

F&C Treasury Limited

(Registered Number 4425921)

**Report & Financial Statements
for the year ended
31 December 2005**

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F&C TREASURY LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

4425921

DIRECTORS:

A L Grisay
F&C Asset Management plc

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

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements for the year ended 31 December 2005.

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 group. The company is also an investment holding company.

The company is in a net liability position at 31 December 2005 due mainly to the exceptional costs incurred by its subsidiaries during the fundamental reorganisation of the F&C Asset Management plc group's business during 2003 and 2004. 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.

FUTURE DEVELOPMENTS

The directors do not anticipate any major change in the principle activities of the business within the foreseeable future.

The £180,000,000 loan falls due for repayment on 1 November 2006. The directors intend to re-finance the loan and advisors have been appointed to support this debt re-financing process. In the unlikely circumstances that the company is unable to re-finance its £180 million loan facility on normal commercial terms in the external market due to market or other factors at the time of re-financing, Friends Provident plc has given an undertaking that it would be willing to provide either a facility or a bridging facility until such time as the company refinances the loan.

RESULTS AND DIVIDEND

The financial statements for the year ended 31 December 2005 show a profit after tax of £3,641,058 (2004: loss £1,585,039). The directors do not recommend the payment of an ordinary dividend (2004: £nil).

RISKS

Corporate financial risk strategy

The company adopts a low risk approach to treasury management and financial risks in relation to shareholder equity, endeavouring to ensure that its capital is managed and preserved appropriately and financial risks are managed as appropriate. The company's treasury function ensures sufficient cash is retained by the company in respect of short-term working and regulatory capital requirements.

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS (continued)

RISKS (continued)

Credit risk

The majority of debtors at the balance sheet dates are in respect of loans and inter-company balances with other Group undertakings. As the Group's regulatory and working capital are monitored on a Group-wide basis, the risk of default is considered minimal.

The F&C Asset Management plc's Group ("F&C Group") treasury policy limits the exposure to any one counterparty (in respect of cash and cash equivalents), recognising that each counterparty has been approved by the F&C Credit Committee.

Liquidity risk

The treasury policy set by the F&C Group only allows financial assets attributable to equity holders to be invested in low risk deposits or money market instruments where the risk of capital loss is extremely low.

Cash flow risk

There is minimal cash flow risk due to the non-receipt of cash. The overall cash position is monitored by the F&C Group as a whole and each individual company within the Group draws on the available cash balance to meet its working capital requirements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2005 were as follows:

H Carter	(resigned 16 May 2006)
A L Grisay	
I J Paterson Brown	(resigned 16 May 2006)

In addition to the above F&C Asset Management plc was appointed as a corporate director of the company on 16 May 2006.

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

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

	At 31 December 2005		At 31 December 2004	
	Ord shares	Options	Ord shares	Options
H Carter	39,063	949,005	43,364	949,005
A L Grisay	-	2,130,268	-	2,599,607
I J Paterson Brown	195,771	447,835	195,021	472,835

Since 31 December 2005, Messrs Carter and Paterson Brown have each acquired 294 Ordinary Shares through monthly subscriptions into F&C Asset Management plc's Share Incentive Plan.

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS AND THEIR INTERESTS (continued)

A L Grisay's options include participation in the Re-Investment Plan (Investment Shares and Matching Shares), the Long Term Remuneration Plan and the Purchased Equity Plan operated by F&C Asset Management plc. 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 Financial Statements.

On 24 March 2006 A L Grisay was granted 197,674 options under the F&C Asset Management plc Purchased Equity Plan. This grant formed part of the 2005 remuneration arrangements. Details of the Purchased Equity Plan can be obtained from the F&C Asset Management plc Group Report and Financial Statements.

On 28 March 2006 H Carter sold 37,461 Ordinary Shares at a price of 215.50 pence per share.

On 28 March 2006 H Carter exercised and sold all 161,870 options granted under the 2002 Executive Share Scheme realising a gain of £123,000. Further details of this scheme can be obtained from the F&C Asset Management plc Group Report and Financial Statements.

