

25 January 2011
Regulatory News Service
F&C Asset Management PLC

Assets under management, fund flows and response to Sherborne letter of 19 January 2011

Executive summary

F&C Asset Management plc (“F&C” or “the Group”) is today updating the market on its Assets Under Management (“AUM”) and business flows and responding to the letter from Sherborne Investors GP, LLC, (“Sherborne”) dated 19 January 2011.

Assets under management and fund flows

- AUM of £105.8 billion (31 December 2009: £97.8 billion)
- Net business flows (excluding insurance) were positive in Q4 2010 and for the full-year after four years of net outflows
- Further progress in improving average fee margins; fee margins on new institutional business were 59 per cent. higher than on outflows in Q4 2010
- Pipeline of new institutional business awaiting funding of £1.5 billion at year end
- Thames River performing well with 65 per cent. of AUM in products with performance fees now at or within 5 per cent. of their respective high water marks

Further responses to Sherborne’s letter

Sherborne appears to have misunderstood the economics of and rationale for the REIT Asset Management (“REIT”) and Thames River Capital (“Thames River”) acquisitions.

- REIT and Thames River have accelerated the improvement in average fee margins and have contributed to the increased proportion of revenues derived from non-insurance clients
- Both acquisitions have enhanced the Group’s product range and investment expertise and have helped strengthen the Group’s management team
- Both acquisitions were executed at attractive profit multiples which were significantly lower than those implied by recent transactions in the sector such as RBC’s acquisition of Bluebay and Henderson’s proposed acquisition of Gartmore
- The structure of both transactions, including the use of contingent consideration, ensures that the maximum consideration only becomes payable in the event of significant value enhancement for F&C shareholders

In addition, the Board of F&C has a number of questions it considers critically important that Sherborne answers in advance of the General Meeting it has requisitioned for 3 February to allow shareholders to consider all the facts before voting, including:

- *Will Mr. Bramson’s executive chairmanship of Nautilus, a US based manufacturer of gym equipment, the share price of which has fallen c.75 per cent. since Sherborne acquired its*

c.20 per cent interest, together with his other responsibilities, allow him to carry out properly his proposed role as Chairman of F&C?

- *Will Mr Bramson confirm that neither he, nor any other of Sherborne's nominee directors, will take any executive role at F&C?*
- *F&C has already announced an annual cost saving programme of £12 million (14 January 2011). How does Sherborne intend to improve F&C's profit margins further, whilst protecting client service standards and investment performance?*
- *Does Sherborne intend for F&C to raise further equity capital, potentially underwriting any such issue, thereby requiring shareholders to invest further or be diluted?*

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

"After years of outflows and the ownership uncertainty of 2007-2009, 2010 was a turning point for F&C with three year investment track records rebuilt, strong consultant support and a return to net inflows ex. insurance assets. The combination of positive headline flows from institutional clients, coupled with improving fee margins are tangible signs that our strategy is working.

F&C REIT and Thames River are key catalysts for accelerating our diversification beyond our insurance contracts and they have improved our growth profile by delivering attractive new products, improved our distribution capabilities and strengthened the management team.

Destabilising the business at the very time that it is gaining momentum is not in the interests of shareholders or clients."

Nick MacAndrew, Chairman of F&C, said:

"F&C has made great progress in recent years to improve the Group's investment performance and business mix, the results of which are clear from today's announcement. F&C has already announced detailed plans to enhance the flexibility of its cost base and to generate annual cost savings of £12 million. Sherborne has contributed nothing to any of this. Sherborne is simply looking to benefit from the hard work the current Board and F&C staff have done to improve the Group's performance and create value for all shareholders.

Sherborne needs to provide unequivocal answers to a number of serious questions well in advance of the General Meeting it has requisitioned. Sherborne's announcement on 19 January only served to strengthen the Board's firm belief that Sherborne's proposals are not in the best interests of F&C's Shareholders as a whole.

The Board remains resolute and unanimous in urging shareholders to vote against all of the proposed resolutions."

