2 million, down from £81.6 million in H1 2009 and £83.2 million in H2 2009.

The Group also incurred £11.1 million of exceptional net costs, principally comprising corporate advisory fees of £9.8 million and expenses of £3.3 million relating to the put option claim by the minority interest partners in F&C Partners LLP. Corporate advisory fees include transaction costs associated with the imminent acquisition of Thames River Capital, which, under recent revisions to International Accounting Standards, are now treated as an expense in the Income Statement. Previously, such amounts were capitalised as part of the cost of acquisition.

### Underlying operating margin

Our operating margin increased to 24.3 per cent (H1 2009: 18.1 per cent) reflecting the benefits of actions to cut costs and reduced losses on forward currency hedging contracts. There are no further forward currency hedging contracts in place, the remaining contract having expired in June.

### Tax and earnings

Our effective tax charge for the period was increased by some £1.5 million of tax charges on long term incentives settled in shares, primarily arising as the tax deduction for share-based payments is based on the Group's share price at the date shares vest, whereas the share-based payment expense recognised in the Income Statement is based on the share price at the date of grant. The tax credit associated with share awards is based on the share price at each reporting date. As our share price fell during the six months and is significantly below the price when awards were granted, the effective tax charge exceeds that which would be derived from the Income Statement.

The Group's reported statutory results are impacted by both non-cash items, such as amortisation, and exceptional items.

The Board utilises underlying earnings, defined as earnings before amortisation and exceptional items, as one of the key metrics in assessing financial performance. On an underlying basis the Group made a profit before tax of £12.4 million in H1 2010 compared to £6.3 million in H1 2009.

As a result of this, underlying earnings per share amounted to 1.4 pence for the six months to 30 June 2010 compared to 1.0 pence in H1 2009.

### Dividend

Notwithstanding the longer-term positive outlook for earnings, the Board has deemed it prudent to reduce the dividend to a sustainable level. It remains our policy to achieve at least 150% cover on underlying earnings. The reduction in dividend combined with earnings will enable the Group to allocate free cash to reduce net debt over the medium term.

The Board has therefore declared an interim dividend of 1.0 pence per share which will be payable on 22 October 2010, to shareholders on the register as at 1 October 2010.

### Share capital

The Company's share capital increased during the period under review as a result of the equity placing on 28 April 2010 to part-finance the acquisition of Thames River Capital.

In the past the Group has issued dilutive ordinary shares to satisfy certain long-term incentive schemes. However, during the six months to 30 June the Group's Employee Benefit Trust (EBT) bought approximately £8.5 million of shares to satisfy future commitments under long-term incentive schemes. We currently anticipate that the EBT will continue to make market purchases.

### Update on Thames River Capital

The acquisition of Thames River Capital, which we announced on 28 April 2010 and which received the approval of shareholders at a General Meeting on 18 June 2010, is a key component of our strategy to enhance the growth profile of the Group. Thames River Capital will provide us with product capabilities and distribution which are complementary to our existing business, including expertise in absolute return strategies and proven distribution in the wealth management sector.

Although not consolidated in our financial results for the six months ended 30 June 2010, Thames River Capital has made strong progress in the year-to-date and since we announced the transaction. As at 23 August 2010 it had generated net inflows of £381 million in the year-to-date (excluding Nevsky products).

The company has received notice from the FSA that it has consented to the change of control on the Thames River Capital group's regulated entities and therefore completion of the acquisition is expected on or before 1 September 2010.

Integration plans are well advanced. We expect to quickly implement the cross-selling of products across the enlarged Group with F&C focused on institutional distribution and Thames River Capital on the IFA and wealth management channels.

### Strategic priorities

F&C manages significant assets for insurance-led clients under long-term contracts. These are long-standing relationships that pre-date the current contracts. The agreements incorporate certain exclusivity rights extending out to between October 2013 and October 2015 at which point they will typically revert to notice periods of between 6 and 12 months. Approximately 37 per cent of the Group's net revenues fall under these long-term contractual arrangements.

We continue to focus on delivering strong investment performance and other services for our insurance-led clients with a view to maximising the retention of assets beyond their exclusivity periods. Alongside this, our strategy is to continue to diversify our revenues beyond these clients.

Our strategic priorities for the next four years are:

- ***Growing new revenues*** - we will seek to increase revenues and further diversify the Group beyond its current clients, principally through focusing on higher margin products and expanding our distribution. We will build on the improving flow and fee momentum within the existing business and accelerate organic growth through our acquisition of Thames River Capital and capitalising on the strong track record established by F&C REIT;

- ***Cost management*** - we will continue with a disciplined approach to cost control. In addition we will also increasingly align costs with revenues, creating a more flexible cost base that will allow us to react appropriately to any significant changes in our business profile. In doing so we will also create greater focus in our activities. We expect that the simplification of our organisational structure will free up capital and help reduce net debt over the medium term.

- ***Improve capital strength*** - we will actively manage our financial position to ensure the business is resilient and has the flexibility to respond to changes in the market. We believe this is in the interest of all stakeholders in an increasingly demanding regulatory environment.

These strategic priorities will ensure our business model will remain robust under the various scenarios that could emerge as the long-term contracts come to the end of their exclusivity periods.

**Summary**

Since gaining our independence last year we have been focused on developing the Group for the longer-term.

In our institutional business we continue to make further progress with investment consultants resulting in 47 product buy ratings. This is feeding through to a growing pipeline of new institutional mandates spread across a range of underlying products.

In the mutual funds business, we continue to develop marketable track records across a number of products. The acquisition of Thames River Capital will inject new product, investment talent and distribution capabilities into our retail and wholesale funds business.

The macro economic environment however remains challenging. While uncertainties persist over the strength of the global recovery, we expect markets will continue to be vulnerable to periods of high volatility. Against this backdrop we believe that focusing on further diversifying our sources of revenue, creating greater flexibility in our cost base and strengthening our balance sheet will ensure that the business is resilient.

**Alain L. Grisay**
Chief Executive
25 August 2010

# Assets Under Management

The tables below disclose Assets Under Management at 30 June 2010 and Fund Flows for the six months to 30 June 2010.

## 1. Assets Under Management by Client Category

| | 30 June 2010 £bn | 31 March 2010 £bn | 31 December 2009 £bn |
|---|---|---|---|
| Insurance Funds | **56.2** | 59.1 | 57.2 |
| Institutional Funds | **27.1** | 28.9 | 27.7 |
| Sub-Advisory | **3.2** | 4.2 | 4.0 |
| Investment Trusts | **4.8** | 5.1 | 5.1 |
| OEICs | **2.6** | 2.7 | 2.5 |
| SICAVs | **1.4** | 1.5 | 1.3 |
| **Total** | **95.3** | 101.5 | 97.8 |

| | 30 June 2010 €bn | 31 March 2010 €bn | 31 December 2009 €bn |
|---|---|---|---|
| Insurance Funds | **68.7** | 66.2 | 64.5 |
| Institutional Funds | **33.1** | 32.4 | 31.2 |
| Sub-Advisory | **3.9** | 4.7 | 4.5 |
| Investment Trusts | **5.9** | 5.7 | 5.7 |
| OEICs | **3.1** | 3.1 | 2.8 |
| SICAVs | **1.7** | 1.7 | 1.5 |
| **Total** | **116.4** | 113.8 | 110.2 |

## 2. Assets Under Management by Asset Class

| | 30 June 2010 £bn | 31 March 2010 £bn | 31 December 2009 £bn |
|---|---|---|---|
| Fixed Interest | **57.6** | 61.5 | 58.3 |
| Equities | **22.9** | 25.6 | 24.8 |
| Property | **7.9** | 8.1 | 8.0 |
| Other Alternative Investments | **2.2** | 1.8 | 1.6 |
| Money Market | **4.7** | 4.5 | 5.1 |
| **Total** | **95.3** | 101.5 | 97.8 |

| | 30 June 2010 €bn | 31 March 2010 €bn | 31 December 2009 €bn |
|---|---|---|---|
| Fixed Interest | **70.4** | 69.0 | 65.7 |
| Equities | **28.0** | 28.7 | 27.9 |
| Property | **9.6** | 9.1 | 9.0 |
| Other Alternative Investments | **2.7** | 2.0 | 1.8 |
| Money Market | **5.7** | 5.0 | 5.8 |
| **Total** | **116.4** | 113.8 | 110.2 |

## 3. Fund Flows

### a) Fund flows for the six months to 30 June 2010

| | Inflows £m | Outflows £m | Net £m |
|---|---|---|---|
| Insurance Funds | N/A | N/A | (289) |
| Institutional Funds | 1,552 | (1,627) | (75) |
| Sub-Advisory | 320 | (703) | (383) |
| Investment Trusts | 110 | (351) | (241) |
| OEICs | 343 | (220) | 123 |
| SICAVs | 451 | (191) | 260 |
| **Total** | **N/A** | **N/A** | **(605)** |

### b) Fund flows for the quarter to 30 June 2010

| | Inflows £m | Outflows £m | Net £m |
|---|---|---|---|
| Insurance Funds | N/A | N/A | (142) |
| Institutional Funds | 690 | (988) | (298) |
| Sub-Advisory | 182 | (611) | (429) |
| Investment Trusts | 92 | (53) | 39 |
| OEICs | 139 | (122) | 17 |
| SICAVs | 195 | (104) | 91 |
| **Total** | **N/A** | **N/A** | **(722)** |

### c) Fund flows for the quarter to 31 March 2010

| | Inflows £m | Outflows £m | Net £m |
|---|---|---|---|
| Insurance Funds | N/A | N/A | (147) |
| Institutional Funds | 862 | (639) | 223 |
| Sub-Advisory | 138 | (92) | 46 |
| Investment Trusts | 18 | (298) | (280) |
| OEICs | 204 | (98) | 106 |
| SICAVs | 256 | (87) | 169 |
| **Total** | **N/A** | **N/A** | **117** |

# Key Risks

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

In addition to the financial risks facing the business relating to volatile market conditions, interest rates and foreign currency fluctuations, the Group continues to have potential exposure to the loss of key personnel or clients and to a failure of the Group's operational platforms or a failure in the control processes surrounding front office investment management activities. While the Thames River Capital acquisition is expected to complete imminently, the risks faced by the Group in the second half of the financial year are not expected to change significantly as a result of this acquisition, as Thames River Capital is exposed to substantially the same key risks as F&C.