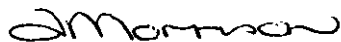
The beneficial interests of the directors in the share capital of the ultimate parent undertaking, Friends Provident plc, are:

	Ord shares	
	At 31 December 2005	At 31 December 2004
H Carter	24,560	24,560
A L Grisay	-	-
I J Paterson Brown	-	-

AUDITORS

The company has passed an elective resolution in accordance with section 379A of the Companies Act 1985 to dispense with the annual appointment of auditors, accordingly Ernst & Young LLP will remain in office.

BY ORDER OF THE BOARD



For F&C Asset Management plc
Secretary
18 September 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and the apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

F&C TREASURY LIMITED

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

We have audited the company's financial statements for the year ended 31 December 2005, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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.

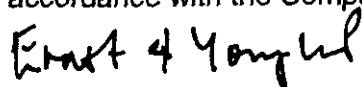
BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh
18 September 2006

F&C TREASURY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 (as restated) £
Administrative expenses		<u>(11,100)</u>	<u>(137,831)</u>
OPERATING LOSS	2	(11,100)	(137,831)
Dividends received from subsidiary undertakings		15,250,000	10,300,000
Interest receivable	4	6,062,499	12,831
Interest and similar charges payable	5	<u>(22,635,601)</u>	<u>(15,895,595)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,334,202)	(5,720,595)
Tax on loss on Ordinary Activities	6	<u>4,975,260</u>	<u>4,135,556</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>3,641,058</u>	<u>(1,585,039)</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses for the year ended 31 December 2005 and for the year ended 31 December 2004 other than the results shown in the profit and loss account above.

The accounting policies on pages 9 to 11 and the notes on pages 11 to 20 form part of these financial statements.

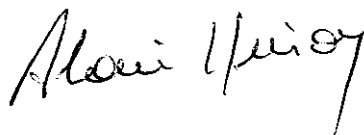
F&C TREASURY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	31 December 2005 £	31 December 2004 (as restated) £
FIXED ASSETS			
Tangible fixed assets	8	1	1
Investments	9	<u>240,692,278</u>	<u>240,692,278</u>
		<u>240,692,279</u>	<u>240,692,279</u>
CURRENT ASSETS			
Debtors : amounts falling due:			
Within one year	10	173,166,734	40,032,916
Outwith one year	10	1,164,673	1,165,997
Short term deposits		38,677,443	25,400,000
Cash at bank		<u>144,927</u>	<u>1,793,600</u>
		<u>213,153,777</u>	<u>68,392,513</u>
CREDITORS: Amounts falling due within one year	11	(469,003,631)	(147,883,425)
NET CURRENT LIABILITIES		<u>(255,849,854)</u>	<u>(79,490,912)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(15,157,575)	161,201,367
CREDITORS: Amounts falling due outwith one year	11	-	(180,000,000)
NET LIABILITIES		<u>(15,157,575)</u>	<u>(18,798,633)</u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	<u>(15,157,576)</u>	<u>(18,798,634)</u>
TOTAL SHAREHOLDER'S FUNDS	16	<u>(15,157,575)</u>	<u>(18,798,633)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18 September 2006. They were signed on its behalf by:

A L Grisay
Director



The accounting policies on pages 9 to 11 and the notes on pages 11 to 20 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 in the United Kingdom.

The company is dependent on continuing finance being made available by one of its subsidiary companies, ISIS Investment Management Limited, to enable it to continue operating and to meet its liabilities as they fall due. ISIS Investment Management Limited has agreed to provide sufficient funds to the company for these purposes. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

Comparatives have been restated after the adoption of the following UK GAAP standards which became effective during the year.

FRS 21 – Events after the Balance Sheet Date.

The financial impact of the related adjustments are shown in Note 7.

Dividend Recognition

Dividend receivables and liabilities are only recognised when the dividends have been declared and approved or the date of payment for interim dividends.

