F&C Asset Management plc

Interim Report and Financial Statements 2012

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Contents

Forward-looking statements

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

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

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 LLP and its subsidiaries

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

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

"NCI" Non-controlling interests

Financial and Business Summary

Business Highlights

- Underlying earnings per share increased 11% to 3.0p (H1 2011: 2.7p)
- Underlying earnings per share on a constant exchange-rate basis increased 22% to 3.3p (H1 2011: 2.7p)
- Operating cost savings target increased by £3.0 million to £48.8 million
- Total assets under management of £98.2 billion (31 December 2011: £100.1 billion)
- Institutional net pipeline increased to £1.6 billion (31 December 2011: £nil)
- H1 2012 investment performance improved in both fixed income and equities versus one-year and three-year track records
- Interim dividend of 1.0p covered 3.0 times by H1 underlying earnings per share (H1 2011: 1.0p, covered 2.7 times)

Financial Summary

	Six months ended 30 June 2012	Six months ended 30 June 2011[#]	Year ended 31 December 2011
Assets under management[$]	**£98.2bn**	£108.0bn	£100.1bn
Net revenue	**£120.3m**	£137.0m	£267.0m
Underlying operating expenses*	**£88.2m**	£104.4m	£202.1m
Underlying operating profit*	**£32.1m**	£32.9m	£65.2m
Underlying operating margin*	**26.7%**	24.0%	24.4%
Group underlying profit before tax*	**£21.0m**	£22.6m	£47.0m
Reported (loss)/profit after tax	**(£4.6m)**	(£18.9m)	£2.6m
Basic loss per Ordinary Share[†]	**(1.2p)**	(3.9p)	(0.1p)
Underlying earnings per Ordinary Share[†]	**3.0p**	2.7p	5.5p
Interim dividend	**1.0p**	1.0p	1.0p

[#] As restated for the effect of the Deferred Tax – Corporation Tax rate change being excluded from underlying EPS, as shown in note 7

[$] As at the end of the reporting period

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

[†] Reconciliations between reported loss and underlying earnings and between basic loss per share and underlying earnings per share are given in note 7

Edward Bramson, Executive Chairman, said:

"2012 is a transitional year, during which F&C is implementing new business strategies, re-sizing its expense base, and beginning to improve its capital position. In the first half of 2012 we have made major progress on all of these fronts. I look forward to reporting further progress when our year-end results are announced."

Executive Chairman's Report

Dear Shareholder,

For the first half of 2012 F&C reported earnings per share, on an underlying basis, of 3.0p, an increase of 11% over the first half of 2011. The effect of the change in the Euro to Sterling exchange rate on revenues and expenses during the period reduced underlying earnings per share by 0.3p, or 9%, such that on a constant exchange-rate basis underlying earnings per share increased by 22%. In the light of these earnings, the board has declared an unchanged interim dividend of 1.0p per share which is covered approximately 3 times by underlying earnings in the period.

The cost reduction programme which we initially announced in October 2011 was ahead of schedule in the first half and contributed materially to earnings in the period. Significant additional expense reductions are anticipated in the second half of the year and in 2013. Based on our experience to date, we now expect that the total cost reductions will be £48.8 million when the programme is complete.

Although market turbulence continues to be headline news, overall investment gains added approximately £4.5 billion, or 4.5%, to our assets under management ("AUM") in the six month period. This substantially offset net client asset withdrawals of £4.7 billion which predominantly comprised Strategic Partner assets and Wholesale funds in Europe. However, the effect of the declining Euro to Sterling exchange rate reduced reported assets under management by £1.6 billion, or 1.6%, resulting in a relatively small decline in assets under management of £1.9 billion, or 1.9%, in the first half.

The progress in mandates won in our Third-Party Institutional business continues to be encouraging. Mandates won but to be funded after the end of the period were £1.9 billion and notifications of asset withdrawals were £0.3 billion. The resulting net pipeline of £1.6 billion compares to a net pipeline at the end of 2011 of £0. We experienced good demand in several product categories including liability matching and Asian equities, for which we have recently been awarded a $300 million mandate with the potential of more to come.

We experienced significant withdrawals in our Wholesale business, the products for which are marketed primarily to private banks and wealth managers. This is an intrinsically volatile product area and although net withdrawals represented 21% of opening assets, Wholesale assets in total now represent only 1.7% of our 30th June AUM. Accordingly, future changes in Wholesale assets in either direction are not expected to have a significant effect on the Group. Assets in the balance of our Consumer & Institutional business, which excludes Strategic Partners, increased 2%, which is satisfactory in the current market environment. Strategic Partner assets were affected to an unusual extent in the period by economic conditions in Portugal and the partial nationalisation of a Portuguese client's pension plan.

2012 is a transitional year, during which F&C is implementing new business strategies, re-sizing its expense base, and beginning to improve its capital position. In the first half of 2012 we have made major progress on all fronts and I look forward to reporting further progress when our year-end results are announced.

Market overview

In our 2011 Annual Report, we indicated our belief that markets would remain challenging for the first half of 2012; that view has clearly been borne out.

The last six months were characterised by deepening concerns about the performance of the global economy. There were signs of an economic slowdown in the US, where employment and housing markets continued to give cause for concern, and also in China, where growth was hit by falling demand for exports. Aggregate global demand fell over the period as the Eurozone moved towards recession as a consequence of the deteriorating sovereign debt outlook and subsequent decline in confidence. Elsewhere, the emerging economies showed signs of weakness as lower demand and rising inflation pared back activity. This was particularly evident in Brazil and India. While the UK slipped back into recession in the first quarter of 2012, there was brighter news from Japan as growth rebounded from a poor final quarter of 2011.

Although interest rates remained on hold across the major economies, the monetary authorities used a range of strategies in a bid to support growth. In the Eurozone, the European Central Bank offered a second tranche of their Long-Term Refinancing Operation to provide liquidity to the region's banks and facilitate easier lending, while in the UK, the Bank of England extended its asset repurchasing programme. The policy response was more muted in the US, where the rate of growth was stronger. However, the Federal Reserve did extend its 'Operation Twist' programme, purchasing long-dated bonds with the intention of forcing down yields.

Aside from the turmoil in the Eurozone, and in particular Greece, it was a relatively quiet six months geopolitically. That said, markets remained driven more by sentiment than fundamentals. One of the major shifts over the period was a sharp dip in commodity prices, which is pushing inflation lower across the major economies.

While the FTSE 100 index was broadly unchanged over the six month reporting period, it fluctuated within a 12% range during the six months. A consequence of the continued weakness within the Eurozone was a strengthening of Sterling against the Euro by some 3.2% during the period.

Assets under management

As noted above, AUM fell by 1.9% during the reporting period, from £100.1 billion to £98.2 billion, primarily driven by outflows of Strategic Partner and Wholesale assets and currency effects, offset by significant investment gains. Our average assets under management for the first six months of 2012 were £100.0 billion (H1 2011: £106.6 billion).

AUM in our Consumer business, which focuses on the UK retail market and includes Investment Trusts, increased by £0.1 billion, or 0.7%, to £10.2 billion. Net flows and foreign exchange effects were each essentially neutral in the period, with the increase in AUM substantially coming from investment gains of £0.1 billion, or 1.1%.

Third-Party Institutional AUM also increased by £0.5 billion, or 2.2%, to £24.1 billion. Investment gains of £1.1 billion, or 4.7% in the period, offset relatively minor client net withdrawals of £0.2 billion. Encouragingly, Third-Party Institutional net flows, which were negative in Q1, turned modestly positive in Q2. The effect of changes in the Euro to Sterling exchange rate decreased AUM by £0.4 billion, or 1.9%. This exchange rate effect results from significant assets that we manage for institutional clients who maintain their portfolios in their reference currency, which is principally Euros.

Wholesale AUM declined by £0.7 billion, or 26%, to £1.9 billion at 30 June. The decline was due principally to net client withdrawals of £0.6 billion. Additionally, the Wholesale business was the only F&C business line to experience negative investment returns, which reduced AUM by £0.1 billion. Demand for our Wholesale products in the European wholesale market has been weak and while the rate of withdrawal notifications and investment performance have improved recently, we do not expect movements in Wholesale AUM, which is now relatively small, to affect F&C's AUM materially in the second half.

In summary, our Consumer & Institutional business generated total investment gains of £1.1 billion, net withdrawals of £0.7 billion and exchange translation reductions of £0.5 billion, for an overall modest decline of £0.1 billion, or 0.2%.

Strategic Partner AUM, which predominantly represents insurance portfolios, declined by £1.8 billion, or 2.8%, during the first half. Investment gains in the period were £3.3 billion, or 5.2%. Asset withdrawals in the period of £4.0 billion were comprised of £1.8 billion in Portugal, £1.4 billion by Achmea, and £0.8 billion by Friends Life. Exchange movements caused a reduction of £1.2 billion principally in portfolios for which clients have directed us to maintain assets in their reference currency, which is principally Euros.

Investment Performance

During the period investment gains amounted to £4.5 billion, or 4.5% of opening AUM. Over the same time frame the FTSE 100 index was broadly unchanged and the Barclays Global Aggregate Index, a proxy for global fixed income performance, increased by 1.5%.

On a three-year basis 81% of fixed income and 51% of equity assets were above agreed client benchmarks. One-year performance above benchmarks was 78% and 54%, respectively. Our property performance continues to be exceptional, with 100% of assets above the latest Investment Property Databank index on a three-year basis and 46% above on a one-year basis.

Performance in the first six months of the year has improved for both fixed income and equity portfolios compared to the related one-year and three-year performance records, with 88% of fixed income and 73% of equity assets above relevant benchmarks.