# Going Concern

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

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

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

We confirm that to the best of our knowledge:

- the condensed set of Financial Statements has been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;

- the Interim Management Report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

For and on behalf of the Board

W Marrack Tonkin
Company Secretary
25 August 2010

# Condensed Consolidated Income Statement
## for the six months ended 30 June 2010

| | Notes | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Investment management fees | 2 | **115.4** | 109.1 | 237.8 |
| Other income | 2 | **0.5** | 3.3 | 4.1 |
| **Total revenue** | 2 | **115.9** | 112.4 | 241.9 |
| Fee and commission expenses | 2 | **(9.1)** | (7.3) | (16.8) |
| **Net revenue** | 2 | **106.8** | 105.1 | 225.1 |
| **Net gains and investment income on unit-linked assets** | | **17.7** | 9.4 | 136.0 |
| **Movement in fair value of unit-linked liabilities** | | **(17.0)** | (8.8) | (134.6) |
| **Operating expenses** | | | | |
| Operating expenses | | **(80.2)** | (81.6) | (164.8) |
| Amortisation of intangible assets – management contracts | | **(24.5)** | (25.1) | (49.8) |
| Unrealised gains on forward currency contracts | 3 (a) | **–** | 5.2 | 1.2 |
| Other exceptional net operating expenses | 3 (b) | **(11.1)** | (6.1) | (19.0) |
| **Total operating expenses** | | **(115.8)** | (107.6) | (232.4) |
| **Operating loss** | | **(8.3)** | (1.9) | (5.9) |
| Finance revenue | | **4.8** | 5.5 | 11.5 |
| Finance costs | | **(16.2)** | (14.8) | (30.3) |
| Gain on debt exchange | | **–** | – | 27.9 |
| F&C REIT put option fair value gain | | **–** | – | 5.6 |
| Impairment of financial investments | | **–** | (0.1) | (0.1) |
| **(Loss)/profit before tax** | | **(19.7)** | (11.3) | 8.7 |
| Tax – Shareholders | | **0.5** | 3.0 | 10.4 |
| Tax – Policyholders | | **(0.3)** | (0.4) | (0.4) |
| Tax income | 4 | **0.2** | 2.6 | 10.0 |
| **(Loss)/profit for the period** | | **(19.5)** | (8.7) | 18.7 |
| **Attributable to:** | | | | |
| Equity holders of the parent | | **(20.3)** | (9.8) | 15.9 |
| Minority interests | | **0.8** | 1.1 | 2.8 |
| **(Loss)/profit for the period** | | **(19.5)** | (8.7) | 18.7 |
| Basic (loss)/earnings per share | 5 | **(4.12)p** | (1.99)p | 3.24p |
| Diluted (loss)/earnings per share | 5 | **(4.12)p** | (1.99)p | 3.19p |

| | | £m | £m | £m |
|---|---|---|---|---|
| **Memo – dividends paid** | 6 | **19.4** | 19.8 | 29.5 |
| **Memo – dividends proposed** | 6 | **5.1** | 9.8 | 19.5 |

## Condensed Consolidated Statement of Comprehensive Income
### for the six months ended 30 June 2010

| | Note | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|---|
| **(Loss)/profit for the period** | | **(19.5)** | (8.7) | 18.7 |
| **Other comprehensive (expense)/income:** | | | | |
| Foreign exchange movements on translation of foreign operations | | **(9.0)** | (21.0) | (15.2) |
| Foreign exchange transfer to Income Statement on liquidation of subsidiary | | **(1.3)** | – | – |
| Actuarial losses on defined benefit pension schemes | | **(6.5)** | (27.4) | (27.2) |
| Gains on available for sale financial investments | | **0.6** | 0.1 | 0.1 |
| Tax income on items taken directly to equity | 4 | **1.6** | 7.6 | 7.6 |
| **Other comprehensive expense for the period** | | **(14.6)** | (40.7) | (34.7) |
| **Total comprehensive expense for the period** | | **(34.1)** | (49.4) | (16.0) |
| **Total comprehensive (expense)/income attributable to:** | | | | |
| Equity holders of the parent | | **(34.9)** | (50.5) | (18.8) |
| Minority interests | | **0.8** | 1.1 | 2.8 |
| | | **(34.1)** | (49.4) | (16.0) |

# Condensed Consolidated Statement of Financial Position
## as at 30 June 2010

| | Notes | 30 June 2010 £m | 30 June 2009 £m | 31 December 2009 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **7.4** | 9.0 | 8.4 |
| Intangible assets: | | | | |
| – Goodwill | 7 | **595.1** | 595.1 | 595.1 |
| – Management contracts | 7 | **176.2** | 230.1 | 206.7 |
| – Software and licences | 7 | **0.9** | 0.8 | 0.6 |
| | 7 | **772.2** | 826.0 | 802.4 |
| Financial investments | | **2.8** | 2.1 | 2.2 |
| Other receivables | | **1.8** | 1.6 | 1.9 |
| Deferred acquisition costs | | **5.9** | 7.0 | 6.4 |
| Deferred tax assets | | **34.4** | 31.8 | 34.3 |
| **Total non-current assets** | | **824.5** | 877.5 | 855.6 |
| **Current assets** | | | | |
| Financial investments | | **544.8** | 721.8 | 634.9 |
| Reinsurance assets | | **1.9** | 2.1 | 1.9 |
| Stock of units and shares | | **0.3** | 0.3 | 0.3 |
| Deferred acquisition costs | | **2.5** | 3.0 | 2.6 |
| Trade and other receivables | | **103.1** | 89.9 | 91.4 |
| Current tax receivable | | **1.9** | 4.1 | 5.8 |
| Cash and cash equivalents: | | | | |
| – Shareholders | | **170.5** | 183.9 | 186.2 |
| – Policyholders | | **30.8** | 46.4 | 27.7 |
| | | **201.3** | 230.3 | 213.9 |
| **Total current assets** | | **855.8** | 1,051.5 | 950.8 |
| **Total assets** | | **1,680.3** | 1,929.0 | 1,806.4 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Interest bearing loans and borrowings | 8 | **254.0** | 258.3 | 253.9 |
| Other payables | | **6.9** | 6.7 | 6.7 |
| Provisions | 9 | **9.3** | 8.0 | 10.1 |
| Pension deficit | 10 | **47.7** | 48.2 | 46.7 |
| Employee benefits | | **10.2** | 5.6 | 9.6 |
| Deferred income | | **8.4** | 10.0 | 9.1 |
| Other financial liabilities | | **60.4** | 66.0 | 60.4 |
| Deferred tax liabilities | | **49.8** | 67.4 | 58.3 |
| **Total non-current liabilities** | | **446.7** | 470.2 | 454.8 |
| **Current liabilities** | | | | |
| Investment contract liabilities | | **563.1** | 756.6 | 649.9 |
| Insurance contract liabilities | | **1.9** | 2.1 | 1.9 |
| Interest bearing loans and borrowings | 8 | **–** | 35.8 | 10.0 |
| Trade and other payables | | **92.5** | 70.8 | 64.1 |
| Provisions | 9 | **7.9** | 8.7 | 8.9 |
| Employee benefits | | **14.2** | 12.2 | 21.3 |
| Deferred income | | **3.6** | 4.1 | 3.8 |
| Other financial liabilities | | **–** | 2.0 | 1.3 |
| Current tax payable | | **4.5** | 1.9 | 1.5 |
| **Total current liabilities** | | **687.7** | 894.2 | 762.7 |
| **Total liabilities** | | **1,134.4** | 1,364.4 | 1,217.5 |
| **Equity** | | | | |
| Ordinary Share capital | 12 | **0.5** | 0.5 | 0.5 |
| Share premium account | | **48.0** | 33.8 | 33.8 |
| Capital Redemption reserve | | **0.8** | – | 0.8 |
| Merger reserve | | **396.0** | 430.8 | 416.6 |
| Other reserves | | **(24.4)** | (20.4) | (14.5) |
| Retained earnings | | **106.7** | 101.6 | 132.5 |
| **Total equity attributable to equity holders of the parent** | | **527.6** | 546.3 | 569.7 |
| Minority interests | | **18.3** | 18.3 | 19.2 |
| **Total equity** | | **545.9** | 564.6 | 588.9 |
| **Total liabilities and equity** | | **1,680.3** | 1,929.0 | 1,806.4 |

The Interim Financial Statements were approved by the Board of Directors and authorised for issue on 25 August 2010.