Enquiries:

For further information please contact:

F&C Asset Management
Jason Hollands – Director, Head of Corporate Affairs
+44 (0) 20 7011 4168
jason.hollands@fandc.com

Tulchan Communications
Christian Cowley / John Sunnucks
+44 (0) 20 7353 4200
F&C@tulchangroup.com

ASSETS UNDER MANAGEMENT AND FUND FLOWS

Highlights

- AUM of £105.8 billion (31 December 2009: £97.8 billion)
- Net business flows (excluding insurance) were positive in Q4 2010 and for the full-year after four years of net outflows
- Further progress in improving average fee margins; fee margins on new institutional business were 59 per cent. higher than on outflows in Q4 2010
- Pipeline of new institutional business awaiting funding of £1.5 billion at year end
- Thames River performing well with 65 per cent. of AUM in products with performance fees now at or within 5 per cent of their respective high water marks

Assets under management¹

The Group's assets under management (AUM) ended the year at £105.8 billion, down 2.2 per cent since 30 September 2010 principally as a result of market movements.

While rising equity markets had an estimated positive impact of £1.7 billion over the fourth quarter, this was offset by weaker fixed income markets, which reduced AUM by approximately £1.5 billion, and a decline of £1.5 billion in the value of derivative contracts held for institutional clients as a result of volatility in long-duration swap rates. Furthermore, the Group manages significant assets for Eurozone based clients and, over the quarter, exchange rate movements reduced Sterling-reported AUM by £0.6 billion.

Business flows

As the Group indicated in its Interim Management Statement of 29 October 2010, after a particularly strong third quarter, business flows were more muted in the fourth quarter. Net inflows of £136 million, excluding insurance, were underpinned by another quarter of positive institutional flows.

Gross sales of institutional mandates were £1.2 billion in Q4 2010, with an additional pipeline of new business won but awaiting funding of £1.5 billion at 31 December 2010. These inflows included property mandates in Germany, equity-linked bond funds, liability driven investment mandates and both emerging equities and emerging market debt. Encouragingly, new institutional business included a mandate for the Thames River Water & Agriculture team. Institutional outflows of £975 million partly reflected the loss of two balanced mandates.

Importantly, given our strategy of focusing on higher fee margin new business, the average fee margin on new institutional business was 59 per cent higher than that on the outflows over the

¹ Except where stated otherwise, the comments in this statement in relation to Assets under management and fund flows cover the periods to 31 December 2010

period. Across the full year, fee margins on new institutional business were on average 39 per cent higher than those on outflows.

Gross sales of open ended funds (excluding sub-advisory) in the fourth quarter were £541 million. Sales were particularly strong in global bonds, credit and convertibles. Net sales of open-ended funds were flat during the quarter as we experienced continued outflows in Germany from our Stiftungsfonds product, a conservative fund which aims to generate a yield of 1 per cent. over Euribor, as investors reallocated to higher yielding funds. Thames River continued to perform well with net new business in the fourth quarter of £186 million.

The quarter rounded off a significant year for the Group, which saw annual institutional gross sales at their highest level in five years and the strongest net flows achieved by the business in a number of years. These trends were underpinned by the turnaround in three-year investment performance records, an improved position with investment consultants and the contribution of Thames River, which has now generated £310 million of net new business since its acquisition by the Group in September 2010.

Assets managed for insurance clients saw net outflows of £637 million during the quarter and £780 million of net outflows across 2010. Notwithstanding the established pattern of net outflows from insurance clients, which in part reflects the maturity profile of these underlying books of business, 2010 saw the lowest level of net insurance outflows in several years.

Business flows ex. insurance	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Inflows	6,140	3,459	3,925	6,454	6,496
Outflows	(5,868)	(7,200)	(10,165)	(10,445)	(15,109)
Net flows – ex. insurance	272	(3,741)	(6,240)	(3,991)	(8,613)
Total flows – inc. insurance	(508)	(5,987)	(10,659)	(9,039)	(32,290)

Outlook

With our funds business integrated into Thames River, the Group now has a broad range of highly marketable open-ended funds, 16 of which carry S&P ratings, and an enhanced distribution capability in the higher margin retail and wholesale client categories. The performance fee potential for Thames River has also improved, with 65 per cent of assets under management in Thames River products that incorporate performance fee structures at, or within 5 per cent of their respective high water marks at 31 December 2010. Open ended fund assets will be further boosted in February when the F&C emerging equities team take on the management of two new funds.

We expect to see continued progress in net institutional business flows and improving fee margins during 2011.

RESPONSE TO SHERBORNE LETTER OF 19 JANUARY 2011

On 19 January, Sherborne issued a letter to shareholders ahead of the General Meeting of F&C on 3 February 2011. This has been Sherborne's only public statement regarding the General Meeting since requisitioning it on 17 December 2010. In response, Nick MacAndrew, Chairman of F&C, said:

"Sherborne has failed to articulate an alternative strategy for F&C and has failed satisfactorily to address our concerns that its Board nominees lack the necessary experience for an FSA regulated fund management business.

