

F&C Treasury Limited

(Registered Number 4425921)

**Report & Financial Statements
for the year ended
31 December 2007**

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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:

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ

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

AUDITORS:

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

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITY

The principal activity of the company is to act as a treasury management company to a number of UK companies in the F&C Asset Management plc group ("F&C Group") The company also acts as an investment holding company

BUSINESS REVIEW

Results and Dividend

The financial statements for the year ended 31 December 2007 show a profit after tax of £4,547,000 (2006 £16,817,000) The directors do not recommend the payment of an ordinary dividend (2006 £nil) and an interim dividend of £1,000,000 (2006: £4,000,000) was approved and paid during the year

Trading Performance and Development of the Business

The principal reason for the reduction in profits for the year was the fall in dividends received from subsidiary undertakings from £26,000,000 in 2006 to £15,500,000 in 2007

Future Developments

During 2007, as a result of changes in regulatory requirements, the function of treasury management to regulated companies within the F&C Group was transferred back to the respective individual regulated entities The company will continue to act as an investment holding company as well as continuing to perform a treasury function for non-regulated F&C Group companies

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 capital requirements

Credit risk

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

The F&C Group's 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 F&C Group draws on the available cash balance to meet its working capital requirements

F&C TREASURY LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2007 were as follows

A L Grisay
F&C Asset Management plc

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

AUDITORS

The company has passed an elective resolution in accordance with section 379(A) of the Companies Act 1985 to dispense with the annual appointment of the auditor, consequently KPMG Audit Plc will remain in office

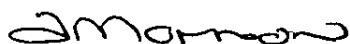
ULTIMATE PARENT UNDERTAKING

Friends Provident plc, the ultimate parent undertaking, announced the results of a strategic review on 31 January 2008 and indicated it may seek to divest itself of F&C Asset Management plc, the company's immediate parent undertaking. The F&C Asset Management plc Board is working with the Friends Provident Board to find a solution which meets the needs of all parties

ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITORS

The directors who held office at the date of approving this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

BY ORDER OF THE BOARD



For F&C Asset Management plc
Secretary
1 July 2008

F&C TREASURY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 its financial statements comply with the Companies Act 1985. They 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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

F&C TREASURY LIMITED

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

We have audited the financial statements of F&C Treasury Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's 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' responsibilities for preparing the Report and Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other information contained in the Report and Financial Statements, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Mc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
July 2008

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F&C TREASURY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Administrative expenses		<u>(17)</u>	<u>(20)</u>
OPERATING LOSS	2	(17)	(20)
Dividends received from subsidiary undertakings		15,500	26,000
Interest receivable	4	12,058	13,684
Interest and similar charges payable	5	<u>(27,578)</u>	<u>(28,758)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(37)	10,906
Taxation on (loss)/profit on ordinary activities	6	<u>4,584</u>	<u>5,911</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u>4,547</u>	<u>16,817</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses for the year ended 31 December 2007 and for the year ended 31 December 2006 other than the results shown in the profit and loss account above

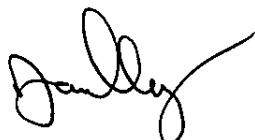
The accounting policies on pages 8 and 9 and the notes on pages 9 to 15 form part of these financial statements

F&C TREASURY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	31 December 2007 £000	31 December 2006 £000
FIXED ASSETS			
Investments	8	213,692	213,692
CURRENT ASSETS			
Debtors amounts falling due			
Within one year	9	89,336	128,192
After more than one year	9	1,086	1,164
Short term deposits		7,414	121,221
Cash at bank		3,595	82
		101,431	250,659
CREDITORS			
Amounts falling due within one year	10	(313,917)	(466,692)
NET CURRENT LIABILITIES		(212,486)	(216,033)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,206	(2,341)
CAPITAL AND RESERVES			
Called up share capital	13, 14	-	-
Profit and loss account	14	1,206	(2,341)
TOTAL SHAREHOLDER'S FUNDS	14	1,206	(2,341)

The financial statements were approved by the Board of Directors and authorised for issue on 1 July 2008
They were signed on its behalf by



F&C Asset Management plc
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 in the United Kingdom

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.