# Condensed Consolidated Statement of Changes in Equity

**for the six months ended 30 June 2010**

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

**for the six months ended 30 June 2009**

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary Share capital £m | Share premium account £m | Capital Redemption reserve £m | Merger reserve £m | Foreign currency translation reserve £m | Fair value reserve £m | Acquisition reserve £m | Retained earnings £m | Minority interests £m | Total equity £m |
| **Balance at 1 January 2009** | 0.5 | 33.8 | – | 456.8 | 65.3 | 1.3 | (66.0) | 119.4 | 18.7 | 629.8 |
| (Loss)/profit for the period | – | – | – | – | – | – | – | (9.8) | 1.1 | (8.7) |
| Other comprehensive expense | – | – | – | – | (21.0) | – | – | (19.7) | – | (40.7) |
| **Total comprehensive (expense)/income** | – | – | – | – | (21.0) | – | – | (29.5) | 1.1 | (49.4) |
| Realised element of merger reserve to offset amortisation of intangible assets | – | – | – | (26.0) | – | – | – | 26.0 | – | – |
| Purchase of own shares | – | – | – | – | – | – | – | (0.6) | – | (0.6) |
| Share-based payment charges credited to equity | – | – | – | – | – | – | – | 6.1 | – | 6.1 |
| Final 2008 dividend paid | – | – | – | – | – | – | – | (19.8) | – | (19.8) |
| Distributions to minority interests | – | – | – | – | – | – | – | – | (1.5) | (1.5) |
| **Balance at 30 June 2009** | 0.5 | 33.8 | – | 430.8 | 44.3 | 1.3 | (66.0) | 101.6 | 18.3 | 564.6 |

**for the year ended 31 December 2009**

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary Share capital £m | Share premium account £m | Capital Redemption reserve £m | Merger reserve £m | Foreign currency translation reserve £m | Fair value reserve £m | Acquisition reserve £m | Retained earnings £m | Minority interests £m | Total equity £m |
| **Balance at 1 January 2009** | 0.5 | 33.8 | – | 456.8 | 65.3 | 1.3 | (66.0) | 119.4 | 18.7 | 629.8 |
| Profit for the year | – | – | – | – | – | – | – | 15.9 | 2.8 | 18.7 |
| Other comprehensive (expense)/income | – | – | – | – | (15.2) | 0.1 | – | (19.6) | – | (34.7) |
| **Total comprehensive (expense)/income** | – | – | – | – | (15.2) | 0.1 | – | (3.7) | 2.8 | (16.0) |
| Realised element of merger reserve to offset amortisation of intangible assets | – | – | – | (40.2) | – | – | – | 40.2 | – | – |
| Purchase of own shares | – | – | – | – | – | – | – | (7.4) | – | (7.4) |
| Transfer to Capital Redemption reserve on redemption of Preference Share capital | – | – | 0.8 | – | – | – | – | (0.8) | – | – |
| Share-based payment charges credited to equity | – | – | – | – | – | – | – | 14.3 | – | 14.3 |
| Final 2008 dividend paid | – | – | – | – | – | – | – | (19.8) | – | (19.8) |
| Interim 2009 dividend paid | – | – | – | – | – | – | – | (9.7) | – | (9.7) |
| Distributions to minority interests | – | – | – | – | – | – | – | – | (2.3) | (2.3) |
| **Balance at 31 December 2009** | 0.5 | 33.8 | 0.8 | 416.6 | 50.1 | 1.4 | (66.0) | 132.5 | 19.2 | 588.9 |

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 £24.4m at 30 June 2010 (30 June 2009: £20.4m debit; 31 December 2009: £14.5m debit).

# Condensed Consolidated Statement of Cash Flows
## for the six months ended 30 June 2010

| | Note | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Operating loss | | **(8.3)** | (1.9) | (5.9) |
| Cash outflow relating to restructuring costs | | **(0.1)** | (0.2) | – |
| **Adjustments for non-cash items** | 13 | **31.6** | 31.0 | 58.5 |
| **Changes in working capital and provisions** | 13 | **(6.4)** | (25.0) | (27.9) |
| **Cash inflows from operating activities*** | | **16.8** | 3.9 | 24.7 |
| Income tax received/(paid) | | **2.1** | (11.6) | (16.4) |
| **Net cash inflow/(outflow) from operating activities** | | **18.9** | (7.7) | 8.3 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | | **(0.4)** | (0.3) | (0.9) |
| Purchase of software and licenses | | **(0.6)** | (0.2) | (0.2) |
| Loan repayment from former associate | | – | – | 0.5 |
| Expenses of acquisitions# | | **(0.1)** | (0.2) | (0.2) |
| Payments to acquire investments | | **(1.2)** | (1.5) | (1.6) |
| Proceeds from disposal of investments | | **2.8** | 6.3 | 6.5 |
| Investment income from investing activities | | **0.5** | 1.8 | 2.5 |
| **Net cash inflow from investing activities** | | **1.0** | 5.9 | 6.6 |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Equity dividends paid | | **(19.4)** | (19.8) | (29.5) |
| Proceeds from issue of share capital | | **14.2** | – | – |
| Proceeds from issue of Guaranteed Loan Notes 2016 | | – | – | 25.0 |
| Repayment of Floating Rate Secured Notes 2010 | | **(10.0)** | – | (25.0) |
| Expenses in respect of debt exchange | | – | – | (1.3) |
| Interest paid on Loan Notes | | **(0.3)** | (1.0) | (19.8) |
| Interest on Preference Shares | | – | – | (0.1) |
| Other interest paid | | – | – | (0.2) |
| Repayment of Preference Share capital | | – | – | (0.8) |
| Purchases and disposals of own shares | | **(8.5)** | (0.5) | (7.4) |
| Distributions to minority interests | | **(1.7)** | (1.5) | (2.3) |
| **Net cash outflow from financing activities** | | **(25.7)** | (22.8) | (61.4) |
| | | | | |
| **Net decrease in cash and cash equivalents** | | **(5.8)** | (24.6) | (46.5) |
| Effect of exchange rate fluctuations on cash held | | **(6.8)** | (14.9) | (9.4) |
| Cash and cash equivalents at 1 January | | **213.9** | 269.8 | 269.8 |
| **Cash and cash equivalents at 30 June (31 December)** | | **201.3** | 230.3 | 213.9 |
| | | | | |
| **Cash and cash equivalents** | | | | |
| Shareholders | | **170.5** | 183.9 | 186.2 |
| Policyholders | | **30.8** | 46.4 | 27.7 |
| | | **201.3** | 230.3 | 213.9 |

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

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

# Accounting Policies

### Basis of preparation and statement of compliance

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

### Section 435 statement

The comparative figures for the year ended 31 December 2009 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 2009 Annual Report and Financial Statements. Those Financial Statements, which were prepared in accordance with IFRS and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the EU, were approved by the Board of Directors on 31 March 2010 and have been delivered to the Registrar of Companies. Those Financial Statements have been reported on by the Company's auditors, their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### Significant accounting policies

The Interim Financial Statements for the six months ended 30 June 2010 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 2010.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Report and Financial Statements for the year ended 31 December 2009, as amended for the new standards adopted in 2010, as described below:

Effective for the period beginning 1 January 2010, the Group has adopted IFRS3: (Revised) Business Combinations and IAS 27: Consolidated and Separate Financial Statements (Revised).

This has resulted in a revision to the Accounting Policy on Business Combinations. The most significant changes to the existing policy are:

- Acquisition costs are now expensed in the Income Statement whereas previously they were included in the cost of the acquisition;
- Changes to contingent consideration classified as equity after the date of acquisition are recognised directly in equity whereas previously there was an adjustment to goodwill;
- Other changes to contingent consideration after the date of acquisition are recognised in profit or loss whereas previously there was an adjustment to goodwill.

The Group's revised accounting policy is detailed below:

*Business Combinations*

A business combination is the bringing together of separate entities or businesses into one reporting entity. The result is that one entity, the acquirer, obtains control of one or more entities or businesses. The acquisition date is the date on which the acquirer obtains control of the acquiree.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. Acquisition related expenses are expensed in the Income Statement.

In a business combination achieved in stages, previously held equity interest in the acquiree at its acquisition-date fair value is re-measured and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate.

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

**(a) Amendments to IFRS:**

| | |
|---|---|
| IFRS 1: | First-time adoption of IFRS 1 |
| IAS 27: | Consolidated and Separate Financial Statements – Consequential Amendments Arising from Changes to IFRS 3 |
| IFRIC 17: | Distributions of Non-cash Assets to Owners |
| IFRIC 18: | Transfers of Assets from Customers |

# Accounting Policies

### Significant accounting policies (cont'd)

**(b) Improvements to IFRS (issued April 2009):**

| | |
|---|---|
| IFRS 5: | Non-current Assets Held for Sale and Discontinued Operations |
| IAS 1: | Presentation of Financial Statements |
| IAS 7: | Statement of Cash Flows |
| IAS 17: | Leases |
| IAS 18: | Revenue |
| IAS 32: | Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) |
| IAS 36: | Impairment of Assets |
| IAS 38: | Intangible Assets |
| IAS 39: | Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment) |

### Financial Statements

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

There have been no significant changes to the accounting estimates, assumptions and judgements disclosed in the 2009 Annual Report and Financial Statements, other than certain pension scheme obligation assumptions, as disclosed in note 10.

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 2009.

The 2009 Annual Report and Financial Statements are available on the Group's Corporate website (www.fcamplc.com) or from its registered office.

Certain figures reported in the 2009 Interim Financial Statements have been reclassified within these Interim Financial Statements for consistency with the presentation applied in the Financial Statements for the year ended 31 December 2009, being the Group's latest set of audited annual results prepared in accordance with IFRS adopted by the EU. These changes are presentational in nature and do not change the previously reported financial results for the six months ended 30 June 2009 nor the aggregate assets and liabilities at that date.

# Notes to the Interim Financial Statements

## 1. Operating segments

The Group has two operating segments: Investment Management and Property Asset Management. F&C REIT, the property business acquired on 3 September 2008, has a separate Board of Directors with considerable autonomy, and operationally F&C REIT is managed separately from the rest of the F&C Group.