Interest Receivable

Interest receivable comprises interest on loans and on a bank account and is recognised in the profit and loss account on an accruals basis.

Interest payable

Interest payable comprises interest on loans and bank interest and charges and is recognised in the profit and loss account on an accruals basis.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Unlisted investments are carried at the lower of cost and directors' valuation. The carrying value of investments are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the Profit and Loss Account in the year in which it arises.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Expenditure on tangible fixed assets is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits associated with the expenditure which can be measured reliably. All other expenditure is recognised in the Profit and Loss Account as an expense as incurred.

Tangible fixed assets are depreciated so as to write off the cost of assets, using the straight line method, over their estimated useful lives, as follows:

Office furniture and equipment	- over 5 years
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The carrying value of assets and their useful lives are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the Profit and Loss Account in the year in which it arises.

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.

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.

Subsidiary undertakings

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Tangible fixed assets

Expenditure on tangible fixed assets is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits associated with the expenditure which can be measured reliably. All other expenditure is recognised in the Profit and Loss Account as an expense as incurred.

Office furniture and equipment - over 5 years

The carrying value of assets and their useful lives are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the Profit and Loss Account in the year in which it arises.

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.

FRS 8, 'Related Party Disclosures' requires disclosure of the details of material transactions between the reporting entity and related parties. The company has taken advantage of the exemption in FRS 8 not to disclose transactions between F&C Group companies which eliminate on consolidation.

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

Operating loss is stated after charging:

The company had no employees during the year ended 31 December 2005 (2004: nil).

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments for their services to the company during the year ended 31 December 2005 (2004: £nil).

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

4. INTEREST RECEIVABLE

	2005 £	2004 £
Interest on loans to group undertakings	4,607,516	-
Bank interest receivable	1,454,983	12,831
	<u>6,062,499</u>	<u>12,831</u>

5. INTEREST AND SIMILAR CHARGES PAYABLE

	2005 £	2004 £
Bank interest and charges	3,009	1,298
Interest on £180m term loan	10,642,500	10,612,095
Interest on £50m revolving credit loan	433,619	571,327
Interest on loans from group undertakings	11,556,473	4,710,875
	<u>22,635,601</u>	<u>15,895,595</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £ (as restated)
UK Corporation Tax		
UK Corporation Tax on losses for the year	(4,976,585)	(4,772,245)
Adjustments in respect of previous periods	1	677,686
Total current tax credit for the year	<u>(4,976,584)</u>	<u>(4,094,559)</u>
Deferred tax		
Originating and reversal of timing differences (note 13)	1,324	(40,997)
Total tax credit for the year	<u>(4,975,260)</u>	<u>(4,135,556)</u>
Factors affecting the tax credit for the year		
The tax assessed for the year is lower (2004: lower) than the standard rate of Corporation Tax in the UK of 30.0% (2004: 30.0%) The differences are explained below.		
Loss on ordinary activities before tax	<u>(1,334,202)</u>	<u>(5,720,595)</u>
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30.0% (2004: 30.0%)	(400,261)	(1,716,179)
Effect of:		
Non taxable income	(4,575,000)	(3,090,000)
Capital allowances in excess of depreciation	(1,324)	(1,766)
Other timing differences	-	35,700
Adjustments in respect of previous period	1	677,686
Current tax credit for the year	<u>(4,976,584)</u>	<u>(4,094,559)</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PRIOR YEAR ADJUSTMENT

The adoption of FRS 21 "Events after the Balance Sheet Date" has resulted in a prior year restatement to the financial statements for the year ended 31 December 2004. The financial impact of the adjustments are shown below.

FRS 21 is applicable for accounting periods ending on or after 1 January 2005. It supersedes SSAP 17 "Accounting for post balance sheet events" as previously issued.

Under SSAP17 dividends receivable from subsidiary undertakings which declared a dividend after the period end in respect of the period to the balance sheet date were previously recognised in the financial statements for that period. Under FRS 21 this is no longer the case and as a result retained earnings at the balance sheet date are decreased and current assets are decreased by the amount of these dividends receivable.