Financial results

Revenues

Net revenues for the half were £120.3 million versus £137.0 million in the prior year period. Of this amount, approximately £9.9 million represents a reduction in Thames River Capital revenues, principally affecting the Wholesale channel, which are subject to a profit sharing agreement with the individual members of the Thames River Capital LLPs. Net of the impact of those distributions payable to investment teams, net revenues to F&C declined from £126.7 million to £114.5 million. Strategic Partner revenues declined by £4.2 million, of which £1.5 million was attributable to our Portuguese business and £1.3 million was attributable to the sale of Imperio by Achmea during 2011. Revenues from our other Strategic Partners were broadly unchanged in the period. Performance fees declined by £1.0 million versus the prior year period to £4.9 million. The balance of the revenue reduction is principally attributable to non-recurring rebate expenses of £1.1 million in the period, which are treated as a reduction in revenues, and to foreign exchange rate changes which amounted to approximately £3.0 million.

Expenses

Underlying operating costs, excluding amortisation of intangible assets and exceptional items, declined by £16.2 million to £88.2 million from £104.4 million in the prior year period. Included in these underlying operating costs were total distributions payable to the individual members of the Thames River Capital LLPs of £6.3 million (H1 2011: £11.0 million), the majority of which, as set out above, are directly correlated to the revenues and profitability of these investment teams. Therefore, our operating expense base excluding the Thames River distributions fell by £11.5 million versus the prior year period as we implemented the cost reduction plans set out in October last year. On a comparable basis, using 2010 pro forma results, our savings in the period were £10.1 million versus the £7.4 million announced in the October review. Our operating cost reduction target of £33.2 million initially announced in October was increased in May and we now expect total operating cost savings of £48.8 million. Of this, we expect £17.1 million to be recognised in H2 2012 with the majority of the balance recognised in 2013.

The Group also incurred a number of exceptional and non-recurring costs, which are excluded from our underlying results but included in our reported figures. These include £3.2 million of exceptional staff costs associated with achieving the expense reductions and £1.7m of costs associated with our ongoing outsourcing project. During the period, the Group also settled the remaining issues associated with the F&C Partners litigation and, as a consequence, an exceptional credit of £1.7 million has been included in these results and no remaining liability exists as at 30 June 2012.

Underlying earnings per share

The Group's reported results are impacted by both non-cash items, such as amortisation, and exceptional items. The Board therefore utilises underlying earnings, which exclude non-cash and exceptional items, as a key measure of financial performance. As exchange gains and losses reflect currency movements and are by their nature non-recurring, the Group presents underlying operating earnings excluding these items. On this basis, after excluding exchange losses of £1.2 million, the underlying profit before tax attributable to shareholders was £19.3 million in the six month period (H1 2011: £20.1 million). As noted above, this resulted in underlying earnings per share of 3.0p (H1 2011: 2.7p). Our underlying operating margin increased to 26.7% (H1 2011: 24.0%) during the period.

On a statutory basis, which includes amortisation and exceptional items, the Group made a loss after tax of £4.6 million (H1 2011: loss after tax of £18.9 million).

Interim dividend

The Board has declared an unchanged interim dividend of 1p per share, payable on 26 October 2012 to shareholders on the register at 5 October 2012.

Statement of financial position and net debt

As at 30 June 2012, the Group held £185.8 million of shareholders cash reserves and had net debt of £84.4 million. Cash balances were adversely impacted by Euro to Sterling translation by some £2.8 million as at 30th June and restructuring and other exceptional expenses of £4.9 million. During the period, the Group repurchased some £4.5 million of senior loan notes and accordingly at 30 June gross debt comprises £125.0 million of subordinated loan notes and £145.2 million of senior loan notes. In line with its stated strategy of reducing gross debt, the Group anticipates further repurchases of loan notes in the second half of the year; the quantum of these repurchases will be determined by market conditions. In addition, during the period the Group renewed its £20 million revolving credit facility.

The deficit on the Group's defined benefit pension plans was some £17.3 million at 30 June 2012 (31 December 2011: £20.5 million).

Business review

During the first half of 2012, the Group was focused on the implementation of the first phase of its strategic review, together with the formulation and subsequent implementation of the second and final phase of the strategic review.

As demonstrated by the financial information above, the Group continues to make good progress with its cost reduction initiatives.

On 15 May 2012, we presented an updated position regarding the retention of Strategic Partner assets, indicating that we reached an agreement to continue to manage significant portfolios for both Millennium BCP and Achmea beyond the end of their contractual exclusivity period and we anticipate we may retain further assets beyond those currently committed. As a consequence of these agreements, annual fee revenues from Millennium BCP – Ageas are expected to reduce by some £1.1 million per annum, the impact of which affected revenues by £0.6 million in the first half. We confirm that, at the date of this report, we have no further new information regarding expected retention of Strategic Partner assets, save that Friends Life have indicated their intention to withdraw a further £2.8 billion of assets with annualised revenues of approximately £2.3 million in the second half of this year. The majority of these assets are under contract to 2014 and we are currently in discussions with Friends Life regarding the related compensation. Together with previously notified withdrawals, we have now received notice on approximately £5.1 billion of Friends Life assets, which represent approximately 20% of total funds that we manage for Friends Life. Annualised revenues relating to these assets are £3.5 million, or 6.8bps. As previously disclosed, we expect to make additional cost reductions related to these assets.

Liability Driven Investment (LDI) is one of the Group's core competencies and we have continued to invest in this area of our business with a number of new product launches. We have launched two dynamic LDI propositions to complement our passive proposition and in June we launched two Annuity Matching OEIC funds to meet the needs of the defined contribution pensions market.

More broadly, we continue to make good progress with investment consultants. Twelve months ago we had 41 buy ratings from consultants across asset classes and today we have increased this to 75 buy ratings.

During the first half of the year we have also undertaken significant work on our incentivisation and compensation structures to increase motivation and employee alignment. We have implemented a new compensation scheme for senior management based on the achievement of measurable, quarterly goals. We have also revised the long-term incentive plan, from a retention-focused, deferred share award, to a performance-focused, restricted share award based on the achievement of stretching earnings per share targets. While potentially providing management with greater rewards for success, this will also reduce the cost of the scheme to shareholders. Finally, in the second half of the year we will revise the compensation scheme for investment professionals, to ensure their variable compensation appropriately reflects the combination of the investment returns generated, risk taken and revenues managed by each investment team.

In our Annual Report for 2011 we confirmed our intention to split the roles of Chairman and Chief Executive in time for the 2013 Annual General Meeting. The Board's formal search process for a new Group Chief Executive is ongoing, covering both internal and external candidates, and it expects to make an appointment in accordance with the announced schedule.

Following the successful integration of the Thames River business and investment teams into the F&C Group, Charlie Porter will be stepping down from his role as Chief Executive of Thames River with effect from 30 September 2012 and F&C's Consumer business will then be headed by Michael Warren, formerly Investment Director at Thames River. We anticipate a smooth transition of duties as Michael has 29 years of experience in the retail funds industry and has worked with Charlie Porter for over 5 years. I am pleased to announce that Charlie will continue to contribute to the Group as a Non-executive Director beginning early in 2013.

Summary

While markets have been, and are likely to remain, challenging for some time, we have made good progress in positioning the Group for the future; we have communicated a clear strategy for our Institutional, Consumer and Property businesses, we have aligned management incentives to the delivery of that strategy and we are, and will remain, focused on execution and delivery.

Edward Bramson
Executive Chairman

31 July 2012

Assets Under Management

The tables below disclose Assets Under Management (AUM) at 30 June 2012 and fund flows for the six months to 30 June 2012.

1. Summary of AUM and fund flows

a) Six months to 30 June 2012

Client Category	AUM 1 January 2012 £m	Jan – Jun Net flows £m	FX £m	Performance £m	AUM 30 June 2012 £m
Wholesale	2,590	(556)	(9)	(97)	**1,928**
Retail	4,589	(47)	(19)	5	**4,528**
Investment Trusts	5,569	17	8	109	**5,703**
Third-Party Institutional[1]	23,600	(156)	(448)	1,117	**24,113**
Consumer & Institutional	36,348	(742)	(468)	1,134	**36,272**
Strategic Partners[1]	63,773	(3,982)	(1,151)	3,325	**61,965**
Total	100,121	(4,724)	(1,619)	4,459	**98,237**

b) Quarter to 30 June 2012

Client Category	AUM 1 April 2012 £m	Apr – Jun Net flows £m	FX £m	Performance £m	AUM 30 June 2012 £m
Wholesale	2,197	(153)	13	(129)	**1,928**
Retail	4,900	(60)	(7)	(305)	**4,528**
Investment Trusts	5,846	17	8	(168)	**5,703**
Third-Party Institutional	24,142	35	(369)	305	**24,113**
Consumer & Institutional	37,085	(161)	(355)	(297)	**36,272**
Strategic Partners	64,732	(2,848)	(1,060)	1,141	**61,965**
Total	101,817	(3,009)	(1,415)	844	**98,237**

2. AUM by client category

In Sterling	30 June 2012 £bn	31 March 2012 £bn	31 December 2011 £bn
Wholesale	**1.9**	2.2	2.6
Retail	**4.5**	4.9	4.6
Investment Trusts	**5.7**	5.9	5.6
Third-Party Institutional[1]	**24.1**	24.1	23.6
Consumer & Institutional	**36.2**	37.1	36.4
Strategic Partners[1]	**62.0**	64.7	63.7
Total	**98.2**	101.8	100.1