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

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

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

### (a) Operating segments' financial information

| | Investment management | | | Property asset management | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
| **Revenue** | | | | | | | | | |
| External clients | **99.2** | 94.5 | 203.1 | **16.7** | 17.9 | 38.8 | **115.9** | 112.4 | 241.9 |
| Inter-segment revenue | **0.4** | 0.6 | 1.3 | – | – | – | **0.4** | 0.6 | 1.3 |
| **Segment revenue** | **99.6** | 95.1 | 204.4 | **16.7** | 17.9 | 38.8 | **116.3** | 113.0 | 243.2 |
| Fee and commission expenses | **(7.4)** | (6.0) | (13.5) | **(1.7)** | (1.3) | (3.3) | **(9.1)** | (7.3) | (16.8) |
| Net gains and investment income on unit-linked assets | **17.7** | 9.4 | 136.0 | – | – | – | **17.7** | 9.4 | 136.0 |
| Movement in fair value of unit-linked liabilities | **(17.0)** | (8.8) | (134.6) | – | – | – | **(17.0)** | (8.8) | (134.6) |
| Operating expenses* | **(102.0)** | (94.7) | (206.4) | **(14.2)** | (13.5) | (27.3) | **(116.2)** | (108.2) | (233.7) |
| **Operating (loss)/profit** | **(9.1)** | (5.0) | (14.1) | **0.8** | 3.1 | 8.2 | **(8.3)** | (1.9) | (5.9) |
| Finance revenue | **4.8** | 5.5 | 11.4 | – | – | 0.1 | **4.8** | 5.5 | 11.5 |
| Finance costs | **(16.2)** | (14.8) | (30.3) | – | – | – | **(16.2)** | (14.8) | (30.3) |
| Gain on debt exchange | – | – | 27.9 | – | – | – | – | – | 27.9 |
| F&C REIT put option fair value gain | – | – | 5.6 | – | – | – | – | – | 5.6 |
| Impairment of financial investments | – | (0.1) | (0.1) | – | – | – | – | (0.1) | (0.1) |
| Tax income/(expense) | – | 2.7 | 11.4 | **0.2** | (0.1) | (1.4) | **0.2** | 2.6 | 10.0 |
| **(Loss)/profit for the period** | **(20.5)** | (11.7) | 11.8 | **1.0** | 3.0 | 6.9 | **(19.5)** | (8.7) | 18.7 |
| **Segment assets** | **1,472.4** | 1,716.0 | 1,594.4 | **214.3** | 214.8 | 222.2 | **1,686.7** | 1,930.8 | 1,816.6 |
| **Segment liabilities** | **1,068.5** | 1,312.3 | 1,151.4 | **24.6** | 5.7 | 29.6 | **1,093.1** | 1,318.0 | 1,181.0 |
| **Other information** | | | | | | | | | |
| Expenditure on non-current assets | **0.9** | 0.2 | 0.5 | **0.1** | 0.3 | 0.6 | **1.0** | 0.5 | 1.1 |
| Depreciation and amortisation | **20.2** | 21.2 | 41.8 | **5.8** | 5.8 | 11.5 | **26.0** | 27.0 | 53.3 |
| Non-cash expenses/(income) other than depreciation and amortisation | **2.5** | 2.8 | (22.7) | **0.1** | 0.3 | 0.8 | **2.6** | 3.1 | (21.9) |

* Operating expenses include depreciation and amortisation of intangible assets.

Revenues from two external clients each represent ten per cent. or more of the Group's total revenues. Revenues from the largest client amount to £18.2m for the six months ended 30 June 2010 (six months ended 30 June 2009: £17.4m; year ended 31 December 2009: £35.1m) and are earned in the investment management segment. Revenues from the second largest client amount to £16.3m for the six months ended 30 June 2010 (six months ended 30 June 2009: £14.6m; year ended 31 December 2009: £29.8m) and are earned across both segments.

# Notes to the Interim Financial Statements

## 1. Operating segments (cont'd)

### (b) Reconciliations to Group Financial Statements

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| **Total revenue** | | | |
| Total revenue for reportable segments | **116.3** | 113.0 | 243.2 |
| Elimination of inter-segment revenue | **(0.4)** | (0.6) | (1.3) |
| **Group revenue** | **115.9** | 112.4 | 241.9 |
| **Operating expenses** | | | |
| Total operating expenses for reportable segments | **116.2** | 108.2 | 233.7 |
| Elimination of inter-segment expenses | **(0.4)** | (0.6) | (1.3) |
| **Group operating expenses** | **115.8** | 107.6 | 232.4 |
| **(Loss)/profit after tax** | | | |
| Total (loss)/profit for reportable segments | **(19.5)** | (8.7) | 18.7 |
| Adjustments | **–** | – | – |
| **Group (loss)/profit for the period** | **(19.5)** | (8.7) | 18.7 |
| **Assets** | | | |
| Total assets for reportable segments | **1,686.7** | 1,930.8 | 1,816.6 |
| Elimination of inter-segment assets | **(2.6)** | (1.8) | (7.4) |
| Reclassification between assets and liabilities | **(3.8)** | – | (2.8) |
| **Group assets** | **1,680.3** | 1,929.0 | 1,806.4 |
| **Liabilities** | | | |
| Total liabilities for reportable segments | **1,093.1** | 1,318.0 | 1,181.0 |
| Elimination of inter-segment liabilities | **(2.6)** | (1.8) | (7.4) |
| Reclassification between assets and liabilities | **(3.8)** | – | (2.8) |
| Unallocated defined benefit pension liabilities | **47.7** | 48.2 | 46.7 |
| **Group liabilities** | **1,134.4** | 1,364.4 | 1,217.5 |

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

### (c) Geographical information

| **Revenue by location of clients** | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| United Kingdom | **49.1** | 45.6 | 95.2 |
| Continental Europe* | **57.9** | 59.7 | 127.7 |
| Rest of the World | **8.9** | 7.1 | 19.0 |
| **Group total** | **115.9** | 112.4 | 241.9 |

| **Non-current assets by domicile†** | 30 June 2010 £m | 30 June 2009 £m | 31 December 2009 £m |
|---|---|---|---|
| United Kingdom | **94.5** | 120.8 | 116.6 |
| Continental Europe* | **65.4** | 93.2 | 76.0 |
| Rest of the World | **24.6** | 25.9 | 23.1 |
| | **184.5** | 239.9 | 215.7 |
| Unallocated | **595.1** | 595.1 | 595.1 |
| **Group total** | **779.6** | 835.0 | 810.8 |

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

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

## 2. Net revenue

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| Base management fees | **114.8** | 107.5 | 219.1 |
| Performance related management fees* | **0.6** | 1.6 | 18.7 |
| **Total investment management fees** | **115.4** | 109.1 | 237.8 |
| Other income | **0.5** | 3.3 | 4.1 |
| **Total revenue** | **115.9** | 112.4 | 241.9 |
| | | | |
| Renewal commission on open-ended investment products | **(5.4)** | (4.0) | (9.3) |
| Other selling expenses | **(3.7)** | (3.3) | (7.5) |
| **Fee and commission expenses** | **(9.1)** | (7.3) | (16.8) |
| | | | |
| **Net revenue** | **106.8** | 105.1 | 225.1 |

* The majority of the Group's performance fee arrangements are on a calendar year basis. Therefore, in accordance with the Group's accounting policy, the majority of performance fees are generally recognised in the second half of a financial year.

## 3. Exceptional income and expenditure

### (a) Unrealised gains on forward currency contracts

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| Unrealised gains on forward currency contracts | **–** | 5.2 | 1.2 |

During 2008, the Group entered into a series of forward currency contracts to provide certainty to the Sterling value of a portion of the Group's Euro denominated cash flows. In line with accounting requirements, open contracts are carried in the Condensed Statement of Financial Position at their fair value. At 30 June 2010, no open forward exchange contracts were held by the Group and as a result no unrealised gain or loss on open forward contracts was recognised during the six months ended 30 June 2010. Unrealised gains/(losses) are excluded from the calculation of underlying earnings. Realised gains or losses on forward contracts including, where necessary, any adjustment in respect of previous periods' unrealised gains/(losses), are included in determining underlying earnings in the period in which the contract matures.

### (b) Other exceptional net operating expenses

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

| | | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|---|
| Corporate advisory fees | (i) | **(9.8)** | (1.1) | (2.6) |
| Exceptional employment and staff related income/(expenses) | (ii) | **2.6** | (2.9) | (6.1) |
| F&C REIT variable minority interest SBP expense | (iii) | **(1.9)** | (2.1) | (3.7) |
| Put option claim expense | (iv) | **(3.3)** | – | (4.1) |
| Foreign exchange transfer from reserves on liquidation of subsidiary | (v) | **1.3** | – | – |
| Investment Trust VAT income | | **–** | – | 2.5 |
| Exceptional client compensation expense | | **–** | – | (2.5) |
| Exceptional property expense | | **–** | – | (2.5) |
| | | **(11.1)** | (6.1) | (19.0) |

**(i) Corporate advisory fees**

During the six months ended 30 June 2010, £7.9m of corporate advisory fees were incurred in connection with the proposed acquisition of Thames River Capital, together with £1.5 million abortive acquisition costs in respect of C-Quadrat and other corporate costs of some £0.4 million. The Directors consider these corporate costs to be exceptional in nature and have therefore excluded this expense from the measurement of underlying earnings.

As noted in the Accounting Policies section of these Interim Financial Statements, the revisions to IFRS 3: Business Combinations, requires costs associated with acquisitions to be expensed in the Income Statement rather than included in determining the quantum of any goodwill arising on a transaction.

**(ii) Exceptional employment and staff related income/(expenses)**

During the six months ended 30 June 2010 the Group recognised a £4.0 million pension curtailment credit associated with changes implemented to defined benefit pension arrangements, as outlined in note 10. In addition, £1.4 million of redundancy and related staff costs were incurred as a result of further cost saving actions initiated during the period.

The Directors consider the net credit in respect of the above to be exceptional in nature and have therefore excluded this credit from the measurement of underlying earnings for the period.