A partial and flawed critique of the past is not a strategy for the future."

The current strategy is working

As is illustrated by the turnaround in fund flows detailed above, the Group's current strategy is working, with positive ex-insurance net inflows of £272 million in 2010 (vs. net outflows of £3,741 million in 2009) and continued revenue diversification into higher margin business. The average fee margins in new institutional business won in 2010 were on average 39 per cent. higher than those on outflows. This creates momentum into 2011 as the Group looks to continue to deliver strong investment performance, win new mandates on the back of its increasing number of consultant buy ratings, and leverage the greater product range F&C can now offer following the completion of the Thames River acquisition in September 2010.

The acquisitions of REIT and Thames River are accelerating growth

The Board of F&C believes that the majority of shareholders understand the rationale for and economic benefits of the acquisitions of REIT and Thames River, having overwhelmingly approved these transactions, and is surprised that Sherborne appears to be unable to do the same.

The acquisitions of REIT and Thames River were key catalysts to accelerating the delivery of fund flows and revenue growth in higher margin assets. The acquisitions brought in well-regarded management teams to strengthen the wider Group, were executed at highly attractive multiples and were structured to ensure that a large proportion of the consideration payable remains contingent on long term performance targets which, if achieved, will ensure significant value enhancement for F&C shareholders.

F&C REIT

Since the acquisition of REIT and creation of F&C REIT in 2008, F&C REIT has been a core part of F&C's improved performance and it continues to perform excellently, winning a number of industry awards. All the property funds managed by F&C REIT, and monitored by Investment Property Databank ("IPD"), are ahead of benchmarks (based on a three year track record to 30 September 2010) and F&C REIT has generated net inflows since the transaction closed.

The acquisition of REIT was structured to ensure the maximum consideration only becomes payable if there is significant value enhancement for F&C shareholders. Some facts which Sherborne omitted from its letter:

- when F&C acquired 70 per cent. of F&C REIT in 2008, the terms of the transaction valued the business at £126 million (and F&C's stake at £88 million);
- should the minority members exercise their put option on their remaining stake, for the maximum consideration to be payable the business would have to be valued at a minimum of £250 million and F&C's stake would be worth *at least* £150 million; and
- this would represent 1.7x F&C's original investment.

Thames River

Whilst the acquisition of Thames River was only completed in September 2010, good progress has been made towards integration and the Group is already enjoying the benefits of the acquisition. Thames River's complementary product range and excellent access to wholesale distribution channels are helping accelerate the Group's growth of higher margin business. While Thames River only accounted for 4 per cent. of F&C's enlarged pro forma AUM as at March 2010, it contributed c.20 per cent. of the enlarged Group's pro forma net revenues² (note that only 11 per cent. of Thames River's investment management fees in the year to March 2009 were derived from performance fees). The Board believes that this is a more relevant metric than focussing on AUM given the higher margin nature of the Thames River business. Thames River has therefore been a key factor in accelerating the increase in the proportion of Group revenues that come from non-insurance clients which now generate approximately 70 per cent. of revenues on a run rate basis.

Thames River has delivered £310 million of net new business with margins significantly above the Group's blended fee margin since its acquisition in September 2010. Thames River is on track to meet the target previously set out of generating £2 billion of gross retail / wholesale sales from the date of acquisition to the end of 2011.

The acquisition of Thames River was also structured to ensure the maximum consideration only becomes payable in the event of significant value enhancement for F&C shareholders. Again, some facts which Sherborne omitted from its letter:

- if performance targets are met and the maximum consideration (excluding commutation payments) is paid, F&C will have invested approximately £89 million at a *maximum* EV/EBITDA multiple of 3.5x.
 - This represents a 54 per cent. discount to F&C's current EV/EBITDA multiple of 7.8x³;
 - On this basis, if Thames River were to be valued on the same multiple as F&C it would be worth £194 million, representing 2.2x the price F&C paid; and

² Based on 2008 net revenues, annualised to a December year end

³ EV/ 2010 EBITDA, sourced from Bloomberg as at 21 January 2011

- if the full £81.4 million of commutation payments are made, half of which are entirely at F&C's option and all of which are only possible if significant profit growth is achieved by Thames River, the implied *maximum* EBITDA multiple paid for the business would be 4.4x⁴.
 - This represents a 44 per cent. discount to F&C's current EV/EBITDA multiple of 7.8x.
 - The value of Thames River will need to rise to at least £227 million for the maximum consideration to be payable⁵, which would represent 1.3x the price paid.