In Euro	30 June 2012 €bn	31 March 2012 €bn	31 December 2011 €bn
Wholesale	**2.3**	2.6	3.1
Retail	**5.6**	5.9	5.5
Investment Trusts	**7.0**	7.0	6.7
Third-Party Institutional[1]	**29.8**	29.0	28.2
Consumer & Institutional	**44.7**	44.5	43.5
Strategic Partners[1]	**76.7**	77.7	76.4
Total	**121.4**	122.2	119.9

3. AUM by asset class

In Sterling	30 June 2012 £bn	31 March 2012 £bn	31 December 2011 £bn
Fixed Interest	**59.5**	60.9	59.2
Equities	**24.4**	26.2	25.5
Property	**7.8**	7.9	7.9
Alternative Investments[2]	**1.3**	1.6	1.7
Liquidity	**5.2**	5.2	5.8
Total	**98.2**	101.8	100.1

In Euro	30 June 2012 €bn	31 March 2012 €bn	31 December 2011 €bn
Fixed Interest	**73.6**	73.0	70.9
Equities	**30.2**	31.4	30.5
Property	**9.6**	9.6	9.5
Alternative Investments[2]	**1.6**	1.9	2.0
Liquidity	**6.4**	6.3	7.0
Total	**121.4**	122.2	119.9

4. Fund flows

a) Fund flows for the six months to 30 June 2012

Client Category	Inflows £m	Outflows £m	Net Flows £m
Wholesale	224	(780)	(556)
Retail	545	(592)	(47)
Investment Trusts	61	(44)	17
Third-Party Institutional[1]	1,364	(1,520)	(156)
Consumer & Institutional	2,194	(2,936)	(742)
Strategic Partners[1]	1,806	(5,788)	(3,982)
Total	**4,000**	**(8,724)**	**(4,724)**

b) Fund flows for the quarter to 30 June 2012

Client Category	Inflows £m	Outflows £m	Net Flows £m
Wholesale	96	(249)	(153)
Retail	219	(279)	(60)
Investment Trusts	32	(15)	17
Third-Party Institutional	617	(582)	35
Consumer & Institutional	964	(1,125)	(161)
Strategic Partners	813	(3,661)	(2,848)
Total	**1,777**	**(4,786)**	**(3,009)**

5. Thames River AUM and fund flows

Six months to 30 June 2012	AUM 1 January 2012 £m	Jan – Jun Inflows £m	Jan – Jun Outflows £m	Jan – Jun Market movement £m	AUM 30 June 2012 £m
Wholesale	2,590	224	(780)	(106)	**1,928**
Retail	1,084	92	(91)	(1)	**1,084**
Investment Trusts	672	–	(1)	(54)	**617**
Total	**4,346**	**316**	**(872)**	**(161)**	**3,629**

Quarter to 30 June 2012	AUM 1 April 2012 £m	Apr – Jun Inflows £m	Apr – Jun Outflows £m	Apr – Jun Market movement £m	AUM 30 June 2012 £m
Wholesale	2,197	96	(249)	(116)	**1,928**
Retail	1,127	46	(40)	(49)	**1,084**
Investment Trusts	681	–	–	(64)	**617**
Total	**4,005**	**142**	**(289)**	**(229)**	**3,629**

Notes to AUM tables

(1) As reclassified. Institutional AUM and flows previously reported at 31 December 2011 and 31 March 2012 included certain products which comprise an asset management service provided by F&C and an insurance wrapper provided by Achmea. To better reflect the marketing and asset gathering effort associated with these products, we have reclassified them to strategic partners.

(2) Alternative Investments includes non-UCITs Alternative Investment Funds, Funds of Alternative Investments Funds, Private Equity Funds and fund-based products with active derivative overlay strategies.

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 Group Management 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, the failure to comply with regulatory requirements and to a failure of the Group's operational platforms or a failure in the control processes surrounding front office investment management activities. The risks faced by the Group in the second half of the financial year are not expected to change significantly from those faced during the six months to 30 June 2012. Further detail of the above risks is given in the 2011 Annual Report and Financial Statements.

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

31 July 2012

Condensed Consolidated Income Statement

for the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Revenue				
Investment management fees	2	**125.3**	142.5	279.0
Other income	2	**2.3**	3.4	4.2
Total revenue	2	**127.6**	145.9	283.2
Fee and commission expenses	2	**(7.3)**	(8.9)	(16.2)
Net revenue	2	**120.3**	137.0	267.0
Net gains and investment income on unit-linked assets		**14.3**	18.8	13.7
Movement in fair value of unit-linked liabilities		**(14.3)**	(18.5)	(13.4)
Operating expenses				
Operating expenses		**(83.1)**	(93.1)	(183.8)
Distributions to members of LLPs		**(6.3)**	(11.0)	(18.3)
Amortisation of intangible assets – management contracts		**(22.4)**	(22.9)	(45.8)
Other exceptional net operating expenses	3	**(6.2)**	(20.5)	(19.0)
Total operating expenses		**(118.0)**	(147.5)	(266.9)
Operating profit/(loss)		**2.3**	(10.2)	0.4
Finance revenue	4	**6.7**	7.0	17.2
Finance costs	5	**(16.6)**	(17.6)	(35.4)
F&C REIT put option fair value gain		**–**	–	8.7
TRC acquisition consideration adjustments		**–**	–	7.6
Loss before tax		**(7.6)**	(20.8)	(1.5)
Tax – Shareholders		**3.1**	2.0	4.1
Tax – Policyholders		**(0.1)**	(0.1)	–
Tax income	6	**3.0**	1.9	4.1
(Loss)/profit for the period		**(4.6)**	(18.9)	2.6
Attributable to:				
Equity holders of the parent		**(6.0)**	(20.0)	(0.5)
Non-controlling interests		**1.4**	1.1	3.1
(Loss)/profit for the period		**(4.6)**	(18.9)	2.6
Basic loss per Ordinary Share	7	**(1.15)p**	(3.90)p	(0.10)p
Diluted loss per Ordinary Share	7	**(1.15)p**	(3.90)p	(0.10)p
		£m	£m	£m
Memo – dividends paid	8	**10.4**	10.4	15.6
Memo – dividends proposed	8	**5.5**	5.2	10.4

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

	Note	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
(Loss)/profit for the period		**(4.6)**	(18.9)	2.6
Other comprehensive (expense)/income:				
Foreign exchange movements on translation of foreign operations		**(3.1)**	3.1	(2.0)
Net actuarial gains on defined benefit pension schemes		**0.9**	12.0	3.3
Gains on available for sale financial investments		**0.1**	0.3	1.5
Realised gains on available for sale financial investments transferred to the Income Statement		**(0.2)**	–	(3.3)
Tax expense on items taken directly to equity	6	**(0.6)**	(3.5)	(0.5)
Other comprehensive (expense)/income for the period		**(2.9)**	11.9	(1.0)
Total comprehensive (expense)/income for the period		**(7.5)**	(7.0)	1.6
Total comprehensive (expense)/income attributable to:				
Equity holders of the parent		**(8.9)**	(8.1)	(1.5)
Non-controlling interests		**1.4**	1.1	3.1
		(7.5)	(7.0)	1.6

Condensed Consolidated Statement of Financial Position

as at 30 June 2012

	Notes	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Assets				
Non-current assets				
Property, plant and equipment		**7.5**	8.0	7.4
Intangible assets:				
– Goodwill	9	**611.9**	611.9	611.9
– Management contracts	9	**104.6**	154.6	128.6
– Software and licences	9	**4.4**	0.8	2.5
	9	**720.9**	767.3	743.0
Financial investments		**1.5**	3.8	1.7
Other receivables		**2.0**	2.4	1.1
Deferred acquisition costs		**3.9**	5.4	4.7
Deferred tax assets		**27.9**	24.8	28.3
Total non-current assets		**763.7**	811.7	786.2
Current assets				
Financial investments		**444.3**	505.2	454.4
Reinsurance assets		**2.0**	1.9	2.0
Stock of units and shares		**1.1**	1.1	0.9
Deferred acquisition costs		**2.2**	2.6	2.4
Trade and other receivables		**110.0**	117.0	83.9
Current tax receivable		**0.6**	2.8	0.7
Cash and cash equivalents:				
– Shareholders		**185.8**	198.3	196.9
– Policyholders		**29.2**	33.9	28.1
		215.0	232.2	225.0
Total current assets		**775.2**	862.8	769.3
Total assets		**1,538.9**	1,674.5	1,555.5
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	10	**269.4**	273.8	273.8
Other payables		**5.8**	7.7	6.9
Provisions	11	**6.1**	7.8	7.3
Pension deficit	12	**17.3**	13.5	20.5
Employee benefits		**6.1**	11.0	5.9
Liabilities to members of LLPs		**0.3**	0.6	–
Deferred income		**6.3**	7.4	7.0
Other financial liabilities		**41.5**	49.5	41.5
Non-current tax payable		**–**	7.7	–
Deferred tax liabilities		**25.3**	41.0	32.4
Total non-current liabilities		**378.1**	420.0	395.3
Current liabilities				
Investment contract liabilities		**468.3**	521.9	472.8
Insurance contract liabilities		**2.0**	1.9	2.0
Trade and other payables		**104.5**	118.1	71.7
Provisions	11	**8.2**	16.7	8.5
Employee benefits		**13.4**	17.9	28.8
Liabilities to members of LLPs		**2.5**	7.9	4.7
Deferred income		**3.0**	3.5	3.3
Other financial liabilities		**3.8**	4.5	3.8
Current tax payable		**10.3**	1.8	7.8
Total current liabilities		**616.0**	694.2	603.4
Total liabilities		**994.1**	1,114.2	998.7
Equity				
Ordinary Share capital	14	**0.5**	0.5	0.5
Share premium account		**58.9**	51.8	51.8
Capital redemption reserve		**0.8**	0.8	0.8
Merger reserve		**347.4**	373.6	359.7
Other reserves		**(26.0)**	(16.2)	(22.8)
Retained earnings		**149.9**	132.9	154.3
Total equity attributable to equity holders of the parent		**531.5**	543.4	544.3
Non-controlling interests		**13.3**	16.9	12.5
Total equity		**544.8**	560.3	556.8
Total liabilities and equity		**1,538.9**	1,674.5	1,555.5