The exceptional employment costs incurred in previous periods related to a number of actions taken by management to yield recurring staff cost savings.

# Notes to the Interim Financial Statements

## 3. Exceptional income and expenditure (cont'd)

**(iii) F&C REIT variable minority interest share-based payment (SBP) expense**

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

The former owners have the opportunity to increase their ownership of F&C REIT by a further 10 per cent. through the achievement of certain performance targets over a six year period. This earn-out mechanism meets the criteria of a share-based payment and results in a charge of £1.9m to the Income Statement in the period ended 30 June 2010. This expense continues to be excluded from underlying earnings as it is considered to be capital in nature.

**(iv) Put option claim expense**

Note 9 outlines the circumstances surrounding the claims made by the founder members of F&C Partners LLP. During the six months ended 30 June 2010 the Group incurred a further £3.3 million of legal and associated advisory costs in continuing to defend its position in respect of the matters which are the subject of a trial in the High Court.

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

**(v) Foreign exchange transfer from reserves on liquidation of subsidiary**

Following the transfer of its assets under management to another F&C Group company, F&C Luxembourg was put into voluntary liquidation in the six months ended 30 June 2010. The cumulative foreign exchange gain of £1.3 million previously recognised in the foreign currency translation reserve has been 're-cycled' to the Income Statement in accordance with accounting requirements.

Due to the non-recurring nature of this gain, the Directors excluded this credit from the calculation of underlying earnings for the six months ended 30 June 2010.

## 4. Income taxes

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

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| **Current income tax:** | | | |
| Current income tax expense | **5.1** | 1.3 | 6.4 |
| Adjustments in respect of previous periods | **0.1** | 0.1 | (0.6) |
| **Deferred income tax:** | | | |
| Relating to origination and reversal of temporary differences | **(5.4)** | (3.7) | (14.0) |
| Adjustments in respect of previous periods | **–** | (0.3) | (1.8) |
| **Tax income reported in the Condensed Income Statement** | **(0.2)** | (2.6) | (10.0) |

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| **Deferred and current income tax related to items charged or credited directly to equity:** | | | |
| Gain on available for sale financial investments | **0.2** | – | – |
| Actuarial loss on defined benefit pension schemes | **(1.8)** | (7.6) | (7.6) |
| **Tax income recognised directly in the Condensed Statement of Comprehensive Income** | **(1.6)** | (7.6) | (7.6) |

### Effective rate of tax

The net tax income for the six month period ended 30 June 2010 has been determined by using an effective annual tax rate for each tax jurisdiction and applying that rate to the pre-tax result of that jurisdiction.

The combined effective tax rate on all jurisdictions brings the total tax income to £0.2m for the period ended 30 June 2010 (period ended 30 June 2009: £2.6m; year ended 31 December 2009: £10.0m).

The Chancellor of the Exchequer's Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. Accordingly, this will reduce the Company's current tax charge in future. If the rate change from 28% to 27% had been substantively enacted on or before the statement of financial position date it would have had the effect of reducing the deferred tax liability recognised at that date by £0.4 million.

### 4. Income taxes (cont'd)

The reduction comprises three elements:

- A £0.6m tax charge which would impact underlying earnings of the Group;
- A £1.4m tax credit attributable to intangible assets, which would be excluded from underlying earnings, consistent with the treatment of the corresponding amortisation charge; and
- A £0.4m charge to equity reflecting the deferred tax that is expected to reverse through equity.

The Directors are of the view that due to the significant level of estimation required it is not yet possible to quantify the full anticipated effect of the proposed subsequent 3% rate reduction, although this will further reduce the Group's current tax charge in future and reduce the Group's deferred tax assets/(liabilities) recognised in the Statement of Financial Position.

### 5. Earnings per share

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

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

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

| **Reconciliation of basic earnings per share** | **Six months ended 30 June 2010 p** | **Six months ended 30 June 2009 p** | **Year ended 31 December 2009 p** |
|---|---|---|---|
| **(Loss)/earnings per Ordinary Share** | **(4.12)** | (1.99) | 3.24 |
| Amortisation of intangibles | **3.35** | 3.40 | 6.80 |
| Unrealised gains on forward currency contracts | **–** | (0.76) | (0.16) |
| Prior period unrealised losses on forward currency contracts, now realised | **(0.18)** | (0.75) | (1.45) |
| Corporate advisory fees | **1.99** | 0.19 | 0.45 |
| Exceptional employment and staff related (income)/expenses | **(0.41)** | 0.43 | 0.89 |
| Put option claim expense | **0.67** | – | 0.83 |
| F&C REIT variable minority interest SBP expense | **0.39** | 0.43 | 0.75 |
| Foreign exchange transfer from reserves on liquidation of subsidiary | **(0.27)** | – | – |
| F&C REIT put option fair value gain | **–** | – | (1.14) |
| Investment Trust VAT income | **–** | – | (0.37) |
| Exceptional client compensation expense | **–** | – | 0.37 |
| Exceptional property expense | **–** | – | 0.37 |
| Gain on debt exchange | **–** | – | (6.00) |
| **Underlying earnings per share** | **1.42** | 0.95 | 4.58 |
| Foreign exchange losses included within underlying earnings per share | **0.28** | 0.92 | 1.18 |
| **Underlying earnings per share excluding foreign exchange gains and losses** | **1.70** | 1.87 | 5.76 |

| | **Six months ended 30 June 2010 p** | **Six months ended 30 June 2009 p** | **Year ended 31 December 2009 p** |
|---|---|---|---|
| **Diluted (loss)/earnings per share*** | **(4.12)*** | (1.99)* | 3.19 |

* 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 2010 and 30 June 2009.

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

# Notes to the Interim Financial Statements

## 5. Earnings per share (cont'd)

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

| Reconciliation of earnings/(loss) | Six months ended 30 June 2010 Gross £m | Tax £m | Net £m | Six months ended 30 June 2009 Gross £m | Tax £m | Net £m | Year ended 31 December 2009 Gross £m | Tax £m | Net £m |
|---|---|---|---|---|---|---|---|---|---|
| **Earnings/(loss) attributable to ordinary equity holders of the parent for basic (loss)/earnings per share** | **(20.1)** | **(0.2)** | **(20.3)** | (12.9) | 3.1 | (9.8) | 5.9 | 10.0 | 15.9 |
| Amortisation of intangibles* | **22.9** | **(6.4)** | **16.5** | 23.4 | (6.6) | 16.8 | 46.4 | (13.0) | 33.4 |
| Unrealised gains on forward currency contracts | **–** | **–** | **–** | (5.2) | 1.4 | (3.8) | (1.2) | 0.4 | (0.8) |
| Prior period unrealised losses on forward currency contracts, now realised | **(1.3)** | **0.4** | **(0.9)** | (5.1) | 1.4 | (3.7) | (9.9) | 2.8 | (7.1) |
| Corporate advisory fees | **9.8** | **–** | **9.8** | 1.1 | (0.1) | 1.0 | 2.6 | (0.4) | 2.2 |
| Exceptional employment and staff related (income)/expenses# | **(2.8)** | **0.8** | **(2.0)** | 2.9 | (0.8) | 2.1 | 6.1 | (1.7) | 4.4 |
| Put option claim expense | **3.3** | **–** | **3.3** | – | – | – | 4.1 | – | 4.1 |
| F&C REIT variable minority interest SBP expense | **1.9** | **–** | **1.9** | 2.1 | – | 2.1 | 3.7 | – | 3.7 |
| Foreign exchange transfer from reserves on liquidation of subsidiary | **(1.3)** | **–** | **(1.3)** | – | – | – | – | – | – |
| F&C REIT put option fair value gain | **–** | **–** | **–** | – | – | – | (5.6) | – | (5.6) |
| Investment Trust VAT income | **–** | **–** | **–** | – | – | – | (2.5) | 0.7 | (1.8) |
| Exceptional client compensation expense | **–** | **–** | **–** | – | – | – | 2.5 | (0.7) | 1.8 |
| Exceptional property expense | **–** | **–** | **–** | – | – | – | 2.5 | (0.7) | 1.8 |
| Gain on debt exchange | **–** | **–** | **–** | – | – | – | (27.9) | (1.6) | (29.5) |
| **Underlying earnings attributable to ordinary equity holders of the parent** | **12.4** | **(5.4)** | **7.0** | 6.3 | (1.6) | 4.7 | 26.7 | (4.2) | 22.5 |
| Foreign exchange losses included within underlying earnings | **2.0** | **(0.6)** | **1.4** | 6.3 | (1.8) | 4.5 | 8.1 | (2.3) | 5.8 |
| **Underlying earnings attributable to ordinary equity holders of the parent excluding foreign exchange gains and losses** | **14.4** | **(6.0)** | **8.4** | 12.6 | (3.4) | 9.2 | 34.8 | (6.5) | 28.3 |

* Excludes £1.6m for the six months ended 30 June 2010 (six months ended 30 June 2009: £1.6m; year ended 31 December 2009: £3.3m) of amortisation of intangibles (gross) which is attributable to minority interests.

