

**F&C Treasury
Limited**
(formerly ISIS
Treasury Limited)
(Registered Number 4425921)

**Report & Financial Statements
for the year ended
31 December 2004**

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F&C TREASURY LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

4425921

DIRECTORS:

H Carter
A L Grisay
I J Paterson Brown

SECRETARY:

F&C Asset Management plc
80 George Street
Edinburgh
EH2 3BU

REGISTERED OFFICE:

Exchange House
Primrose Street
London
EC2A 2NY

SOLICITORS:

Shepherd+ Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

AUDITORS:

Ernst & Young LLP
Registered Auditor
Ten George Street
Edinburgh
EH2 2DZ

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is to act as a treasury management company to the F&C Asset Management plc (formerly ISIS Asset Management plc) group. The company is also an investment holding company.

The company is in a net liability position at 31 December 2004 due mainly to the exceptional costs incurred by its subsidiaries during the fundamental reorganisation of the F&C Asset Management plc business during 2003 and 2004. Certain subsidiaries have been unable to pay a dividend to F&C Treasury Limited via WAM Holdings Limited at 31 December 2004 but the directors expect future dividend receipts to be sufficient to ensure the profitability of the company. The directors consider it appropriate to prepare the accounts on a going concern basis as they believe that the future profitability of the company will be sufficient to return the company to a net asset position in due course.

RESULTS AND DIVIDEND

The accounts for the year ended 31 December 2004 show a profit after tax of £3,364,961 (2003: £575,967). The directors do not recommend the payment of an ordinary dividend (2003: £nil), leaving a profit of £3,364,961 (2003: £575,967) to be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2004 were as follows:

P A K Arthur	(resigned 11 October 2004)
K J Back	(resigned 11 October 2004)
H Carter	
N Criticos	(resigned 11 October 2004)
A L Grisay	(appointed 11 October 2004)
I J Paterson Brown	
R E Talbut	(resigned 11 October 2004)

No director has any beneficial interest in the share capital of the company.

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS (continued)

The beneficial interests of the directors at 31 December 2004 in the share capital of F&C Asset Management plc, the parent undertaking, are:

	At 31 December 2004		At 31 December 2003 (or subsequent date of appointment)	
	Ord Shares	Options	Ord shares	Options
H Carter	43,364	949,005	42,850	532,338
A L Grisay	-	2,599,607	-	2,391,274
I J Paterson Brown	195,021	472,835	194,560	329,085

A L Grisay's options include participation in the F&C Asset Management plc Re-Investment Plan (Investment Shares and Matching Shares) and the F&C Asset Management plc Long Term Remuneration Plan. The above options represent the maximum entitlement under the share based payment schemes assuming all performance criteria are met. Further details of these schemes can be obtained from the F&C Asset Management plc Group Report and Accounts.

On 24 March 2005, A L Grisay was granted 128,479 options under the F&C Asset Management plc Purchased Equity Plan. This grant formed part of his 2004 remuneration arrangements.

Details of the Purchase Equity Plan arrangements were disclosed in the Listing Particulars issued by F&C Asset Management plc on 2 July 2004.

The beneficial interests of the directors at 31 December 2004 in the share capital of the ultimate parent undertaking, Friends Provident plc, are:

	Ord shares	
	At 31 December 2004	At 31 December 2003
H Carter	24,560	24,560
A L Grisay	-	-
I J Paterson Brown	-	-

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


For F&C Asset Management plc
Secretary
24 October 2005

F&C TREASURY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Independent Auditors' Report "Respective responsibilities of directors and auditors", set out on page 5, is made with a view to distinguishing for members the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 6 to 15, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed (subject to any explanations and any material departures disclosed in the notes to the financial statements).