The Interim Financial Statements were approved by the Board of Directors and authorised for issue on 31 July 2012.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012

	Attributable to equity holders of the parent									
	Ordinary Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Fair value reserve £m	Acquisition reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	0.5	51.8	0.8	359.7	42.1	1.1	(66.0)	154.3	12.5	556.8
(Loss)/profit for the period	–	–	–	–	–	–	–	(6.0)	1.4	(4.6)
Other comprehensive (expense)/income	–	–	–	–	(3.1)	(0.1)	–	0.3	–	(2.9)
Total comprehensive (expense)/income	–	–	–	–	(3.1)	(0.1)	–	(5.7)	1.4	(7.5)
Transactions with owners:										
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(12.3)	–	–	–	12.3	–	–
Share capital allotted in respect of TRC commutation arrangements	–	7.1	–	–	–	–	–	(7.1)	–	–
Share-based payment charges credited to equity	–	–	–	–	–	–	–	6.7	–	6.7
Consideration adjustment for non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	(0.3)	–	(0.3)
Tax credit associated with purchase adjustment of non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	0.1	–	0.1
Final 2011 dividend paid	–	–	–	–	–	–	–	(10.4)	–	(10.4)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(0.6)	(0.6)
Balance at 30 June 2012	**0.5**	**58.9**	**0.8**	**347.4**	**39.0**	**1.0**	**(66.0)**	**149.9**	**13.3**	**544.8**

for the six months ended 30 June 2011

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

Condensed Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Attributable to equity holders of the parent									
	Ordinary Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Fair value reserve £m	Acquisition reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	0.5	51.8	0.8	383.3	44.1	2.4	(66.0)	138.2	16.5	571.6
(Loss)/profit for the year	–	–	–	–	–	–	–	(0.5)	3.1	2.6
Other comprehensive (expense)/income	–	–	–	–	(2.0)	(1.3)	–	2.3	–	(1.0)
Total comprehensive (expense)/income	–	–	–	–	(2.0)	(1.3)	–	1.8	3.1	1.6
Transactions with owners:										
Realised element of merger reserve to offset amortisation of intangible assets	–	–	–	(23.6)	–	–	–	23.6	–	–
Purchase of own shares	–	–	–	–	–	–	–	(3.2)	–	(3.2)
Share-based payment charges credited to equity	–	–	–	–	–	–	–	17.3	–	17.3
Consideration for non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	(10.7)	–	(10.7)
Tax credit associated with purchase of non-controlling interests in F&C Partners LLP	–	–	–	–	–	–	–	2.9	–	2.9
Final 2010 dividend paid	–	–	–	–	–	–	–	(10.4)	–	(10.4)
Interim 2011 dividend paid	–	–	–	–	–	–	–	(5.2)	–	(5.2)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(7.1)	(7.1)
Balance at 31 December 2011	0.5	51.8	0.8	359.7	42.1	1.1	(66.0)	154.3	12.5	556.8

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 £26.0m at 30 June 2012 (30 June 2011: £16.2m debit; 31 December 2011: £22.8m debit).

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Cash flows from operating activities				
Operating profit/(loss)		**2.3**	(10.2)	0.4
Adjustments for non-cash items	15(a)	**31.6**	35.1	67.2
Changes in working capital and provisions	15(a)	**(23.4)**	20.2	18.3
Cash inflows from operating activities*		**10.5**	45.1	85.9
Income tax (paid)/received		**(1.4)**	1.8	(0.7)
Net cash inflow from operating activities		**9.1**	46.9	85.2
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(1.8)**	(1.8)	(3.0)
Proceeds from disposal of property, plant and equipment		**0.1**	–	0.1
Purchase of software and licenses		**(2.2)**	(0.2)	(2.2)
Payments to acquire investments		**(0.1)**	–	(0.6)
Proceeds from disposal of investments		**3.1**	3.4	3.7
Investment income – interest and dividends		**1.2**	1.2	5.9
Consideration payment for the acquisition of TRC		**–**	(7.4)	(7.4)
Net cash inflow/(outflow) from investing activities		**0.3**	(4.8)	(3.5)
Cash flows from financing activities				
Equity dividends paid	8	**(10.4)**	(10.4)	(15.6)
Repayment of Guaranteed Loan Notes 2016		**(4.6)**	–	–
Interest paid on Loan Notes		**(0.2)**	–	(21.9)
Other interest paid		**(0.1)**	(0.4)	(0.4)
Distributions to non-controlling interests		**(0.6)**	(0.7)	(7.1)
Payment for change in ownership interest in F&C Partners LLP		**(0.7)**	–	(8.8)
Purchases and disposals of own shares		**–**	(3.2)	(3.2)
Net cash outflow from financing activities		**(16.6)**	(14.7)	(57.0)
Net (decrease)/increase in cash and cash equivalents		**(7.2)**	27.4	24.7
Effect of exchange rate fluctuations on cash held		**(2.8)**	2.6	(1.9)
Cash and cash equivalents at 1 January		**225.0**	202.2	202.2
Cash and cash equivalents at 30 June (31 December)		**215.0**	232.2	225.0
Cash and cash equivalents				
Shareholders		**185.8**	198.3	196.9
Policyholders		**29.2**	33.9	28.1
		215.0	232.2	225.0

* 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".

Non-cash transactions

During the six months ended 30 June 2012, 10,684,692 Ordinary Shares were issued in respect of TRC Commutation consideration for options which were exercised by three TRC Investment Teams. The fair value of these shares was £7.1 million.

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 2011 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 2011 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 23 March 2012 and have been delivered to the Registrar of Companies. Those Financial Statements have been reported on by the Company's auditors; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

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

Significant accounting policies

The Interim Financial Statements for the six months ended 30 June 2012 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 2012.

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 2011.

The amendments to the following standards 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 International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.

IFRS 7 Financial Instruments: Disclosures (Amendment).

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets.

(b) Improvements to IFRS (issued May 2012):

IFRS 1 First-time Adoption of International Financial Reporting Standards – Permit the repeated application of IFRS 1; Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs.

IAS 1 Presentation of Financial Statements – Clarification of the requirements for comparative information.

IAS 16 Property, Plant and Equipment – Classification of servicing equipment.

IAS 32 Financial Instruments: Presentation – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.

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 2011 Annual Report and Financial Statements, other than the reassessment of provisions, as highlighted in note 11.

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 2011.

The 2011 Annual Report and Financial Statements are available on the Group's Corporate website (www.fcamplc.com) or from the Company's registered office.

Notes to the Interim Financial Statements

1. Operating segments

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

- F&C;
- F&C REIT; and
- Thames River Capital (TRC).

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

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

Transfer prices between the operating segments reflect the arm's-length agreements entered into at the time of acquiring REIT and TRC and creating the F&C REIT and TRC operating segments. Segment revenue, operating expenses, finance revenue and costs and profit/(loss) for the period include transactions between operating segments, which are eliminated on consolidation. The accounting policies of the operating segments are the same as those of the Group.

(a) Operating segments' financial information

	F&C			F&C REIT			TRC			Total		
	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Revenue												
External clients	**91.7**	102.5	199.5	**19.6**	16.8	37.8	**16.3**	26.6	45.9	**127.6**	145.9	283.2
Inter-segment revenue	**0.4**	0.5	0.9	**–**	–	–	**0.8**	0.7	1.5	**1.2**	1.2	2.4
Segment revenue	**92.1**	103.0	200.4	**19.6**	16.8	37.8	**17.1**	27.3	47.4	**128.8**	147.1	285.6
Fee and commission expenses	**(5.8)**	(6.9)	(12.3)	**(1.2)**	(1.5)	(3.1)	**(0.3)**	(0.5)	(0.8)	**(7.3)**	(8.9)	(16.2)
Net gains and investment income on unit-linked assets	**14.3**	18.8	13.7	**–**	–	–	**–**	–	–	**14.3**	18.8	13.7
Movement in fair value of unit-linked liabilities	**(14.3)**	(18.5)	(13.4)	**–**	–	–	**–**	–	–	**(14.3)**	(18.5)	(13.4)
Operating expenses												
Operating expenses	**(65.1)**	(74.2)	(145.7)	**(8.8)**	(8.3)	(16.7)	**(14.9)**	(20.7)	(38.3)	**(88.8)**	(103.2)	(200.7)
Amortisation and depreciation	**(15.3)**	(16.0)	(31.7)	**(5.5)**	(5.5)	(11.0)	**(3.4)**	(3.5)	(6.9)	**(24.2)**	(25.0)	(49.6)
Other exceptional net operating expenses	**(2.7)**	(13.3)	(8.6)	**–**	–	–	**(3.5)**	(7.2)	(10.4)	**(6.2)**	(20.5)	(19.0)
Total operating expenses	**(83.1)**	(103.5)	(186.0)	**(14.3)**	(13.8)	(27.7)	**(21.8)**	(31.4)	(55.6)	**(119.2)**	(148.7)	(269.3)
Operating profit/(loss)	**3.2**	(7.1)	2.4	**4.1**	1.5	7.0	**(5.0)**	(4.6)	(9.0)	**2.3**	(10.2)	0.4
Finance revenue	**7.6**	14.4	39.6	**–**	–	0.1	**–**	–	0.1	**7.6**	14.4	39.8
Finance costs	**(16.6)**	(17.6)	(35.3)	**–**	–	–	**(0.9)**	–	(0.1)	**(17.5)**	(17.6)	(35.4)
F&C REIT put option fair value gain	**–**	–	8.7	**–**	–	–	**–**	–	–	**–**	–	8.7
TRC acquisition consideration adjustments	**–**	–	7.6	**–**	–	–	**–**	–	–	**–**	–	7.6
Tax income/(expense)	**2.1**	1.8	4.5	**(0.3)**	0.3	(0.5)	**1.2**	(0.2)	0.1	**3.0**	1.9	4.1
(Loss)/profit for the period	**(3.7)**	(8.5)	27.5	**3.8**	1.8	6.6	**(4.7)**	(4.8)	(8.9)	**(4.6)**	(11.5)	25.2
Segment assets	**1,290.4**	1,393.7	1,297.5	**199.9**	210.6	196.2	**60.0**	76.7	72.1	**1,550.3**	1,681.0	1,565.8
Segment liabilities	**(949.1)**	(1,055.3)	(937.8)	**(18.2)**	(19.5)	(20.0)	**(20.9)**	(32.4)	(30.7)	**(988.2)**	(1,107.2)	(988.5)
Other information												
Expenditure on non-current assets	**4.7**	1.3	3.9	**0.3**	0.2	0.4	**0.1**	0.4	0.5	**5.1**	1.9	4.8
Non-cash expenses/(income) other than depreciation and amortisation	**4.3**	5.7	(4.4)	**–**	–	0.1	**3.4**	6.9	10.0	**7.7**	12.6	5.7