# Excludes £0.2m of exceptional employment and staff related costs (gross) attributable to minority interests for the six months ended 30 June 2010 (six months ended 30 June 2009: £nil; year ended 31 December 2009: £nil).

| Share capital | Six months ended 30 June 2010 No. | Six months ended 30 June 2009 No. | Year ended 31 December 2009 No. |
|---|---|---|---|
| Weighted average number of Ordinary Shares (excluding own shares held by Employee Benefit Trusts) for basic (loss)/earnings per share | **493,033,108** | 494,633,752 | 491,145,219 |
| Dilutive potential weighted average number of Ordinary Shares | **505,079,734** | 501,125,601 | 498,926,216 |

## 6. Ordinary dividends

| Declared and paid during the period | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| Equity dividends on Ordinary Shares: | | | |
| – Final dividend for 2009: 4.0p (2008: 4.0p) | **19.4** | 19.8 | 19.8 |
| – Interim dividend for 2009: 2.0p | **–** | – | 9.7 |
| | **19.4** | 19.8 | 29.5 |

| Proposed dividends | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| Equity dividends on Ordinary Shares: | | | |
| – Final dividend for 2009: 4.0p | **–** | – | 19.5 |
| – Interim dividend for 2010: 1.0p (2009: 2.0p) | **5.1** | 9.8 | – |

The proposed interim dividend for 2010 is based on 1.0p per share and 508,349,822 Ordinary Shares being eligible for dividends as at 25 August 2010. This dividend was approved by the Board on 25 August 2010. The interim dividend will be payable on 22 October 2010, to shareholders on the register as at 1 October 2010.

## 7. Goodwill and other intangible assets

| | Goodwill £m | Management contracts £m | Software and licences £m | Total £m |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 July 2009 | 595.1 | 683.8 | 4.6 | 1,283.5 |
| Additions | – | – | 0.1 | 0.1 |
| Foreign exchange gains | – | 1.3 | – | 1.3 |
| At 31 December 2009 | 595.1 | 685.1 | 4.7 | 1,284.9 |
| Additions | – | – | 0.6 | 0.6 |
| Foreign exchange losses | – | (6.0) | – | (6.0) |
| **At 30 June 2010** | **595.1** | **679.1** | **5.3** | **1,279.5** |
| **Amortisation and impairment:** | | | | |
| At 1 July 2009 | – | 453.7 | 3.8 | 457.5 |
| Amortisation charge for the period | – | 24.7 | 0.3 | 25.0 |
| At 31 December 2009 | – | 478.4 | 4.1 | 482.5 |
| Amortisation charge for the period | – | 24.5 | 0.3 | 24.8 |
| **At 30 June 2010** | **–** | **502.9** | **4.4** | **507.3** |
| **Net book values:** | | | | |
| At 30 June 2009 | 595.1 | 230.1 | 0.8 | 826.0 |
| At 31 December 2009 | 595.1 | 206.7 | 0.6 | 802.4 |
| **At 30 June 2010** | **595.1** | **176.2** | **0.9** | **772.2** |

### Goodwill

Goodwill has arisen from various business combinations, and, reflecting the group's reportable operating segments disclosed in note 1, is represented by two cash generating units ("CGUs"), at the end of the current and comparative periods, as follows:

| | £m |
|---|---|
| Investment Management | 467.2 |
| Property Asset Management | 127.9 |
| | **595.1** |

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 operating segment was last tested for impairment at 31 December 2009, as described in note 14 of the 2009 Annual Report and Financial Statements; to date, neither CGU has suffered any impairment of goodwill. There are no indicators of potential impairment in the period ended 30 June 2010.

### Management contracts

Management contracts predominantly relate to contracts arising from business acquisitions. They are amortised over their expected useful lives and are tested for impairment only when indicators of potential impairment are identified. No such indicators have been identified since the last impairment review undertaken as at 31 December 2008 and therefore no impairment review of management contracts has been undertaken this period. The foreign exchange losses recognised in the period ending 30 June 2010 arise from the relative weakening of the Euro over the course of the first half of 2010, reducing the value of Euro-denominated contracts, in Sterling terms.

# Notes to the Interim Financial Statements

## 8. Interest bearing loans and borrowings

| | 30 June 2010 £m | 30 June 2009 £m | 31 December 2009 £m |
|---|---|---|---|
| **Fixed/Floating Rate Subordinated Notes 2016/2026** | **124.3** | 258.3 | 124.2 |
| Interest rate of 6.75% per annum until 19 December 2016, payable annually in arrears. Issuer has the option to extend the notes beyond this date at a rate of 2.69% above 3 month LIBOR until 19 December 2026, payable quarterly in arrears. | | | |
| **Guaranteed Fixed Rate Loan Notes 2016** | **129.7** | – | 129.7 |
| Interest rate of 9.0% per annum until 19 December 2016, payable annually in arrears. | | | |
| **Floating Rate Secured Notes 2010** | **–** | 35.0 | 10.0 |
| The remaining £10.0m of the Notes were repaid on 30 June 2010. Interest was payable, quarterly in arrears, at LIBOR +4%. | | | |
| **Preference Share capital** | **–** | 0.8 | – |
| Dividends were payable at LIBOR +2% half yearly in arrears. | | | |
| | **254.0** | 294.1 | 263.9 |

| | | | |
|---|---|---|---|
| **Repayment periods** | | | |
| **Amounts repayable:** | | | |
| In one year or less, or on demand | **–** | 35.8 | 10.0 |
| In more than one year but not more than two years | **–** | – | – |
| In more than two years but not more than five years | **–** | – | – |
| In more than five years | **254.0** | 258.3 | 253.9 |
| | **254.0** | 294.1 | 263.9 |

## 9. Provisions

| | 30 June 2010 £m | 30 June 2009 £m | 31 December 2009 £m |
|---|---|---|---|
| **Summary:** | | | |
| Onerous premises contracts | **7.9** | 6.3 | 8.4 |
| NIC on share schemes | **4.3** | 4.5 | 5.6 |
| Put option claim | **2.4** | – | 2.4 |
| Investment Trust VAT | **–** | 3.3 | – |
| Other provisions | **2.6** | 2.6 | 2.6 |
| | **17.2** | 16.7 | 19.0 |
| **Split as follows:** | | | |
| Non-current | **9.3** | 8.0 | 10.1 |
| Current | **7.9** | 8.7 | 8.9 |
| | **17.2** | 16.7 | 19.0 |

**Put option claim**

During 2009, the two individual founder members of F&C Partners LLP ('LLP'), the Group's fund of hedge funds business, sought to exercise put options to sell their minority interest in the LLP to the F&C corporate member under the terms of the LLP Agreement (in total, for approximately £7.8m). On 6 March 2009, the corporate member issued a claim in the High Court seeking a declaration on the validity of the exercise of the put options. The individual members are seeking an unspecified sum by way of counterclaim. On 10 June 2009, the individual founder members issued a petition against the LLP and the F&C corporate member under Section 459 of the Companies Act 1985 seeking an order that the F&C corporate member buy out their minority interest in the LLP at a price to be determined. On 28 April 2010, the F&C corporate member issued a cross-petition against the individual members and the LLP under Section 994 of the Companies Act 2006 seeking an order that the individual members transfer their interests in the LLP to the corporate member at a valuation based on the market value of the LLP.

At the date of these Interim Financial Statements, these three actions are being heard at a trial in the High Court which commenced on 14 June 2010, although the outcome of this trial may not be known until 2011.

In addition, the two founder members may exercise further put options in October 2010 and if they do so the price formula in the LLP Agreement would produce an aggregate exercise price of a maximum of £2.6m. The LLP Agreement provides that if, following the exercise of these options, the business of the LLP is sold and is completed within 12 months of such exercise, the individuals concerned would then become entitled only to a proportion of the sale proceeds. The Directors have been advised by leading counsel that there is considerable uncertainty about whether these options could ever be completed. Notwithstanding this uncertainty and having regard to the amount which would be payable under the October 2010 options, the Directors provided for an amount of £2.4m during 2009 in respect of this matter. As at 30 June 2010, this provision remains unchanged.

The Group is advised that it should be successful in respect of all claims.

## 10. Employee benefits – Pension scheme obligations

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

| | 30 June 2010 £m | 30 June 2009 £m | 31 December 2009 £m |
|---|---|---|---|
| Fair value of plan assets | **159.3** | 129.1 | 157.5 |
| Benefit obligations | **(207.0)** | (177.3) | (204.2) |
| **Aggregate pension deficit** | **(47.7)** | (48.2) | (46.7) |

The valuation of the UK benefit obligations is based on:

| | 30 June 2010 | 30 June 2009 | 31 December 2009 |
|---|---|---|---|
| Discount rate | **5.40%** | 6.20% | 5.70% |
| Inflation rate | **3.45%** | 3.50% | 3.60% |

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

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| Current service cost | **1.1** | 1.2 | 2.6 |
| Past service cost | **0.6** | – | – |
| Curtailment income* | **(4.0)** | – | – |
| Expected return on plan assets | **(4.6)** | (3.9) | (7.9) |
| Interest cost of benefit obligations | **5.6** | 4.9 | 10.0 |
| **Total defined benefit pension (income)/expense recognised in the Condensed Income Statement** | **(1.3)** | 2.2 | 4.7 |

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

## 11. Employee benefits – Share-based payments

Summary of share-based payment expense:

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| **Total share-based payment expense recognised in the Condensed Income Statement** | **9.7** | 9.0 | 20.3 |

In accordance with the Group's accounting policy, a review has been performed at 30 June 2010 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 2010:

| Scheme | Grant date | Vesting date | No. of shares awarded | Share price at date of issue (fair value) |
|---|---|---|---|---|
| Long Term Remuneration Plan (Deferred awards) | 7 April 2010 | 7 April 2013 | 17,335,585 | 64.0p |
| Long Term Remuneration Plan (Restricted performance awards) | 4 May 2010 | 4 May 2013 | 3,786,486 | 64.8p |
| Purchased Equity Plan (FCAM plc shares – mandatory award) | 31 March 2010 | 31 March 2013 | 493,810 | 62.0p |

| Scheme | Grant date | Vesting date | No. of units awarded | Market value per unit at grant date |
|---|---|---|---|---|
| F&C REIT LTRP (2009 deferred awards) | 1 May 2010 | 1 April 2012 | 16,163.52 | £102.00 |
| F&C REIT LTRP (2010 deferred awards) | 1 May 2010 | 1 May 2013 | 12,696.08 | £102.00 |

Details of all share-based payment ("SBP") schemes are disclosed in note 28 of the 2009 Annual Report and Financial Statements. Details of the changes to the Group's SBP arrangements during 2010 are given below.