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company at that time and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

F&C TREASURY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF F&C TREASURY LIMITED

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh
24 October 2005

F&C TREASURY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Dividend from subsidiary undertaking		15,250,000	10,300,000
Administrative expenses		<u>(137,831)</u>	<u>(7,304)</u>
OPERATING PROFIT	2	15,112,169	10,292,696
Interest payable	4	(15,895,595)	(13,919,525)
Interest receivable	5	<u>12,831</u>	<u>33,378</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(770,595)	(3,593,451)
Tax on Loss on Ordinary Activities	6	<u>4,135,556</u>	<u>4,169,418</u>
RETAINED PROFIT AFTER TAXATION TRANSFERRED TO RESERVES	14	<u>3,364,961</u>	<u>575,967</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses for the year ended 31 December 2004 and for the year ended 31 December 2003 other than the results shown in the profit and loss account above.

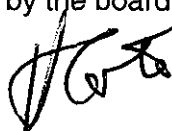
The accounting policies on pages 8 and 9 and the notes on pages 9 to 16 form part of these financial statements.

F&C TREASURY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	31 December 2004 £	31 December 2003 £
FIXED ASSETS			
Tangible fixed assets	7	1	1
Investments	8	<u>240,692,278</u>	<u>240,692,278</u>
		<u>240,692,279</u>	<u>240,692,279</u>
CURRENT ASSETS			
Debtors	9	56,448,913	39,717,517
Short term deposits		25,400,000	-
Cash at bank		<u>1,793,600</u>	<u>132,869</u>
		83,642,513	39,850,386
CREDITORS: Amounts falling due within one year	10	(147,883,425)	(107,456,259)
NET CURRENT LIABILITIES		<u>(64,240,912)</u>	<u>(67,605,873)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		176,451,367	173,086,406
CREDITORS: Amounts falling due outwith one year	10	<u>(180,000,000)</u>	<u>(180,000,000)</u>
NET LIABILITIES		<u>(3,548,633)</u>	<u>(6,913,594)</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	<u>(3,548,634)</u>	<u>(6,913,595)</u>
TOTAL SHAREHOLDER'S FUNDS	14	<u>(3,548,633)</u>	<u>(6,913,594)</u>

Approved by the board on 24 October 2005 and signed on its behalf by:



H Carter
Director

The accounting policies on pages 8 and 9 and the notes on pages 9 to 15 form part of these financial statements.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Investment income

Investment income is accounted for on an accruals basis.

Investments

Investments are held at the lower of cost and directors' valuation.

Subsidiary undertakings

The company has taken exemption under section 228 of the Companies Act 1985 not to prepare group accounts as it is a wholly owned subsidiary of F&C Asset Management plc, a company incorporated in Scotland.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events occurred at that date that will result in an obligation to pay less or receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a commitment to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more than likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Fixed assets and depreciation

Tangible fixed assets are stated at net book value.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Fixed assets are depreciated at rates calculated to write off the cost (less estimated residual value) of each asset over its expected useful life in equal annual instalments as follows:

Office furniture and equipment - over 5 years

The carrying value of tangible fixed assets is reviewed where it is believed that impairment may have occurred. Any impairment arising from such a review would be charged as depreciation in the period in which it arose.

Cash flow statement

The company has taken advantage of the exemptions of FRS1 (revised) and has elected not to prepare its own cash flow statement as it is included within the consolidated cash flow statement in the accounts of F&C Asset Management plc, its parent undertaking.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2004 £	2003 £
Auditors' remuneration – audit fees	8,000	5,000
Auditors' remuneration – non-audit fees	<u>1,000</u>	<u>1,250</u>

The company had no employees during the year ended 31 December 2004 (2003: £nil).

3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments for their services to the company during the year ended 31 December 2004 (2003: £nil).

The emoluments of the directors are disclosed within the accounts of F&C Asset Management plc, the parent undertaking.