Revenues from two external clients each represent 10% or more of the Group's total revenues. Revenues from one client amount to £13.4m for the six months ended 30 June 2012 (six months ended 30 June 2011: £15.9m; year ended 31 December 2011: £29.8m) and are earned in the F&C segment. Revenues from the other client amount to £12.9m for the six months ended 30 June 2012 (six months ended 30 June 2011: £17.6m; year ended 31 December 2011: £31.0m) and are earned in the F&C and F&C REIT segments.

1. Operating segments continued

(b) Reconciliations to Group Financial Statements

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Total revenue			
Total revenue for reportable segments	**128.8**	147.1	285.6
Elimination of inter-segment revenue	**(1.2)**	(1.2)	(2.4)
Group revenue	**127.6**	145.9	283.2
Operating expenses			
Total operating expenses for reportable segments	**119.2**	148.7	269.3
Elimination of inter-segment expenses	**(1.2)**	(1.2)	(2.4)
Group operating expenses	**118.0**	147.5	266.9
Finance revenue			
Total finance revenue for reportable segments	**7.6**	14.4	39.8
Elimination of inter-segment finance revenue	**(0.9)**	(7.4)	(22.6)
Group finance revenue	**6.7**	7.0	17.2
Finance costs			
Total finance costs for reportable segments	**17.5**	17.6	35.4
Elimination of inter-segment finance costs	**(0.9)**	–	–
Group finance costs	**16.6**	17.6	35.4
(Loss)/profit for the period			
Total (loss)/profit for reportable segments	**(4.6)**	(11.5)	25.2
Adjustment for inter-segment profit distributions	**–**	(7.4)	(22.6)
Group (loss)/profit for the period	**(4.6)**	(18.9)	2.6
Assets			
Total assets for reportable segments	**1,550.3**	1,681.0	1,565.8
Elimination of inter-segment assets	**(11.4)**	(5.7)	(10.3)
Reclassification between assets and liabilities	**–**	(0.8)	–
Group assets	**1,538.9**	1,674.5	1,555.5
Liabilities			
Total liabilities for reportable segments	**(988.2)**	(1,107.2)	(988.5)
Elimination of inter-segment liabilities	**11.4**	5.7	10.3
Reclassification between assets and liabilities	**–**	0.8	–
Unallocated defined benefit pension liabilities	**(17.3)**	(13.5)	(20.5)
Group liabilities	**(994.1)**	(1,114.2)	(998.7)

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.

1. Operating segments continued

(c) Geographical information

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Revenue by location of clients			
United Kingdom	**53.0**	55.6	108.9
Continental Europe*	**65.0**	77.0	150.3
Rest of the World	**9.6**	13.3	24.0
Group total	**127.6**	145.9	283.2

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Non-current assets by domicile†			
United Kingdom	**67.0**	97.7	84.2
Continental Europe*	**36.8**	45.9	39.3
Rest of the World	**12.7**	19.8	15.0
	116.5	163.4	138.5
Unallocated	**611.9**	611.9	611.9
Group total	**728.4**	775.3	750.4

* 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 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Base management fees	**120.4**	136.6	267.2
Performance-related management fees	**4.9**	5.9	11.8
Total investment management fees	**125.3**	142.5	279.0
Other income	**2.3**	3.4	4.2
Total revenue	**127.6**	145.9	283.2
Renewal commission on open-ended investment products	**(4.0)**	(5.1)	(8.8)
Other selling expenses	**(3.3)**	(3.8)	(7.4)
Fee and commission expenses	**(7.3)**	(8.9)	(16.2)
Net revenue	**120.3**	137.0	267.0

3. Other exceptional net operating expenses

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

		Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
TRC Management Retention and Incentive Plans expense	(i)	**(3.3)**	(2.6)	(4.6)
Exceptional employment expenses	(ii)	**(3.2)**	–	(8.7)
Exceptional outsourcing expenses	(iii)	**(1.7)**	(1.8)	(2.7)
F&C Partners litigation expenses	(iv)	**1.7**	(10.3)	(1.9)
TRC Commutation expenses	(v)	**0.1**	(4.6)	(5.7)
Exceptional property income	(vi)	**0.2**	–	–
F&C REIT variable non-controlling interest SBP (expense)/income	(vii)	**–**	(1.0)	4.8
TRC integration expenses	(viii)	**–**	(0.2)	(0.2)
		(6.2)	(20.5)	(19.0)

(i) TRC Management Retention and Incentive Plans expense

As a condition of the acquisition of TRC, the Group established a Management Retention Plan (MRP) and Management Incentive Plan (MIP) to retain and incentivise certain TRC personnel. The cost of the MRP (including NIC) charged to the Income Statement for the six months ended 30 June 2012 was £3.3 million. At 31 December 2011, it was assessed that none of the MIP performance criteria would be met and, as a result, the cumulative charge previously recognised was reversed.

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

(ii) Exceptional employment expenses

During 2011, the Board initiated actions to achieve 'rightsizing' staff cost savings as a result of the operations outsourcing and the subsequent strategic review process, recognising some £8.7 million of non-recurring redundancy and related staff costs. During the six months ended 30 June 2012 a further £3.2 million of such costs were incurred in order to achieve such staff cost savings.

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

(iii) Exceptional outsourcing expenses

During the six months ended 30 June 2012, a further £1.7 million of consultancy costs were incurred in respect of the continued execution of the project to outsource certain of the Group's back and middle office investment operations to State Street.

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

(iv) F&C Partners litigation expenses

As highlighted in note 11, the F&C Partners litigation was settled in June 2012. As a result, an overall credit of £1.7 million has been recognised in the Income Statement for the six months to 30 June 2012.

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

(v) TRC Commutation expenses

The Divisional Members of TRC Investment Teams entered into put and call options at the time of the TRC acquisition, which, if exercised, will typically transfer up to 20% of their entitlement to management fee profits to the F&C Group. Under IFRS, the share element of the consideration payable under these Commutation arrangements requires to be accounted for as a share-based payment.

The net credit of £0.1 million recognised in the Income Statement for the six months to 30 June 2012 comprises a share-based payment charge of £1.7 million for those Investment teams where options have been or are expected to be exercised, offset by a credit of £1.8 million for those teams where it is not expected that F&C would exercise its call option.

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

3. Other exceptional net operating expenses continued

(vi) Exceptional property income

As part of the strategic review programme, the Directors expect to achieve significant annualised cost savings as a result of premises restructuring activity. As part of this programme, following lease changes and restructuring work at the Group's Head Office in London, a credit of £0.2 million has been recognised in the Income Statement for the six months to 30 June 2012. This comprises £1.2 million of non-recurring premises-related costs associated with the restructuring activities, offset by a £1.4 million credit in respect of an accelerated release of lease incentive liabilities.

(vii) F&C REIT variable non-controlling interest SBP (expense)/income

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

The former owners have the opportunity to increase their ownership of F&C REIT by a further 10% through the achievement of stretching performance targets over a six-year period to 31 December 2014. This earn-out mechanism meets the criteria of, and is accounted for as, a share-based payment (SBP). At 31 December 2011 it was assessed that the performance target is unlikely to be achieved in any of the remaining performance periods. As a result, the cumulative charge previously recognised was reversed and a credit of £4.8 million was recognised in the 2011 Income Statement. At 30 June 2012 this assessment remains unchanged.

(viii) TRC integration expenses

Following the acquisition of TRC in 2010, the Group incurred a number of integration expenses associated with the alignment of certain activities within the enlarged Group in both 2010 and 2011. No such costs were incurred in the six months ended 30 June 2012.