# Notes to the Interim Financial Statements

## 11. Employee benefits – Share-based payments (cont'd)

### (a) Long-Term Remuneration Plan ("LTRP") Restricted Share Awards

New performance conditions were introduced for the restricted LTRP awards granted in 2010. Vesting of the Ordinary Shares that are the subject of a restricted award under the LTRP will now be dependent upon four specified performance conditions and conditions of continued service being met. The performance conditions applied to the LTRP are determined by the Board and are measured over a three-year performance period and comprise the following:

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

To the extent that any element of the award has not vested in accordance with the performance criteria detailed below it lapses immediately.

#### (i) The EPS element

The EPS element is based on the amount by which the percentage growth in EPS exceeds the percentage increase in general index of retail prices ("RPI") over the three year performance period.

The awards vest according to the following criteria:

| EPS Outperformance amount representing average annual compound EPS growth in excess of RPI over the performance period of: | Percentage of Plan shares comprised in the EPS Element that vest |
|---|---|
| Less than 3% | 0% |
| 3% | 25% |
| Equal to or greater than 11% | 100% |
| Between 3% and 11% | Pro-rata between 25% and 100% on a straight-line basis |

#### (ii) The TSR element

The TSR element compares the TSR of the Group over a three-year performance period (commencing on the award date) with a list of companies in a predetermined financial services comparator group. At the end of the performance period, the Group and each of the comparator companies are listed and ranked in accordance with their TSR over the performance period. The TSR measure reflects the movement in the value of shares plus any dividends declared during the relevant period.

The awards vest according to the following criteria:

| Position of the Company in the Comparator Group list | Percentage of Plan shares comprised in the TSR Element that vest |
|---|---|
| Below median | 0% |
| Median | 25% |
| Upper quartile | 100% |
| Between median and upper quartile | Straight-line vesting between 25% and 100% |

#### (iii) The Investment Performance element

The award is based on the Total Weighted Outperformance Percentage (25% of the One-year Outperformance Percentage and 75% of the Three-year Outperformance Percentage) on investment management performance over a three-year period.

The awards vest according to the following criteria:

| Total Weighted Outperformance Percentage | Percentage of Plan shares comprised in the Investment Performance Element that vest |
|---|---|
| Equal to or less than 42% | 0% |
| 75% or more | 100% |
| Between 42% and 75% | Straight-line vesting between 0% and 100% |

#### (iv) The Net New Business element

The award is based on a comparison of the actual versus the budgeted amount of Net New Business for the period. The budgeted Net New Business is determined on an annual basis by the Board. Performance is measured over a three-year period.

The awards vest according to the following criteria:

| Net New Business Outperformance Percentage for the relevant financial year | Percentage of Plan Shares comprised in the Net New Business Element that vest |
|---|---|
| Equal to or less than 25% | 0% |
| 125% or more | 100% |
| Between 25% and 125% | Straight-line vesting between 0% and 100% |

## 11. Employee benefits – Share-based payments (cont'd)

### (b) F&C REIT Long-Term Remuneration Plan ("F&C REIT LTRP")

During 2010, a new scheme has been introduced to incentivise F&C REIT employees.

There are two elements to the Plan:

(i) Deferred award with no performance conditions;

(ii) Restricted awards with performance conditions.

Participants are awarded notional units in the F&C REIT Asset Management LLP Group ("F&C REIT LLP"), each equal to 0.00005% of the Market Value of the F&C REIT LLP. The Market Value of the F&C REIT LLP will be determined annually by an independent valuation.

The deferred awards vest at the end of a pre-determined period from grant date (normally three years), subject to the continued employment of the participant.

No awards have been granted under the performance element to date.

## 12. Share capital

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

| | 30 June 2010 £m | 30 June 2009 £m | 31 December 2009 £m |
|---|---|---|---|
| **Issued Ordinary Shares of 0.1p each** | **0.5** | 0.5 | 0.5 |

The number of Ordinary Shares in issue was as follows:

| | 30 June 2010 No. | 30 June 2009 No. | 31 December 2009 No. |
|---|---|---|---|
| Allotted, called up and fully paid Ordinary Shares of 0.1p each | **525,652,064** | 498,834,041 | 499,273,120 |
| Ordinary Shares held by Employee Benefit Trusts | **(17,725,180)** | (1,816,581) | (11,797,023) |
| **Ordinary Shares available in the market** | **507,926,884** | 497,017,460 | 487,476,097 |

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

| | Six months ended 30 June 2010 No. | Six months ended 30 June 2009 No. | Year ended 31 December 2009 No. |
|---|---|---|---|
| Issued at 1 January | **499,273,120** | 495,725,314 | 495,725,314 |
| Issue of new shares by way of placing | **24,807,145** | – | – |
| Issue of shares at par to settle share-based payment awards | **1,571,799** | 3,108,727 | 3,547,806 |
| **Issued at 30 June (31 December)** | **525,652,064** | 498,834,041 | 499,273,120 |

## 13. Analysis of cash flow statement movements

| | Six months ended 30 June 2010 £m | Six months ended 30 June 2009 £m | Year ended 31 December 2009 £m |
|---|---|---|---|
| **Adjustments for non-cash items:** | | | |
| Non-cash movements on forward currency contracts | **(0.9)** | – | (7.1) |
| Depreciation of property, plant and equipment | **1.2** | 1.5 | 2.8 |
| Amortisation of intangible assets | **24.8** | 25.5 | 50.5 |
| Loss on disposal of property, plant and equipment | **–** | 0.1 | 0.2 |
| Release of acquisition creditor | **–** | (2.2) | (2.2) |
| Equity-settled share-based payment expenses | **6.5** | 6.1 | 14.3 |
| | **31.6** | 31.0 | 58.5 |
| **Changes in working capital and provisions:** | | | |
| Increase in trade and other receivables | **(11.6)** | (11.5) | (12.9) |
| Increase in trade and other payables | **19.1** | 9.3 | 7.8 |
| Decrease in other financial liabilities | **(0.4)** | (10.7) | (4.0) |
| (Decrease)/increase in investment contract liabilities | **(86.8)** | 3.5 | (103.2) |
| Decrease in insurance contract liabilities | **–** | – | (0.2) |
| (Decrease)/increase in employee benefit liabilities | **(6.5)** | (9.6) | 3.5 |
| Decrease in deferred acquisition costs | **0.6** | 1.1 | 2.1 |
| Decrease in deferred income | **(0.9)** | (1.5) | (2.7) |
| Pension charge to operating profit less defined benefit pension contributions paid | **(6.0)** | (1.4) | (4.0) |
| (Decrease)/increase in provisions for liabilities and charges | **(2.2)** | (1.0) | 0.8 |
| Decrease/(increase) in policyholder financial investments | **88.3** | (3.2) | 84.9 |
| | **(6.4)** | (25.0) | (27.9) |

# Notes to the Interim Financial Statements

## 14. Related party transactions

In the ordinary course of business, the Group undertakes transactions with related parties, as defined by IAS 24: Related Party Disclosures. Material related party transactions are set out below. There are no significant changes in the type or nature of related party transactions from those disclosed in the 2009 Annual Report and Financial Statements.

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

Since the acquisition of F&C Group (Holdings) Limited in 2004, the Eureko Group has held in excess of 10 per cent. of the Ordinary Shares of the Company and is entitled to Board representation. Consequently, transactions between the F&C Group and the Eureko Group are considered to be related party transactions.

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

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

| | Total invoiced and accrued during the six months ended 30 June 2010 £m | Outstanding at 30 June 2010 £m | Total invoiced and accrued during the six months ended 30 June 2009 £m | Outstanding at 30 June 2009 £m | Total invoiced and accrued during 2009 £m | Outstanding at 31 December 2009 £m |
|---|---|---|---|---|---|---|
| **Shared services and administrative services** | **0.1** | **0.1** | 0.4 | (0.1) | 0.7 | 0.1 |
| Amounts outstanding at the period end are included within trade and other payables | | | | | | |
| **Management fees** | **18.2** | **3.3** | 17.4 | 6.5 | 35.1 | 2.2 |
| Amounts outstanding at the period end are included within trade and other receivables | | | | | | |
| **Ordinary dividends paid to Eureko B.V.** | **2.0** | **–** | 2.0 | – | 3.1 | – |

**Other amounts owed to/(from) Eureko**

In addition to the above, the Group was owed £1.4m at 30 June 2010 (30 June 2009: £1.1m; 31 December 2009: £1.4m) by Eureko B.V. and its subsidiaries. The Group owed Eureko B.V. £0.7m at 30 June 2010 (30 June 2009: £0.8m; 31 December 2009: £0.7m) in respect of estimated purchase consideration for the acquisition of F&C Group (Holdings) Limited on 11 October 2004.

The Group also owed Eureko B.V. £1.3m at 30 June 2010 (30 June 2009: £1.3m; 31 December 2009: £1.3m) in respect of taxation balances.

### (b) Transactions with Minority Interests

### (i) F&C REIT Asset Management LLP

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

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

These parties are considered to be related parties.