Dividends paid were previously shown in the profit and loss account and are now shown in the reconciliation of shareholder's funds and movement on reserves.

The effect of the change in accounting policy on the previous year's company results and on the balance sheet at 1 January 2004 and 31 December 2004 is shown below. Note that only categories which have changed are shown.

	Year ended 31 December 2004 £
Profit and loss impact:	
Decrease in income from shares in subsidiary undertakings	<u>4,950,000</u>
	As at 1 January 2004 £
Balance sheet impact:	
<i>Debtors</i>	
Decrease in amounts due from subsidiary undertakings	<u>(10,300,000)</u>
<i>Capital and reserves</i>	
Decrease in profit and loss account	<u>10,300,000</u>
	As at 31 December 2004 £
Balance sheet impact:	
<i>Debtors</i>	
Decrease in amounts due from subsidiary undertakings	<u>(15,250,000)</u>
<i>Capital and reserves</i>	
Decrease in profit and loss account	<u>15,250,000</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TANGIBLE FIXED ASSETS

	Office furniture & equipment £
Cost:	
At 31 December 2003, 31 December 2004 and 2005	<u>36,000</u>
Depreciation:	
At 31 December 2003, 31 December 2004 and 2005	<u>35,999</u>
Net Book Value:	
At 31 December 2003, 31 December 2004 and 31 December 2005	<u>1</u>

9. INVESTMENTS

	£
Cost:	
At 31 December 2004 and 2005	<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.

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*	Ordinary shares	100%	England	Property investment management
ISIS Investment Management Limited*	Ordinary shares	100%	England	Investment management
F&C Fund Management Limited*	Ordinary shares	100%	England	OEIC investment management

* Subsidiary of WAM Holdings Limited

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. DEBTORS

	31 December 2005	31 December 2004 (as restated)
	£	£
Amounts falling due within one year:		
Loans to fellow subsidiary undertakings	86,519,612	2,752,209
Loan to parent undertaking	34,713,645	14,055,163
Amounts due from fellow subsidiary undertakings	9,226,100	17,633
Amounts due from parent undertaking	-	528,004
Amounts due from subsidiary undertakings	34,568,439	10,300,000
Other debtors	2,072	-
Group relief receivable	8,136,866	12,379,907
	<u>173,166,734</u>	<u>40,032,916</u>
Amounts falling due outwith one year:		
Deferred tax (note 13)	<u>1,164,673</u>	<u>1,165,997</u>
	<u>174,331,407</u>	<u>41,198,913</u>

The loans to the fellow subsidiaries undertakings and to the parent undertaking are repayable on demand and subject to interest at 3 month LIBOR plus 1% margin.

11. CREDITORS

	31 December 2005	31 December 2004
	£	£
Amounts falling due within one year:		
Revolving credit facility	5,000,000	5,000,000
Loans from fellow subsidiary undertakings	136,154,847	67,888,216
Loans from subsidiary undertakings	137,764,374	67,720,497
Loan from Friends Provident Life and Pensions Limited	180,000,000	-
Amounts due to ultimate parent undertaking	-	103,647
Amounts due to parent undertaking	1,123,484	-
Amounts due to fellow subsidiary undertakings	4,269,999	2,178,422
Amounts due to subsidiary undertakings	-	1,122,643
Accruals	3,869,000	3,870,000
Other creditors	821,927	-
	<u>469,003,631</u>	<u>147,883,425</u>
Amounts falling due outwith one year:		
Loan from Friends Provident Life and Pensions Limited	<u>-</u>	<u>180,000,000</u>

The details of the loans are disclosed within note 12.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. LOANS

	31 December 2005 £	31 December 2004 £
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	5,000,000
Loans with members of the F&C Asset Management plc group at 3 month LIBOR plus 1% margin; repayable on demand	<u>273,919,221</u>	<u>135,608,713</u>
	<u>458,919,221</u>	<u>320,608,713</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.