4. Finance revenue

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Loans and receivables:			
Bank interest receivable	**0.5**	1.0	1.8
Other interest receivable	**–**	0.1	0.2
Designated as fair value through profit or loss:			
Movement in fair value of investments	**0.3**	0.3	–
Designated as available for sale:			
Investment income receivable	**0.6**	–	3.7
	1.4	1.4	5.7
Other finance revenue:			
Expected return on pension plan assets	**5.3**	5.6	11.5
Total finance revenue	**6.7**	7.0	17.2

5. Finance costs

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Interest expense on financial liabilities recognised at cost using the effective interest rate method:			
Fixed/Floating Rate Subordinated Notes 2016/2026	**4.2**	4.2	8.4
Guaranteed Fixed Rate Loan Notes 2016	**6.6**	6.7	13.5
Bank charges and other interest payable	**0.1**	0.1	0.4
Total interest expense	**10.9**	11.0	22.3
Amortisation of loan note issue costs and facility fees	**0.1**	0.7	1.0
Unwinding of discount on onerous provisions	**0.1**	0.2	0.5
Designated as fair value through profit or loss:			
Movement in fair value of investments	**–**	–	0.1
Other finance costs:			
Interest cost on pension obligations	**5.5**	5.7	11.5
Total finance costs	**16.6**	17.6	35.4

6. Income tax

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

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Current income tax:			
Current income tax expense	**4.1**	3.2	9.4
Adjustments in respect of previous periods	**(0.1)**	–	(0.1)
Deferred income tax:			
Relating to origination and reversal of temporary differences	**(6.9)**	(4.4)	(12.7)
Adjustments in respect of previous periods	**0.1**	–	0.1
Adjustments in respect of Corporation Tax rate change	**(0.2)**	(0.7)	(0.8)
Tax income reported in the Condensed Income Statement	**(3.0)**	(1.9)	(4.1)

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Deferred and current income tax related to items charged or credited directly to equity:			
Fair value movements on financial investments	**(0.1)**	0.1	(0.5)
Net actuarial gains on defined benefit pension schemes	**0.3**	3.2	1.0
Gain/(loss) on non-UK pension schemes	**0.3**	–	(0.3)
Adjustments in respect of Corporation Tax rate change	**0.1**	0.2	0.3
Tax expense recognised directly in the Condensed Statement of Comprehensive Income	**0.6**	3.5	0.5
Tax credit associated with purchase of NCI* in F&C Partners LLP	**(0.1)**	–	(2.9)
Tax expense/(income) recognised directly in the Condensed Statement of Changes in Equity	**0.5**	3.5	(2.4)

* Non-controlling interests (NCI)

Effective rate of tax and factors affecting future tax charges

The net tax income for the six-month period ended 30 June 2012 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 bring the total tax income to £3.0m for the period to 30 June 2012 (period ended 30 June 2011: £1.9m; year ended 31 December 2011: £4.1m).

Various announcements by the Chancellor of the Exchequer, since the Emergency Budget of 22 June 2010, mean that the UK rate of corporation tax is expected to reduce to 22% by 2015.

The current corporation tax rate is 24% which became effective from 1 April 2012, leading to a statutory UK corporation tax rate of 24.5% for 2012 for the Group.

Of the two remaining forecast corporation tax changes, the 1% reduction to 23% was substantively enacted on 3 July 2012. If this had occurred on or before the reporting date it would not have had a material effect of reducing the net deferred tax asset recognised.

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 final 1% rate reduction to 22%, although this will further reduce the Group's current tax charge in future and impact the Group's deferred tax assets/(liabilities) recognised in the Statement of Financial Position.

7. Earnings per share

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

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

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

Reconciliation of (loss)/earnings per Ordinary Share	Six months ended 30 June 2012 p	Six months ended 30 June 2011# p	Year ended 31 December 2011 p
Basic loss per Ordinary Share	**(1.15)**	(3.90)	(0.10)
Amortisation of intangibles	**2.80**	2.77	5.61
TRC Commutation expenses	**(0.02)**	0.90	1.10
TRC Management Retention and Incentive Plans expense	**0.52**	0.43	0.80
F&C Partners litigation expenses	**(0.25)**	1.93	0.16
Exceptional outsourcing expenses	**0.25**	0.25	0.39
Exceptional property income	**–**	–	–
Exceptional employment expenses	**0.46**	–	1.24
Deferred Tax – Corporation Tax rate change	**0.17**	0.19	0.39
TRC acquisition consideration adjustments	**–**	–	(1.47)
F&C REIT put option fair value gain	**–**	–	(1.69)
F&C REIT variable NCI SBP expense/(income)	**–**	0.19	(0.93)
TRC integration expenses	**–**	0.02	0.01
Underlying earnings per Ordinary Share	**2.78**	2.78	5.51
Foreign exchange losses/(gains) included within underlying earnings per share	**0.17**	(0.04)	–
Underlying earnings per Ordinary Share excluding foreign exchange gains and losses	**2.95**	2.74	5.51

As restated for the effect of the Deferred Tax – Corporation Tax rate change being excluded from underlying EPS

	Six months ended 30 June 2012 p	Six months ended 30 June 2011 p	Year ended 31 December 2011 p
Diluted loss per Ordinary Share*	**(1.15)**	(3.90)	(0.10)

* Where the Group has incurred a basic loss per Ordinary Share, no dilution arises despite the "dilutive potential weighted average number of Ordinary Shares" being greater than the "weighted average number of Ordinary Shares" used to determine the basic loss per share. As a result, the reported basic and diluted loss per Ordinary Share are the same at 30 June 2012, 30 June 2011 and 31 December 2011.

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

7. Earnings per share continued

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

	Six months ended 30 June 2012			Six months ended 30 June 2011[1]			Year ended 31 December 2011		
Reconciliation of (loss)/earnings	**Gross £m**	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
Loss attributable to ordinary equity holders of the parent for basic loss per share	**(8.9)**	**2.9**	**(6.0)**	(21.4)	1.4	(20.0)	(4.0)	3.5	(0.5)
Amortisation of intangibles[2]	**20.8**	**(6.2)**	**14.6**	21.3	(7.1)	14.2	42.6	(13.7)	28.9
TRC Commutation expenses	**(0.1)**	**–**	**(0.1)**	4.6	–	4.6	5.7	–	5.7
TRC Management Retention and Incentive Plans expense	**3.3**	**(0.6)**	**2.7**	2.6	(0.4)	2.2	4.6	(0.5)	4.1
F&C Partners litigation expenses	**(1.7)**	**0.4**	**(1.3)**	10.3	(0.4)	9.9	1.9	(1.1)	0.8
Exceptional outsourcing expenses	**1.7**	**(0.4)**	**1.3**	1.8	(0.5)	1.3	2.7	(0.7)	2.0
Exceptional property income	**(0.2)**	**0.2**	**–**	–	–	–	–	–	–
Exceptional employment expenses	**3.2**	**(0.8)**	**2.4**	–	–	–	8.7	(2.3)	6.4
Deferred Tax – Corporation Tax rate change	**–**	**0.9**	**0.9**	–	1.0	1.0	–	2.0	2.0
TRC acquisition consideration adjustments	**–**	**–**	**–**	–	–	–	(7.6)	–	(7.6)
F&C REIT put option fair value gain	**–**	**–**	**–**	–	–	–	(8.7)	–	(8.7)
F&C REIT variable NCI SBP expense/(income)	**–**	**–**	**–**	1.0	–	1.0	(4.8)	–	(4.8)
TRC integration expenses	**–**	**–**	**–**	0.2	(0.1)	0.1	0.2	(0.1)	0.1
Underlying earnings attributable to ordinary equity holders of the parent	**18.1**	**(3.6)**	**14.5**	20.4	(6.1)	14.3	41.3	(12.9)	28.4
Foreign exchange losses/(gains) included within underlying earnings	**1.2**	**(0.3)**	**0.9**	(0.3)	0.1	(0.2)	–	–	–
Underlying earnings attributable to ordinary equity holders of the parent excluding foreign exchange gains and losses	**19.3**	**(3.9)**	**15.4**	20.1	(6.0)	14.1	41.3	(12.9)	28.4

(1) As restated for the effect of the Deferred Tax – Corporation Tax rate change being excluded from underlying EPS.

(2) Excludes £1.1m for the six months ended 30 June 2012 (six months ended 30 June 2011: £0.9m; year ended 31 December 2011: £2.0m) of amortisation of intangibles (net of tax) which is attributable to non-controlling interests.

Share capital	**Six months ended 30 June 2012 No.**	Six months ended 30 June 2011 No.	Year ended 31 December 2011 No.
Weighted average number of Ordinary Shares[1]	**521,348,657**	513,455,595	515,372,721
Dilutive potential weighted average number of Ordinary Shares	**576,887,186**	552,529,537	575,158,617

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

As disclosed in the 2011 Annual Report and Financial Statements, there are a number of share-based payment and acquisition arrangements which could potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted earnings per share because they were either anti-dilutive for the periods presented or had not met the relevant performance criteria at the reporting date.

8. Ordinary dividends

Declared and paid during the period	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Equity dividends on Ordinary Shares:			
– Final dividend for 2011: 2.0p (2010: 2.0p)	**10.4**	10.4	10.4
– Interim dividend for 2011: 1.0p	**–**	–	5.2
	10.4	10.4	15.6

Proposed dividends	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Equity dividends on Ordinary Shares:			
– Final dividend for 2011: 2.0p	**–**	–	10.4
– Interim dividend for 2012: 1.0p (2011: 1.0p)	**5.5**	5.2	–

The proposed interim dividend for 2012 is based on 1.0p per share and 545,804,260 Ordinary Shares being eligible for dividends as at 31 July 2012. This dividend was approved by the Board on 31 July 2012. The interim dividend will be payable on 26 October 2012, to shareholders on the register as at 5 October 2012.