4. INTEREST PAYABLE

	2004 £	2003 £
Bank interest and charges	1,298	4,402
Interest on £180m term loan	10,612,095	10,619,450
Interest on £50m revolving credit loan	571,327	621,260
Interest on loans from group undertakings	<u>4,710,875</u>	<u>2,674,413</u>
	<u>15,895,595</u>	<u>13,919,525</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST RECEIVABLE

	2004 £	2003 £
Bank interest receivable	<u>12,831</u>	<u>33,378</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £	2003 £
UK Corporation Tax		
UK Corporation Tax on losses for the year	(4,772,240)	(4,168,035)
Adjustments in respect of previous periods	<u>677,681</u>	<u>(1,383)</u>
Total current tax credit for the year	<u>(4,094,559)</u>	<u>(4,169,418)</u>

Deferred tax

Originating and reversal of timing differences
(note 12)

	<u>(40,997)</u>	<u>-</u>
Total tax credit for the year	<u>(4,135,556)</u>	<u>(4,169,418)</u>

Factors affecting the tax credit for the year

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK.
The differences are explained below.

Loss on ordinary activities before tax	<u>(770,595)</u>	<u>(3,593,451)</u>
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30.00% (2003: 30.00%)	(231,179)	(1,078,035)
Effect of:		
Non-taxable income	(4,575,000)	(3,090,000)
Capital allowances in excess of depreciation	(1,766)	-
Other timing differences	35,700	-
Adjustments in respect of previous period	<u>677,686</u>	<u>(1,383)</u>
Current tax credit for the year	<u>(4,094,559)</u>	<u>(4,169,418)</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TANGIBLE FIXED ASSETS

	Office furniture & equipment £
Cost:	
At 31 December 2003 and 2004	<u>36,000</u>
Depreciation:	
At 31 December 2003 and 2004	<u>35,999</u>
Net Book Value:	
At 31 December 2003 and 2004	<u>1</u>

8. INVESTMENTS

	£
COST:	
At 31 December 2003 and 2004	<u>240,692,278</u>

In the opinion of the directors, the aggregate valuation of the company's investments is not less than the amount at which the investments are stated in the balance sheet.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Country of registration or incorporation	Nature of business
WAM Holdings Limited	Ordinary shares	100%	England	Holding company
F&C Property Investments Limited* (formerly ISIS Property Investment Limited)	Ordinary shares	100%	England	Property investment management
ISIS Investment Management Limited*	Ordinary shares	100%	England	Investment management
F&C Fund Management Limited* (formerly ISIS Fund Management Limited)	Ordinary shares	100%	England	OEIC investment management
Sun Alliance Investment Management Limited**	Ordinary shares	100%	England	Investment management
Royal & SunAlliance Savings and Investment Limited***	Ordinary shares	100%	England	Unit trust management

* Subsidiary of WAM Holdings Limited

** Subsidiary of ISIS Investment Management Limited

*** Subsidiary of F&C Fund Management Limited

9. DEBTORS

	31 December 2004 £	31 December 2003 £
Amounts falling due within one year:		
Loans to fellow subsidiary undertakings	2,752,209	7,946,543
Loan to parent undertaking	14,055,163	8,775,132
Amounts due from fellow subsidiary undertakings	17,633	228,078
Amounts due from parent undertaking	528,004	261,213
Amounts due from subsidiary undertaking	25,550,000	10,300,000
Consideration rebate	-	3,892,705
Other debtors	-	44
Group relief receivable	12,379,907	7,188,802
	55,282,916	38,592,517
Amounts falling due outwith one year:		
Deferred tax (note 12)	1,165,997	1,125,000
	56,448,913	39,717,517

The 2004 loans are to FP Asset Management Holdings Limited, F&C Group (Holdings) Limited, ISIS Equity Partners GP Limited and London & Manchester Property Asset Management Limited. They are repayable on demand and subject to interest at 3 month LIBOR plus 1% margin.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CREDITORS

	31 December 2004 £	31 December 2003 £
Amounts falling due within one year:		
Loans from fellow subsidiary undertakings	67,888,216	44,106,869
Loans from subsidiary undertakings	67,720,497	41,820,536
Revolving credit loan facility	5,000,000	15,000,000
Amounts due to ultimate parent undertaking	103,647	190,112
Amounts due to fellow subsidiary undertakings	2,178,422	2,000,098
Amounts due to subsidiary undertakings	1,122,643	582,394
Accruals	3,870,000	3,756,250
	<u>147,883,425</u>	<u>107,456,259</u>
Amounts falling due outwith one year:		
Loan from Friends Provident Life and Pensions Limited	<u>180,000,000</u>	<u>180,000,000</u>

The details of the loans are disclosed within note 11.