Dividend Recognition

Dividend receivables and liabilities are only recognised when the dividends have been declared and approved.

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 impairment.

The carrying value of investments is 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

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

- 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

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Related Party Disclosures

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.

Cash flow statement

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.

2. OPERATING LOSS

This is stated after charging

	2007 £000	2006 £000
Auditors' remuneration – audit of these financial statements	13	18

Amounts receivable by the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the financial statements of the company's parent, F&C Asset Management plc.

The company had no employees during the year ended 31 December 2007 (2006 nil)

3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments for their services to the company during the year ended 31 December 2007 (2006 £nil)

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

4. INTEREST RECEIVABLE

	2007 £000	2006 £000
Interest on balance owed by subsidiary undertaking	-	1,347
Interest on loans to group undertakings	5,251	8,481
Bank interest receivable	6,791	3,577
Other interest receivable	16	279
	<u>12,058</u>	<u>13,684</u>

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST AND SIMILAR CHARGES PAYABLE

	2007 £000	2006 £000
Interest on £180m term loan	-	10,317
Interest on £50m revolving credit facility	103	404
Interest on loans from group undertakings	27,465	17,952
Bank interest and charges	4	2
Interest on balance owed to fellow subsidiary undertaking	5	5
Other interest	1	78
	<u>27,578</u>	<u>28,758</u>

6. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2007 £000	2006 £000
UK Corporation Tax		
UK Corporation Tax credit on (loss)/profit for the year	(4,662)	(4,529)
Adjustments in respect of previous periods	-	(1,383)
Total current tax credit for the year	<u>(4,662)</u>	<u>(5,912)</u>
Deferred tax		
Originating and reversal of timing differences	1	1
Adjustments in respect of Corporation Tax rate change	77	-
Total deferred tax charge for the year (note 12)	<u>78</u>	<u>1</u>
Total tax credit for the year	<u>(4,584)</u>	<u>(5,911)</u>

Factors affecting the tax credit for the year

The tax assessed for the year is lower (2006 lower) than the standard rate of Corporation Tax in the UK of 30 0% (2006 30 0%)

The differences are explained below

(Loss)/profit on ordinary activities before taxation	<u>(37)</u>	<u>10,906</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30 0% (2006 30 0%)	(11)	3,272
Effect of		
Non taxable income	(4,650)	(7,800)
Capital allowances in excess of depreciation	(1)	(1)
Adjustments in respect of previous period	-	(1,383)
Current tax credit for the year	<u>(4,662)</u>	<u>(5,912)</u>

Factors affecting future tax charges

The Finance Bill 2007, which has been substantially enacted, changes the UK Corporation Tax rate from 30% to 28% with effect from 31 March 2008. The profit and loss account for the year ended 31 December 2007 reflects a charge of £77,000 as a result of the company's deferred tax balance being revised to the rate at which timing differences are expected to reverse.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. ORDINARY DIVIDENDS

	2007 £000	2006 £000
Declared and paid during the year:		
Interim dividend for 2007 100,000,000 0p (2006 400,000,000 0p)	1,000	4,000

8. INVESTMENTS

	2007 £000	2006 £000
Cost:		
Balance at 1 January	213,692	240,692
Refund of consideration	-	(27,000)
Balance at 31 December	213,692	213,692

During 2006 the company received £27,000,000 from Royal Insurance Holdings plc (RIH) as a contractual clawback of the original consideration paid by the company to RIH in 2002 for the acquisition of the entire share capital of WAM Holdings Ltd, the holding company for the UK asset management business of Royal & Sun Alliance Group plc. The contractual entitlement to this refund arises under the terms of the Sale and Purchase Agreement signed in 2002. This partial refund of original purchase price arises due to the withdrawal of further assets under management.

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.

Details of subsidiary undertakings at 31 December 2007.