9. Goodwill and other intangible assets

	Goodwill £m	Management contracts £m	Software and licences £m	Total £m
Cost:				
At 1 July 2011	611.9	706.6	6.0	1,324.5
Additions	–	–	1.9	1.9
Foreign exchange losses	–	(3.1)	–	(3.1)
At 31 December 2011	611.9	703.5	7.9	1,323.3
Additions	–	–	2.2	2.2
Disposals	–	–	(1.1)	(1.1)
Foreign exchange losses	–	(1.6)	–	(1.6)
At 30 June 2012	**611.9**	**701.9**	**9.0**	**1,322.8**
Amortisation and impairment:				
At 1 July 2011	–	552.0	5.2	557.2
Amortisation charge for the period	–	22.9	0.2	23.1
At 31 December 2011	–	574.9	5.4	580.3
Amortisation charge for the period	–	22.4	0.3	22.7
Disposals	–	–	(1.1)	(1.1)
At 30 June 2012	**–**	**597.3**	**4.6**	**601.9**
Net book values:				
At 30 June 2011	611.9	154.6	0.8	767.3
At 31 December 2011	611.9	128.6	2.5	743.0
At 30 June 2012	**611.9**	**104.6**	**4.4**	**720.9**

9. Goodwill and other intangible assets continued

Goodwill

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
F&C	**467.2**	467.2	467.2
F&C REIT	**127.9**	127.9	127.9
Thames River Capital	**16.8**	16.8	16.8
	611.9	611.9	611.9

Goodwill is not amortised but is tested for impairment annually at individual CGU level, or when indicators of potential impairment are identified. The carrying value of goodwill attributable to each CGU was last tested for impairment as at 31 December 2011, as described in note 13 of the 2011 Annual Report and Financial Statements; to date, none of the CGUs has suffered any impairment of goodwill. There are no indicators of potential impairment in the period ended 30 June 2012.

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 ended 30 June 2012 arise from the relative weakening of the Euro over the course of the first half of 2012, decreasing the value of Euro-denominated contracts in Sterling terms.

10. Interest bearing loans and borrowings

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Fixed/Floating Rate Subordinated Notes 2016/2026	**124.5**	124.4	124.4
Interest rate of 6.75% per annum until 19 December 2016, payable annually in arrears. Issuer has the option to extend the notes beyond this date at a rate of 2.69% above three-month LIBOR until 19 December 2026, payable quarterly in arrears.			
Guaranteed Fixed Rate Loan Notes 2016	**144.9**	149.4	149.4
Interest rate of 9.0% per annum until 19 December 2016, payable annually in arrears.			
	269.4	273.8	273.8
Repayment periods			
Amounts repayable:			
In one year or less, or on demand	**–**	–	–
In more than one year but not more than two years	**–**	–	–
In more than two years but not more than five years*	**269.4**	–	273.8
In more than five years	**–**	273.8	–
	269.4	273.8	273.8

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

The Group bought back 4.5m of Guaranteed Fixed Rate Loan Notes, with a nominal value of £1 each, in the six months ended 30 June 2012. The total cash consideration was £4.6m.

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

11. Provisions

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Summary:			
Onerous premises contracts	**5.1**	5.9	6.1
NIC on share schemes	**7.6**	6.1	6.1
F&C Partners litigation	**–**	11.0	2.0
Other provisions	**1.6**	1.5	1.6
	14.3	24.5	15.8
Split as follows:			
Non-current	**6.1**	7.8	7.3
Current	**8.2**	16.7	8.5
	14.3	24.5	15.8

F&C Partners litigation

In June 2012, following a successful outcome from the Court of Appeal regarding the level of costs and interest costs to be borne by F&C in respect of the F&C Partners litigation, a full and final payment of £0.65 million was paid to the founder partners. As a result, the excess provision of £1.35 million was released during the period.

Further details of this litigation were disclosed in the Annual Report and Financial Statements for previous reporting periods.

12. Pension scheme obligations

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Fair value of plan assets	**214.9**	193.8	215.9
Benefit obligations	**(232.2)**	(207.3)	(236.4)
Total pension deficit	**(17.3)**	(13.5)	(20.5)

The valuation of the UK benefit obligations is based on:

	30 June 2012	30 June 2011	31 December 2011
Discount rate	**4.70%**	5.50%	4.70%
Inflation rate (RPI)	**3.15%**	3.60%	3.30%
Inflation rate (CPI)	**2.45%**	2.90%	2.60%

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

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Current service cost	**1.2**	1.2	2.3
Past service cost	**–**	0.1	0.7
Expected return on plan assets	**(5.3)**	(5.6)	(11.5)
Interest cost of benefit obligations	**5.5**	5.7	11.5
Total defined benefit pension expense recognised in the Condensed Income Statement	**1.4**	1.4	3.0

13. Share-based payments

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Total share-based payment expense recognised in the Condensed Income Statement	**11.6**	15.2	17.8

In accordance with the Group's accounting policy, a review has been performed at 30 June 2012 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 2012:

Scheme	**Grant date**	**Vesting date**	**No. of shares awarded**	**Share price at date of issue (fair value)**
Long-Term Remuneration Plan (Deferred awards)	3 April 2012	3 April 2015	1,382,076	£0.667
Long-Term Remuneration Plan (Restricted awards) (i)	3 April 2012	3 April 2016	19,701,464	£0.667

Scheme	**Grant date**	**Vesting date**	**No. of units awarded**	**Market value per unit at grant date**
F&C REIT LTRP (deferred awards)	1 April 2012	1 April 2015	19,569.54	£75.50

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

The new restricted share awards under the LTRP are subject to specific Underlying Earnings Per Share (EPS) conditions and conditions of continued service being met. To the extent that the award does not vest in accordance with the performance criteria detailed below it lapses immediately.

EPS for the year ended 31 December 2015	**Percentage of award vesting**
Less than 8.2p	0%
8.2p	20%
Between 8.2p and 11.1p	Pro rata between 20% and 75% on a straight-line basis
11.1p	75%
Between 11.1p and 13.7p	Pro rata between 75% and 100% on a straight-line basis
13.7p or above	100%

(ii) Thames River Capital Commutation arrangements

Three TRC Investment Teams exercised their put options during the period ended 30 June 2012. These exercises transferred a further entitlement of the management fee profits (typically 10%) to the F&C Group. F&C settled these awards through the issue of FCAM shares.

Details of all share-based payment (SBP) schemes are disclosed in note 26 of the 2011 Annual Report and Financial Statements. There have been no other changes to the Group's SBP arrangements during the six months ended 30 June 2012.

14. Share capital

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Ordinary Shares of 0.1p each	**0.5**	0.5	0.5

The number of Ordinary Shares in issue was as follows:

	30 June 2012 No.	30 June 2011 No.	31 December 2011 No.
Allotted, called up and fully paid Ordinary Shares of 0.1p each	**542,803,481**	532,118,789	532,118,789
Ordinary Shares held by Employee Benefit Trusts*	**(16,033,772)**	(16,011,101)	(13,940,987)
Ordinary Shares available in the market	**526,769,709**	516,107,688	518,177,802

* Or similar arrangements

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

	Six months ended 30 June 2012 No.	Six months ended 30 June 2011 No.	Year ended 31 December 2011 No.
Issued at 1 January	**532,118,789**	532,118,789	532,118,789
Issue of shares in respect of TRC Commutation arrangements	**10,684,692**	–	–
Issued at 30 June (31 December)	**542,803,481**	532,118,789	532,118,789

In the period between the reporting date and the approval of the Interim Financial Statements, the Company issued 12,377,307 shares as settlement for share awards which vested in that period.

15. Notes to the statement of cash flows

(a) Analysis of movements in statement of cash flows

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	**1.5**	1.7	3.2
Amortisation of intangible assets	**22.7**	23.3	46.4
Loss on disposal of property, plant and equipment	**0.7**	0.2	0.3
Equity-settled share-based payment expenses	**6.7**	10.0	17.3
Release of acquisition creditor to Income Statement	**–**	(0.1)	–
	31.6	35.1	67.2
Changes in working capital and provisions:			
(Increase)/decrease in trade and other receivables	**(26.9)**	44.5	78.6
Increase/(decrease) in trade and other payables	**20.2**	(28.0)	(56.5)
(Decrease)/increase in liabilities to members of LLPs	**(1.9)**	4.1	0.3
Increase in stock of units and shares	**(0.2)**	(1.0)	(0.8)
Decrease in investment contract liabilities	**(4.5)**	(37.3)	(86.4)
Decrease in insurance contract liabilities	**–**	(0.1)	–
Decrease in employee benefit liabilities	**(15.2)**	(7.0)	(1.2)
Decrease in deferred acquisition costs	**1.0**	0.8	1.7
Decrease in deferred income	**(1.0)**	(0.9)	(1.5)
Pension charge to operating profit less defined benefit pension contributions paid	**(2.2)**	(2.3)	(3.6)
(Decrease)/increase in provisions	**(0.1)**	7.2	(3.3)
Decrease in unit-linked financial investments	**7.4**	40.2	91.0
	(23.4)	20.2	18.3

(b) Property, plant and equipment

During the period the Group acquired property, plant and equipment with an aggregate cost of £2.9m (30 June 2011: £1.7m, 31 December 2011: £2.1m).

16. Related party transactions

In the ordinary course of business, the Group carried out transactions with related parties, as defined by IAS 24: Related Party Disclosures. Material related party transactions are set out below. There are no significant changes in the type or nature of related party transactions from those disclosed in the 2011 Annual Report and Financial Statements.

(a) Related party transactions with Sherborne

Sherborne owns approximately 20% of the Ordinary Share capital of F&C and is represented on the Board by the Executive Chairman, Edward Bramson, who is a partner in Sherborne, and Ian Brindle who is a representative of Sherborne. Sherborne is entitled to ordinary dividends, and a fee in respect of the Chairman's services to F&C. The Group's transactions with Sherborne are disclosed below:

	Total invoiced and accrued during the six months ended 30 June 2012 £m	**Outstanding at 30 June 2012 £m**	Total invoiced and accrued during the six months ended 30 June 2011* £m	Outstanding at 30 June 2011 £m	Total invoiced and accrued during 2011* £m	Outstanding at 31 December 2011 £m
Ordinary dividends paid to Sherborne	**2.1**	**–**	2.0	–	3.0	–
Director's fees payable to Sherborne	**0.1**	**–**	0.1	–	0.1	–
Other expenses payable to Sherborne	**0.2**	**–**	–	–	0.2	–

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

(b) Transactions with non-controlling interests

F&C REIT Asset Management LLP

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

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

These parties are considered to be related parties.