11. LOANS

	31 December 2004 £	31 December 2003 £
Wholly repayable within five years:		
£180,000,000 term loan at a fixed rate of 5.9125%, wholly repayable on 1 November 2006	180,000,000	180,000,000
£50,000,000 revolving credit facility, £15,000,000 drawn down, at 3 month Sterling LIBOR plus 0.6% margin; 3 month terms ending 30 May 2007	5,000,000	15,000,000
Loans with members of the F&C Asset Management plc group at 3 month LIBOR plus 1% margin; repayable on demand	<u>135,608,713</u>	<u>85,927,405</u>
	<u>320,608,713</u>	<u>280,927,405</u>

The £180,000,000 term loan is with Friends Provident Life and Pensions Limited, a subsidiary of Friends Provident plc.

The £50,000,000 revolving credit facility is with Friends Provident plc, the ultimate parent undertaking. Any drawdown under this facility is repayable within 3 months but can be rolled over by the borrower into a subsequent drawdown. This option remains open until 30 May 2007.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. LOANS (continued)

	31 December 2004 £	31 December 2003 £
Amounts repayable:		
In one year or less, or on demand	140,608,713	100,927,405
In more than one year but not more than two years	-	-
In more than two years but not more than five years	180,000,000	180,000,000
In more than five years	-	-
	<u>320,608,713</u>	<u>280,927,405</u>

12. DEFERRED TAXATION

	31 December 2004 £	31 December 2003 £
Short term timing differences	<u>1,165,997</u>	<u>1,125,000</u>
	2004	2003
	£	£
Deferred tax asset at 1 January	1,125,000	1,125,000
Deferred tax credited to profit and loss account (note 6)	<u>40,997</u>	<u>-</u>
Deferred tax asset at 31 December (note 9)	<u>1,165,997</u>	<u>1,125,000</u>

The directors believe it is appropriate to recognise a deferred tax asset because it is considered that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

13. SHARE CAPITAL

	31 December 2004 £	31 December 2003 £
Authorised:		
1,000 ordinary shares at £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid :		
1 ordinary share of £1	<u>1</u>	<u>1</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT IN RESERVES

	Share capital £	Profit and loss account £	Total shareholder's funds £
At 31 December 2002	1	(7,489,562)	(7,489,561)
Retained profit for the year	-	575,967	575,967
At 31 December 2003	1	(6,913,595)	(6,913,594)
Retained profit for the year	-	3,364,961	3,364,961
At 31 December 2004	1	(3,548,634)	(3,548,633)

15. RELATED PARTY TRANSACTIONS

Subordinated Loans

The following loans were due to the Friends Provident group (note 11):

	31 December 2004 £	31 December 2003 £
Friends Provident Life and Pensions Limited	180,000,000	180,000,000
Friends Provident plc	5,000,000	15,000,000
	<u>185,000,000</u>	<u>195,000,000</u>

	Interest paid 2004 £	Outstanding 31 December 2004 £	Interest paid 2003 £	Outstanding 31 December 2003 £
Friends Provident Life and Pensions Limited	10,612,095	1,287,792	10,619,450	1,318,197
Friends Provident plc	<u>571,327</u>	<u>103,647</u>	<u>621,260</u>	<u>190,112</u>
	<u>11,183,422</u>	<u>1,391,439</u>	<u>11,240,710</u>	<u>1,508,309</u>

The company has taken exemption from the requirement to disclose related party transactions with other members of the F&C Asset Management group on the basis that it is a wholly owned subsidiary.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is F&C Asset Management plc. F&C Asset Management plc has included F&C Treasury Limited in its group accounts. Copies of the group report and accounts are available from its registered office: 80 George Street, Edinburgh, EH2 3BU.

The company's ultimate parent undertaking and controlling party is Friends Provident plc, which is incorporated in England and Wales. Copies of the group report and accounts can be obtained from Pixham End, Dorking, Surrey, RH4 1QA.