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

**Six months ended 30 June 2010**

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

## 14. Related party transactions (cont'd)

### Six months ended 30 June 2009

| | Amortisation of intangible assets £m | Profit share £m | Distributions paid £m | Minority interest at 30 June 2009 £m |
|---|---|---|---|---|
| Kendray Properties Limited | (0.6) | 1.1 | – | 9.6 |
| L. Noé | (0.45) | 0.85 | (0.4) | 6.6 |
| I. Smith | (0.15) | 0.25 | (0.2) | 2.0 |
| | (1.2) | 2.2 | (0.6) | 18.2 |

### Year ended 31 December 2009

| | Amortisation of intangible assets £m | Profit share £m | Distributions paid £m | Minority interest at 31 December 2009 £m |
|---|---|---|---|---|
| Kendray Properties Limited | (1.2) | 2.3 | – | 10.2 |
| L. Noé | (0.9) | 1.9 | (0.7) | 6.9 |
| I. Smith | (0.3) | 0.7 | (0.4) | 2.1 |
| | (2.4) | 4.9 | (1.1) | 19.2 |

### (ii) F&C Partners LLP

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

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

These parties are considered to be related parties.

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

| | Six months ended 30 June 2010 | | | Six months ended 30 June 2009 | | | Year ended 31 December 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Profit entitlement £m | Distributions £m | Minority interest at 30 June 2010 £m | Profit entitlement £m | Distributions £m | Minority interest at 30 June 2009 £m | Profit entitlement £m | Distrubutions £m | Minority interest at 31 December 2009 £m |
| F. Barthelemy | 0.1 | (0.1) | – | 0.05 | (0.45) | 0.05 | 0.15 | (0.6) | – |
| A. Culligan | 0.1 | (0.1) | – | 0.05 | (0.45) | 0.05 | 0.15 | (0.6) | – |
| | 0.2 | (0.2) | – | 0.1 | (0.9) | 0.1 | 0.3 | (1.2) | – |

## 15. 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 2010 which comprises the Condensed Consolidated Statements of Income, Comprehensive Income, Financial Position, Changes in Equity, Cash Flows and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

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

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

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

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

## Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Simon Pashby

Simon Pashby
**for and on behalf of KPMG Audit Plc**
*Chartered Accountants*, Edinburgh
25 August 2010

# Key Financial Indicators

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

## Six months ended 30 June 2010

| | £ millions unless otherwise stated | | Underlying EPS | | Underlying EPS ex FX | |
|---|---|---|---|---|---|---|
| | | Reported earnings | Adjustments | Adjusted Income Statement | Adjustments for FX (gains)/ losses | Adjusted Income Statement |
| A | **Net Revenue** | **106.8** | **–** | **106.8** | **–** | **106.8** |
| | Net policyholder income | **0.7** | **–** | **0.7** | **–** | **0.7** |
| | **Underlying operating expenses** | **(79.5)** | **–** | **(79.5)** | **–** | **(79.5)** |
| | Exchange losses | **(1.6)** | **–** | **(1.6)** | **1.6** | – |
| | Realised gains attributable to closed FX contracts | **0.9** | **–** | **0.9** | **(0.9)** | – |
| | FX contract losses recognised in prior periods | **–** | **(1.3)** | **(1.3)** | **1.3** | – |
| | Operating expenses | **(80.2)** | **(1.3)** | **(81.5)** | **2.0** | **(79.5)** |
| | Amortisation of intangible assets | **(24.5)** | **24.5** | **–** | **–** | **–** |
| | Other exceptional net operating expenses | **(11.1)** | **11.1** | **–** | **–** | **–** |
| | **Total operating expenses** | **(115.8)** | **34.3** | **(81.5)** | **2.0** | **(79.5)** |
| B | **Operating (loss)/profit** | **(8.3)** | **34.3** | **26.0** | **2.0** | **28.0** |
| | Interest paid | **(10.7)** | **–** | **(10.7)** | **–** | **(10.7)** |
| | Interest and investment income received | **0.2** | **–** | **0.2** | **–** | **0.2** |
| | Other non-operating items | **(0.9)** | **–** | **(0.9)** | **–** | **(0.9)** |
| | Minority interest | **–** | **(2.2)** | **(2.2)** | **–** | **(2.2)** |
| | **(Loss)/profit before tax** | **(19.7)** | **32.1** | **12.4** | **2.0** | **14.4** |
| | Tax income/(expense) | **0.2** | **(5.6)** | **(5.4)** | **(0.6)** | **(6.0)** |
| C | **(Loss)/profit for period** | **(19.5)** | **26.5** | **7.0** | **1.4** | **8.4** |
| | **Underlying EPS (C÷D)** | | | **1.4p** | | **1.7p** |
| | **Group operating margin (B÷A)** | | | **24.3%** | | **26.2%** |
| D | **Weighted average number of shares (000's)** | | | **493,033** | | **493,033** |

## Six months ended 30 June 2009

| £ millions unless otherwise stated | | Underlying EPS | | | Underlying EPS ex FX | |
|---|---|---|---|---|---|---|
| | | Reported earnings | Adjustments | Adjusted Income Statement | Adjustments for FX (gains)/ losses | Adjusted Income Statement |
| A | **Net Revenue** | 105.1 | – | 105.1 | – | 105.1 |
| | Net policyholder income | 0.6 | – | 0.6 | – | 0.6 |
| | **Underlying operating expenses** | (80.4) | – | (80.4) | – | (80.4) |
| | Exchange losses | (4.7) | – | (4.7) | 4.7 | – |
| | Realised gains attributable to closed FX contracts | 3.5 | – | 3.5 | (3.5) | – |
| | FX contract losses recognised in prior periods | – | (5.1) | (5.1) | 5.1 | – |
| | Operating expenses | (81.6) | (5.1) | (86.7) | 6.3 | (80.4) |
| | Amortisation of intangible assets | (25.1) | 25.1 | – | – | – |
| | Unrealised gains attributable to open FX contracts | 5.2 | (5.2) | – | – | – |
| | Other exceptional net operating expenses | (6.1) | 6.1 | – | – | – |
| | **Total operating expenses** | (107.6) | 20.9 | (86.7) | 6.3 | (80.4) |
| B | **Operating (loss)/profit** | (1.9) | 20.9 | 19.0 | 6.3 | 25.3 |
| | Interest paid | (9.9) | – | (9.9) | – | (9.9) |
| | Interest and investment income received | 1.5 | – | 1.5 | – | 1.5 |
| | Other non-operating items | (1.0) | – | (1.0) | – | (1.0) |
| | Minority interest | – | (3.3) | (3.3) | – | (3.3) |
| | **(Loss)/profit before tax** | (11.3) | 17.6 | 6.3 | 6.3 | 12.6 |
| | Tax income/(expense) | 2.6 | (4.2) | (1.6) | (1.8) | (3.4) |
| C | **(Loss)/profit for period** | (8.7) | 13.4 | 4.7 | 4.5 | 9.2 |
| | **Underlying EPS (C÷D)** | | | 1.0p | | 1.9p |
| | **Group operating margin (B÷A)** | | | 18.1% | | 24.1% |
| D | **Weighted average number of shares (000's)** | | | 494,634 | | 494,634 |

## Year ended 31 December 2009

| £ millions unless otherwise stated | | Underlying EPS | | | Underlying EPS ex FX | |
|---|---|---|---|---|---|---|
| | | Reported earnings | Adjustments | Adjusted Income Statement | Adjustments for FX (gains)/ losses | Adjusted Income Statement |
| A | **Net Revenue** | 225.1 | – | 225.1 | – | 225.1 |
| | Net policyholder income | 1.4 | – | 1.4 | – | 1.4 |
| | **Underlying operating expenses** | (166.6) | – | (166.6) | – | (166.6) |
| | Exchange losses | (4.1) | – | (4.1) | 4.1 | – |
| | Realised gains attributable to closed FX contracts | 5.9 | – | 5.9 | (5.9) | – |
| | FX contract losses recognised in prior periods | – | (9.9) | (9.9) | 9.9 | – |
| | Operating expenses | (164.8) | (9.9) | (174.7) | 8.1 | (166.6) |
| | Amortisation of intangible assets | (49.8) | 49.8 | – | – | – |
| | Unrealised gains attributable to open FX contracts | 1.2 | (1.2) | – | – | – |
| | Other exceptional net operating expenses | (19.0) | 19.0 | – | – | – |
| | **Total operating expenses** | (232.4) | 57.7 | (174.7) | 8.1 | (166.6) |
| B | **Operating (loss)/profit** | (5.9) | 57.7 | 51.8 | 8.1 | 59.9 |
| | Gain on debt exchange | 27.9 | (27.9) | – | – | – |
| | F&C REIT put option fair value gain | 5.6 | (5.6) | – | – | – |
| | Interest paid | (20.3) | – | (20.3) | – | (20.3) |
| | Interest and investment income received | 3.6 | – | 3.6 | – | 3.6 |
| | Other non-operating items | (2.2) | – | (2.2) | – | (2.2) |
| | Minority interest | – | (6.2) | (6.2) | – | (6.2) |
| | **Profit before tax** | 8.7 | 18.0 | 26.7 | 8.1 | 34.8 |
| | Tax income/(expense) | 10.0 | (14.2) | (4.2) | (2.3) | (6.5) |
| C | **Profit for year** | 18.7 | 3.8 | 22.5 | 5.8 | 28.3 |
| | **Underlying EPS (C÷D)** | | | 4.6p | | 5.8p |
| | **Group operating margin (B÷A)** | | | 23.0% | | 26.6% |
| D | **Weighted average number of shares (000's)** | | | 491,145 | | 491,145 |

# Corporate Information

## Directors
Nick MacAndrew, Chairman‡

Keith Bedell-Pearce, Senior Independent Non-executive*†‡

Alain Grisay, Chief Executive

Brian Larcombe, Non-executive*†‡

David Logan, Chief Financial Officer

Jeff Medlock, Non-executive

Kieran Poynter, Non-executive†

Gerhard Roggemann, Non-executive*†‡

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

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## Corporate information
F&C Asset Management plc
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Company Registration Number 73508

## Websites
Shareholders are encouraged to visit our corporate website www.fcamplc.com.

Further details of the F&C Group and its product range can be obtained from our website www.fandc.com.