Subsidiary undertakings	Holding	Percentage interest and voting rights	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
F&C Managers Limited (formerly 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)

9. DEBTORS

	31 December 2007 £000	31 December 2006 £000
Amounts falling due within one year		
Loans to fellow subsidiary undertakings	68,627	96,777
Amounts due from fellow subsidiary undertakings	7,779	13,254
Amounts due from subsidiary undertakings	9,715	9,647
Group relief receivable	3,215	8,328
Accrued bank deposit interest	-	186
	89,336	128,192
Amounts falling due outwith one year		
Deferred tax (note 12)	1,086	1,164
	90,422	129,356

The loans to the fellow subsidiaries undertakings and to the parent undertaking are repayable on demand and subject to interest at 3 month LIBOR minus 0.25% margin

10. CREDITORS

	31 December 2007 £000	31 December 2006 £000
Amounts falling due within one year		
Revolving credit facility	-	5,000
Loans from fellow subsidiary undertakings	261,698	376,630
Loans from subsidiary undertakings	44,961	75,872
Amounts due to parent undertaking	1,650	3,195
Amounts due to fellow subsidiary undertakings	1,673	2,064
Amounts due from subsidiary undertakings	66	-
Accruals	3,869	3,869
Other creditors	-	62
	313,917	466,692

The details of the loans are disclosed within note 11

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. LOANS

	31 December 2007 £000	31 December 2006 £000
Wholly repayable within five years:		
£50,000,000 revolving credit facility, at 3 month Sterling LIBOR plus 0.6% margin, 3 month terms ending 30 May 2007	-	5,000
Loans with members of the F&C Asset Management plc group at 3 month LIBOR minus 0.25% margin, repayable on demand	306,659	452,502
	<u>306,659</u>	<u>457,502</u>

The £50,000,000 revolving credit facility was with Friends Provident plc, the ultimate parent undertaking. The £5,000,000 draw down, as at 31 December 2006 of the £50,000,000 revolving credit facility was repaid on 28 March 2007.

	31 December 2007 £000	31 December 2006 £000
Amounts repayable		
In one year or less, or on demand	<u>306,659</u>	<u>457,502</u>

12. DEFERRED TAXATION

	31 December 2007 £000	31 December 2006 £000
Short term timing differences	<u>1,086</u>	<u>1,164</u>
	<u>2007 £000</u>	<u>2006 £000</u>
Deferred tax asset at 1 January	1,164	1,165
Deferred tax charged to profit and loss account (note 6)	(78)	(1)
Deferred tax asset at 31 December (note 9)	<u>1,086</u>	<u>1,164</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.

F&C TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. SHARE CAPITAL

	31 December 2007 £000	31 December 2006 £000
Authorised:		
1,000 ordinary shares at £1 each	1	1
Allotted, called up and fully paid:		
1 ordinary share of £1	-	-

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

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2006	-	(15,158)	(15,158)
Profit on ordinary activities after taxation	-	16,817	16,817
Interim dividend 2006	-	(4,000)	(4,000)
At 31 December 2006	-	(2,341)	(2,341)
Profit on ordinary activities after taxation	-	4,547	4,547
Interim dividend 2007	-	(1,000)	(1,000)
At 31 December 2007	-	1,206	1,206

15. RELATED PARTY TRANSACTIONS

Friends Provident plc is the parent undertaking and ultimate controlling party of the F&C Group

Subordinated Loans

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

	31 December 2007 £000	31 December 2006 £000
Friends Provident plc	-	5,000

	Interest paid 2007 £000	Outstanding 31 December 2007 £000	Interest paid 2006 £000	Outstanding 31 December 2006 £000
Friends Provident Life and Pensions Limited	-	-	10,317	-
Friends Provident plc	103	-	404	-
	103	-	10,721	-

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. POST BALANCE SHEET EVENTS

On 31 January 2008, Friends Provident plc, the company's ultimate parent undertaking and controlling party, announced the results of its strategic review. Among the conclusions announced by Friends Provident was that wealth management was no longer core to its strategy and as a result it may seek to divest of its shareholding in F&C Asset Management plc. The F&C Board is working with Friends Provident to find a solution which will meet the needs of all parties.

The directors do not believe this announcement has any material financial impact on the financial position of the company at 31 December 2007, as reported herein.

17. 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 Annual Report and Accounts can be obtained from the Company Secretary, Pixham End, Dorking, Surrey, RH4 1QA.