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

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

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

Year ended 31 December 2011	Amortisation of intangible assets £m	Profit share £m	Distributions paid £m	NCI at 31 December 2011 £m
Kendray Properties Limited	(1.0)	2.3	(3.5)	6.8
L. Noé	(0.7)	1.9	(2.4)	4.7
I. Smith	(0.3)	0.7	(1.0)	1.0
	(2.0)	4.9	(6.9)	12.5

17. Commitments

The Group revised its lease arrangements for Exchange House (London) during the six months ended 30 June 2012. The total revised premises lease commitments and sub-lease receivables of the Group are disclosed in the tables below:

	Premises		
Operating Leases	**30 June 2012 £m**	30 June 2011 £m	31 December 2011 £m
Not later than one year	**9.8**	12.7	12.1
Later than one year and not later than five years	**32.3**	37.0	35.1
Later than five years	**38.5**	27.6	24.5
	80.6	77.3	71.7

	Premises		
Sub-lease receivables	**30 June 2012 £m**	30 June 2011 £m	31 December 2011 £m
Not later than one year	**3.3**	3.7	3.3
Later than one year and not later than five years	**11.0**	10.6	11.5
Later than five years	**7.0**	7.9	8.3
	21.3	22.2	23.1

18. 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 2012 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 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

J. M. Mills

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

31 July 2012

Key Financial Indicators

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

Six months ended 30 June 2012

£ millions unless otherwise stated		Underlying Group Earnings				Profit attributable to equity holders of the parent		
		Reported earnings	Adjustments	Adjusted Income Statement	Non-controlling interests profits*	Underlying earnings	Adjustments for FX (gains)/ losses	Underlying earnings (ex FX)
A	**Net Revenue**	**120.3**	**–**	**120.3**	**–**	**120.3**	**–**	**120.3**
	Net policyholder income	–	–	–	–	–	–	–
	Operating expenses	(81.9)	–	(81.9)	–	(81.9)	–	(81.9)
	Exchange losses	(1.2)	–	(1.2)	–	(1.2)	1.2	–
	Operating expenses	(83.1)	–	(83.1)	–	(83.1)	1.2	(81.9)
	Distribution to members of LLPs	(6.3)	–	(6.3)	–	(6.3)	–	(6.3)
	Amortisation of intangible assets	(22.4)	22.4	–	–	–	–	–
	Other exceptional net operating expenses	(6.2)	6.2	–	–	–	–	–
	Total operating expenses	**(118.0)**	**28.6**	**(89.4)**	**–**	**(89.4)**	**1.2**	**(88.2)†**
B	**Operating profit**	**2.3**	**28.6**	**30.9**	**–**	**30.9**	**1.2**	**32.1**
	Interest paid	(11.1)	–	(11.1)	–	(11.1)	–	(11.1)
	Interest and investment income received	1.4	–	1.4	–	1.4	–	1.4
	Other non-operating items	(0.2)	–	(0.2)	–	(0.2)	–	(0.2)
	Non-controlling interests profits	–	–	–	(2.9)	(2.9)	–	(2.9)
	(Loss)/profit before tax	**(7.6)**	**28.6**	**21.0‡**	**(2.9)**	**18.1**	**1.2**	**19.3**
	Tax income/(expense)	3.0	(6.9)	(3.9)	0.3	(3.6)	(0.3)	(3.9)
C	**(Loss)/profit for period**	**(4.6)**	**21.7**	**17.1**	**(2.6)**	**14.5**	**0.9**	**15.4**
	Underlying EPS (C÷D)					**2.8p**		**3.0p**
	Underlying operating margin (B÷A)					**25.7%**		**26.7%**
D	**Weighted average number of shares (000's)**					**521,349**		**521,349**

* Excluding NCI share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'Group underlying profit before tax'

Six months ended 30 June 2011

	£ millions unless otherwise stated	Underlying Group Earnings				Profit attributable to equity holders of the parent		
		Reported earnings	Adjustments	Adjusted Income Statement	Non-controlling interests profits*	Underlying earnings	Adjustments for FX (gains)/losses	Underlying earnings (ex FX)
A	**Net Revenue**	**137.0**	**–**	**137.0**	**–**	**137.0**	**–**	**137.0**
	Net policyholder income	0.3	–	0.3	–	0.3	–	0.3
	Operating expenses	(93.4)	–	(93.4)	–	(93.4)	–	(93.4)
	Exchange gains	0.3	–	0.3	–	0.3	(0.3)	–
	Operating expenses	**(93.1)**	**–**	**(93.1)**	**–**	**(93.1)**	**(0.3)**	**(93.4)**
	Distribution to members of LLPs	(11.0)	–	(11.0)	–	(11.0)	–	(11.0)
	Amortisation of intangible assets	(22.9)	22.9	–	–	–	–	–
	Other exceptional net operating expenses	(20.5)	20.5	–	–	–	–	–
	Total operating expenses	**(147.5)**	**43.4**	**(104.1)**	**–**	**(104.1)**	**(0.3)**	**(104.4)†**
B	**Operating (loss)/profit**	**(10.2)**	**43.4**	**33.2**	**–**	**33.2**	**(0.3)**	**32.9**
	Interest paid	(11.9)	–	(11.9)	–	(11.9)	–	(11.9)
	Interest and investment income received	1.4	–	1.4	–	1.4	–	1.4
	Other non–operating items	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
	Non–controlling interests profits	–	–	–	(2.2)	(2.2)	–	(2.2)
	(Loss)/profit before tax	**(20.8)**	**43.4**	**22.6‡**	**(2.2)**	**20.4**	**(0.3)**	**20.1**
	Tax income/(expense)	1.9	(8.2)	(6.3)	0.2	(6.1)	0.1	(6.0)
C	**(Loss)/profit for period**	**(18.9)**	**35.2**	**16.3**	**(2.0)**	**14.3**	**(0.2)**	**14.1**
	Underlying EPS (C÷D)					**2.8p**		**2.7p**
	Underlying operating margin (B÷A)					**24.2%**		**24.0%**
D	**Weighted average number of shares (000's)**					**513,456**		**513,456**

* Excluding NCI share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'Group underlying profit before tax'

Year ended 31 December 2011

	£ millions unless otherwise stated	Underlying Group Earnings				Profit attributable to equity holders of the parent		
		Reported earnings	Adjustments	Adjusted Income Statement	Non-controlling interests profits*	Underlying earnings	Adjustments for FX (gains)/losses	Underlying earnings (ex FX)
A	**Net Revenue**	**267.0**	**–**	**267.0**	**–**	**267.0**	**–**	**267.0**
	Net policyholder income	0.3	–	0.3	–	0.3	–	0.3
	Operating expenses	**(183.8)**	**–**	**(183.8)**	**–**	**(183.8)**	**–**	**(183.8)**
	Distribution to members of LLPs	(18.3)	–	(18.3)	–	(18.3)	–	(18.3)
	Amortisation of intangible assets	(45.8)	45.8	–	–	–	–	–
	Other exceptional net operating expenses	(19.0)	19.0	–	–	–	–	–
	Total operating expenses	**(266.9)**	**64.8**	**(202.1)**	**–**	**(202.1)**	**–**	**(202.1)†**
B	**Operating profit**	**0.4**	**64.8**	**65.2**	**–**	**65.2**	**–**	**65.2**
	F&C REIT put option fair value gain	8.7	(8.7)	–	–	–	–	–
	TRC acquisition consideration adjustments	7.6	(7.6)	–	–	–	–	–
	Interest paid	(23.8)	–	(23.8)	–	(23.8)	–	(23.8)
	Interest and investment income received	5.7	–	5.7	–	5.7	–	5.7
	Other non–operating items	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
	Non-controlling interests profits	–	–	–	(5.7)	(5.7)	–	(5.7)
	(Loss)/profit before tax	**(1.5)**	**48.5**	**47.0‡**	**(5.7)**	**41.3**	**–**	**41.3**
	Tax income/(expense)	4.1	(17.6)	(13.5)	0.6	(12.9)	–	(12.9)
C	**Profit for year**	**2.6**	**30.9**	**33.5**	**(5.1)**	**28.4**	**–**	**28.4**
	Underlying EPS (C÷D)					**5.5p**		**5.5p**
	Underlying operating margin (B÷A)					**24.4%**		**24.4%**
D	**Weighted average number of shares (000's)**					**515,373**		**515,373**

* Excluding NCI share of amortisation of intangible assets

† Defined as 'underlying operating costs'

‡ Defined as 'Group underlying profit before tax'

Underlying Operating Expenses

The underlying operating costs of the Group are as follows:

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Staff costs and related expenses	**53.1**	61.8	116.9
Premises expenses	**6.7**	6.9	14.5
Communication and information technology expenses	**8.0**	9.0	17.4
Third-party administration expenses	**4.6**	2.8	8.4
Promotional and client servicing expenses	**2.8**	3.2	7.1
Other expenses	**6.7**	9.7	19.5
Operating expenses	**81.9**	93.4	183.8
Distributions to members of LLPs	**6.3**	11.0	18.3
Underlying operating costs	**88.2**	104.4	202.1

Corporate Information

Directors

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

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

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Corporate Information

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