Again, if the performance targets are met, this transaction will clearly be value enhancing for shareholders, even before taking into account the significant revenue synergies the Group expects to be able to generate as a result of it.

Lastly, it is worth noting that only 47 million shares have been issued or will be issued without performance targets being met in relation to the Thames River acquisition and none in respect of the REIT transaction. As illustrated above, the use of contingent consideration to fund the acquisitions means that any further issuance of equity as consideration will only occur if Thames River creates significant value for shareholders by performing exceptionally well. It remains the case that F&C is focused on organic growth.

Balance sheet

During 2009, the Group issued unsecured and covenant-free⁶ loan notes maturing in 2016. The Fixed/Floating Rate Subordinated Notes that were refinanced from this issue via a debt exchange were also due in 2016, although they did have an option to extend their maturity to 2026. In common with most notes of this type, investors expect these notes to be redeemed at their earliest redemption date and hence the Group had considered them to be maturing in 2016. The Board believes that exercising the option to extend would have undermined the Group's relationship with the credit markets given investors' expectations. The cash interest cost of the 2016 notes issued in relationship to the debt exchange remains approximately the same as those of the Subordinated notes cancelled, despite the higher coupon on the loan notes, because the transaction enabled the Group to eliminate £32.5 million of gross and net debt.

The large majority of conditional consideration payments which remain to be made by F&C prior to 2015, may be made, at F&C's discretion, by way of equity. The Board remains focused on continuing to ensure that F&C's balance sheet remains robust and plans to have eliminated net debt by 2014.

⁴ Assuming F&C continues to trade at 7.8x EBITDA

⁵ Assuming the entire implied Thames River run-rate EBITDA of £39 million in 2013 is valued at a 25% discount to F&C's multiple of 7.8x

⁶ Other than a negative pledge

Further Questions for Sherborne

The Board continues to have a number of questions for Sherborne and it considers it critically important that Sherborne should provide shareholders with answers to these in advance of the General Meeting on 3 February.

1. Sherborne's letter to F&C's shareholders gives no further clarity as to what it considers to be the right strategy for the Group. In the absence of a clear strategic plan for the Group, the Board remains unanimous in recommending that shareholders vote against the proposals.
 - *What is Sherborne's strategy for the Group?*
2. Sherborne has total funds available to invest of c.£100 million in its Sherborne Investors Guernsey 'A' fund which it is committed to investing in only one opportunity at a time. The Board of F&C understands that Sherborne may have made representations to certain shareholders regarding a potential equity issue by F&C.
 - *How does Sherborne propose to invest the rest of its fund? Will the entire fund be invested in F&C and, if so, on what terms, when and for what purpose?*
 - *Does Sherborne intend for F&C to raise further equity capital? If so, will Sherborne underwrite any such issue, thereby requiring shareholders to invest further or be diluted?*
3. Sherborne states that the experience of its nominee directors is relevant to F&C. F&C is a global fund manager, regulated by the FSA (amongst others), with more than £100 billion of assets under management across a wide range of asset classes and geographies and has more than three million underlying customers. Sherborne's investment vehicle is an offshore company, it is not regulated by the FSA and has a fund of c.£100 million, which it has committed to investing in one company at a time on behalf of little more than 20 institutional investors.
 - *Why does Sherborne believe the proposed nominees have the necessary experience to be directors of a regulated, listed fund manager?*
4. Sherborne stated in their letter to F&C's shareholders that, if their resolutions are passed, the Board would: "not be in compliance with the provisions of the UK Corporate Governance Code". As a leading fund manager, with a major franchise in the provision of governance services to other institutional investors, F&C has considerable duties under the Stewardship Code and a strong commercial interest in being able to demonstrate that it maintains the highest standards of corporate governance.
 - *Does Sherborne consider their proposed Board structure to be appropriate for a fund manager with fiduciary responsibilities?*
 - *Does Sherborne understand the negative impact that not being in compliance with the UK Corporate Governance Code could have on F&C's business given its major franchise in providing governance services to institutional investors?*
5. The Board notes that Mr. Bramson remains Executive Chairman of Nautilus, a quoted US manufacturer of gym equipment. Nautilus' share price has declined by c.75 per cent. since Sherborne Investors LP acquired its c.20 per cent. interest in it in July 2007, which was

shortly after Mr. Bramson resigned as Chairman and CEO of Ampex (Ampex filed for Chapter 11 bankruptcy in May 2008).