	31 December 2005 £	31 December 2004 £
Amounts repayable:		
In one year or less, or on demand	458,919,221	140,608,713
In more than one year but not more than two years	-	180,000,000
In more than two years but not more than five years	-	-
In more than five years	-	-
	<u>458,919,221</u>	<u>320,608,713</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. DEFERRED TAXATION

	31 December 2005 £	31 December 2004 £
Short term timing differences	<u>1,164,673</u>	<u>1,165,997</u>
	2005 £	2004 £
Deferred tax asset at 1 January	1,165,997	1,125,000
Deferred tax (charged)/credited to profit and loss account (note 6)	<u>(1,324)</u>	<u>40,997</u>
Deferred tax asset at 31 December (note 10)	<u>1,164,673</u>	<u>1,165,997</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.

14. SHARE CAPITAL

	31 December 2005 £	31 December 2004 £
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>

15. PROFIT AND LOSS ACCOUNT RESTATEMENT

	2005 £	2004 £
Balance at 1 January (as previously reported)	(3,548,634)	(6,913,595)
Adjustment in respect of adoption of FRS 21 "Events after the Balance Sheet Date"	<u>(15,250,000)</u>	<u>(10,300,000)</u>
Balance at 1 January (as restated)	(18,798,634)	(17,213,595)
Profit/(loss) on ordinary activities after taxation	<u>3,641,058</u>	<u>(1,585,039)</u>
Balance at 31 December	<u>15,157,576</u>	<u>(18,798,634)</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Share capital	Profit and loss account	Total shareholder's funds
	£	£	£
At 1 January 2004 (as restated)	1	(17,213,595)	(17,213,594)
Loss on ordinary activities after taxation	-	(1,585,039)	(1,585,039)
At 31 December 2004 (as restated)	1	(18,798,634)	(18,798,633)
Profit on ordinary activities after taxation	-	3,641,058	3,641,058
At 31 December 2005	1	(15,157,576)	(15,157,575)

17. RELATED PARTY TRANSACTIONS

Subordinated Loans

The following loans were due to the Friends Provident group (note 12):

	31 December 2005 £	31 December 2004 £
Friends Provident Life and Pensions Limited	180,000,000	180,000,000
Friends Provident plc	5,000,000	5,000,000
	<u>185,000,000</u>	<u>185,000,000</u>

	Interest paid 2005 £	Outstanding 31 December 2005 £	Interest paid 2004 £	Outstanding 31 December 2004 £
Friends Provident Life and Pensions Limited	10,642,500	1,287,792	10,612,095	1,287,792
Friends Provident plc	433,619	29,157	571,327	103,647
	<u>11,076,119</u>	<u>1,316,949</u>	<u>11,183,422</u>	<u>1,391,439</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)

18. SUBSEQUENT EVENTS

Withdrawal of Resolution plc funds

As previously communicated to the market, the company was advised during 2005 that Resolution Life had initiated plans to internalise the management of their assets. The company subsequently reached agreement with Resolution that compensation of £27 million would be received following the withdrawal of the funds, representing a rebate of consideration paid for these contracts as part of the original acquisition. Since 31 December 2005, Resolution have withdrawn the majority of the £19.9 billion funds remaining as at 31 December 2005 and, as such, have triggered the payment of the £27 million compensation, which was received by the company in April 2006. The carrying value of the investment in subsidiary undertakings has been reduced in 2006 by £27 million on receipt of the compensation money from Resolution Life.

The total annualised revenue to the Group on all Resolution funds lost, including the £5.2 billion of funds lost during 2005, amounted to some £27 million. ISIS Investment Management Limited, an indirectly held subsidiary of the Company, was the appointed manager and hence the company which will suffer a loss of revenue.

19. 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 financial statements. Copies of the Group Report and Financial Statements 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 Friends Provident Group Report and Accounts can be obtained from the Company Secretary, Pixham End, Dorking, Surrey, RH4 1QA.