- *How does Mr Bramson propose to manage his other Board and executive commitments? Will Mr. Bramson be able to devote sufficient time to F&C? Will he be able to oversee and implement a strategic review of F&C?*
6. Sherborne lists five companies of which Mr. Bramson has been Chairman. In each case he also served as Executive Chairman. In each of the four cases where he has invested into a public company, he became Executive Chairman within four months of becoming Chairman.
- *Will Mr Bramson confirm that neither he, nor any other of Sherborne's nominee directors, will take any executive role at F&C?*
7. F&C's EBITDA margin is already in line with that of its peers and F&C has announced an annual cost saving programme of £12 million (14 January 2011). The Board believes that any attempt to reduce costs more quickly could jeopardise client service standards or investment performance.
- *Beyond this, what specific plans does Sherborne have to further improve F&C's profit margins?*
 - *Can Sherborne confirm that any further initiatives it has to improve F&C's margins will not jeopardise client service standards or investment performance?*

- ENDS -

Forward-looking statements

This statement may contain “forward-looking statements” with respect to certain of F&C Asset Management plc’s (F&C) 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 F&C’s control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which F&C and its affiliates operate. As a result, F&C’s actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in F&C’s forward-looking statements. F&C undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make. Nothing in this statement should be considered as a profit forecast.

APPENDIX 1

Assets Under Management – by client category

In Sterling	31 December 2010 £bn	30 September 2010 £bn	31 December 2009 £bn
Insurance Funds	59.5	61.0	57.2
Institutional Funds	29.3	30.4	27.7
Sub Advisory	3.0	3.2	4.0
Investment Trusts ¹	5.9	5.7	5.1
Open Ended Funds (UK Onshore) ²	3.5	3.4	2.5
Open Ended Funds (Offshore) ³	4.6	4.5	1.3
Total	105.8	108.2	97.8

In Euros	31 December 2010 €bn	30 September 2010 €bn	31 December 2009 €bn
Insurance Funds	69.4	70.4	64.5
Institutional Funds	34.2	35.1	31.2
Sub Advisory	3.5	3.7	4.5
Investment Trusts ¹	6.9	6.5	5.7
Open Ended Funds (UK Onshore) ²	4.1	4.0	2.8
Open Ended Funds (Offshore) ³	5.4	5.1	1.5
Total	123.5	124.8	110.2

¹ Includes all listed closed ended companies managed by the Group

² UK domiciled OEICs and Unit Trusts

³ Includes Luxemburg SICAV funds, Dublin domiciled OEICs, open ended Cayman funds and funds of alternative investment funds

Assets Under Management – by asset class

In Sterling	31 December 2010	30 September 2010	31 December 2009 (as restated)
	£bn	£bn	£bn
Fixed Interest	62.0	64.4	57.8
Equities	28.7	26.6	24.6
Property	8.2	8.1	8.0
Alternative Investments ⁴	2.4	2.6	1.4
Liquidity	4.5	6.5	6.0
Total	105.8	108.2	97.8

In Euros	31 December 2010	30 September 2010	31 December 2009 (as restated)
	€bn	€bn	€bn
Fixed Interest	72.4	74.6	65.2
Equities	33.5	30.6	27.7
Property	9.6	9.3	9.0
Alternative Investments ⁴	2.8	2.9	1.5
Liquidity	5.2	7.4	6.8
Total	123.5	124.8	110.2

⁴ 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. Derivative based positions used for asset allocation by institutional clients are now reported against the relevant asset class to reflect the economic exposure of these instruments rather than as "Alternative Investments". December 2009 figures have therefore been reclassified to reflect this change.

Fund Flows

a) Fund flows for the three months to 31 December 2010

Client Category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(637)
Institutional Funds	1,213	(975)	238
Sub Advisory	22	(98)	(76)
Investment Trusts	7	(19)	(12)
Open Ended Funds (UK Onshore)	201	(182)	19
Open Ended Funds (Offshore)	340	(373)	(33)
Total	N/A	N/A	(501)
<i>of which relates to Thames River</i>	440	(254)	186

b) Fund flows for the twelve months to 31 December 2010

Client Category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(780)
Institutional Funds	3,941	(3,180)	761
Sub Advisory	353	(896)	(543)
Acquisition of Thames River	4,232	-	4,232
Investment Trusts	140	(511)	(371)
Open Ended Funds (UK Onshore)	712	(492)	220
Open Ended Funds (Offshore)	994	(789)	205
Total	N/A	N/A	3,724
<i>of which relates to Thames River</i>	621	(311)	310

Thames River

The following table presents the contribution of Thames River to the Group's Assets Under Management as at 31 December 2010, the corresponding assets position on 1 September, the date of completion of the acquisition, as well as the post acquisition performance of the Thames River business.

	Acquisition AUM 1 Sept £m	Sept-Dec inflows £m	Sept-Dec outflows £m	Market movement £m	Intragroup transfer £m	AUM 31 Dec £m
Insurance Funds	-	-	-	-	-	-
Institutional Funds	10	268	-	13	-	291
Investment Trusts	708	4	(6)	166	-	872
Open Ended Funds (onshore)	504	58	(42)	96	543	1,159
Open Ended Funds (offshore)	3,010	291	(263)	(111)	-	2,927
Total	4,232	621	(311)	164	543	5,249

* Represents assets transferred to be managed by Thames River as a result of the merger of the F&C and Thames River multi-manager funds.

APPENDIX 2

SOURCES OF INFORMATION AND BASES OF CERTAIN CALCULATIONS

In this announcement:

1. The calculation of the initial value of F&C REIT and the value of F&C's stake in F&C REIT per the terms of the transaction is calculated by reference to:
 - a. Initial consideration of £35 million in loan notes and £25 million in cash (F&C circular dated 13 August 2008)
 - b. The fair value of consideration in respect of relinquishment of 30 per cent. of F&C PAM of £28.2 million (F&C Annual Report 2009)
 - c. F&C's ownership interest of 70 per cent. of F&C REIT upon acquisition (F&C circular dated 13 August 2008)
2. The minimum value of F&C REIT and F&C's stake in F&C REIT should the full consideration be paid is calculated by reference to:
 - a. The cap on F&C's liability of £100 million in relation to the right of the REIT Owners to require F&C to acquire all or part of their membership interests (F&C circular dated 13 August 2008)
 - b. The maximum stake the REIT Owners may hold at the time of the exercise of their put option (40 per cent.) (F&C circular dated 13 August 2008)
3. The maximum consideration F&C will pay under the terms of the acquisition of Thames River excluding Commutation Agreements is calculated by reference to:
 - a. £33.6 million of initial consideration payable in cash or loan notes at acquisition (F&C circular dated 1 June 2010)
 - b. £20 million of deferred consideration payable in F&C shares (F&C circular dated 1 June 2010)
 - c. £35 million of management retention and incentive plans for Thames River Capital personnel payable in F&C shares (F&C circular dated 1 June 2010)
4. The maximum EV/EBITDA multiple the consideration the investment reference in Point 3 above represents is calculated by reference to:
 - a. Point 3 above
 - b. £25 million of EBITDA, representing one quarter of the cumulative EBITDA the Thames River Capital Group is required to generate in the four year period to 31 March 2014 in order for the shares subject to awards to fully vest (F&C circular dated 1 June 2010)
5. The value of Thames River were it to be valued on the same multiple as F&C is calculated by reference to:
 - a. Point 4b above
 - b. An EV/ 2010 EBITDA valuation multiple of 7.8x (Bloomberg 21 January 2011)
6. When including Commutation payments, the implied maximum EBITDA multiple paid for Thames River is calculated by reference to:
 - a. The consideration detailed in Point 3 above plus £81.4 million of Commutation payments (F&C circular dated 1 June 2010) to give total consideration of £170 million

- b. £39 million of EBITDA representing the sum of:
 - i. £25 million of EBITDA referenced in point 4b above; plus
 - ii. £14 million EBITDA, representing the minimum EBITDA that could be purchased with £81.4 million. This is calculated by reference to:
 - 1. £81.4 million of Commutation payments
 - 2. An EV/EBITDA multiple of 5.8x being a 25 per cent. discount to F&C's current EV / EBITDA multiple per the terms of the Commutation Agreement (F&C circular dated 1 June 2010)
- 7. The number of shares that have been issued or will be issued without performance targets being met in relation to the Thames River acquisition is calculated by reference to:
 - a. 24.8 million shares in relation to the April 2010 placing (F&C announcement 28 April 2010)
 - b. 21.7 million shares in relation to the Thames River Capital Management Retention Plan (F&C circular dated 1 June 2010)