F&C Asset Management plc
Exchange House
Primrose Street
London EC2A 2NY

Telephone +44 (0)20 7628 8000
Facsimile +44 (0)20 7628 8188
www.fandc.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you sell or have sold or otherwise transferred all of your ordinary shares of 0.1p each in the capital of F&C Asset Management plc ("F&C Shares"), please send this document at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction in which such act would constitute a violation of the relevant laws or regulations of such jurisdiction. If you sell or have sold or transferred only part of your holding of F&C Shares, please retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

*To holders of F&C Shares ("**Shareholders**") and, for information only, to persons with information rights in connection with F&C Shares and to participants in the F&C Share Schemes.*

13 March 2014

Dear Shareholder,

Recommended cash acquisition of F&C Asset Management plc ("F&C" or the "Company") by BMO Global Asset Management (Europe) Limited ("BMO Europe"), a wholly-owned subsidiary of Bank of Montreal (BMO Europe and Bank of Montreal together or individually as the context requires, "BMO") (the "Acquisition")

Please find enclosed in this document a copy of F&C's preliminary annual results for the year ended 31 December 2013 (the "**Preliminary Results**"). The Preliminary Results were released on Thursday, 13 March 2014.

This document supplements the circular published on 24 February 2014 which contains, among other things, the full terms and conditions of a scheme of arrangement proposed to be made under Part 26 of the Companies Act between the Company and the Scheme Shareholders in relation to the Acquisition (the "**Scheme Document**"). In accordance with Rule 27 of the City Code on Takeovers and Mergers (the "**Code**"), the Preliminary Results represent material new information which would have been required to have been disclosed in the Scheme Document had it been available at the time.

Save as disclosed in this document, as at 12 March 2014 (being the latest practicable date prior to publication of this document), the F&C Directors confirm that, pursuant to Rule 27.2 of the Code, they are not aware of any changes to the information disclosed in the Scheme Document which are material in the context of that document and, in particular, that they are not aware of any material changes which have occurred since the publication of the Scheme Document in relation to the information listed below:

- the F&C Board's opinion on the Acquisition and its reasons for forming its opinion, including its view on the effects of implementation of the Acquisition on the Company's interests (including, specifically, employment) and BMO's strategic plans for the Company and their likely repercussions on employment and the locations of the Company's place of business;
- the substance of J.P. Morgan Cazenove's advice in their role as independent financial adviser to the Company under the Code;
- any known significant changes in the Company's financial or trading position;
- interests and dealings in relevant securities;

- the service contracts of the F&C Directors;
- any dealing arrangement with F&C or any persons acting in concert with F&C, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by F&C or any member of the F&C Group in the two years preceding the commencement of the Offer Period;
- irrevocable commitments to vote in favour of the Acquisition;
- profit forecasts and quantified financial benefits statements; and
- fees and expenses incurred in connection with the Acquisition.

A copy of this document incorporating the Preliminary Results can also be found on the Company's website at **www.fandc.com**.

Yours faithfully,

Kieran Poynter
Chairman
F&C Asset Management plc

Definitions

Terms defined in the Scheme Document shall apply in this document unless the context otherwise requires.

J.P. Morgan Cazenove

J.P. Morgan Cazenove has given and has not withdrawn its written consent to the issue of this document and the inclusion herein of the references to its name in the form and context in which they are included.

J.P. Morgan Limited is authorised and regulated in the UK by the FCA. J.P. Morgan Securities plc is authorised in the UK by the PRA and regulated by the FCA and the PRA. J.P. Morgan Limited and J.P. Morgan Securities plc conduct their UK investment banking business as "J.P. Morgan Cazenove". J.P. Morgan Cazenove is acting as financial adviser and broker exclusively for F&C and no one else in connection with the matters set out in this document and will not regard any other person as its client in relation to the matters set out in this document and will not be responsible to anyone other than F&C for providing the protections afforded to clients of J.P. Morgan Cazenove, nor for providing advice in relation to any matter referred to herein.

Responsibility

The F&C Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the F&C Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Important notice

The release, publication or distribution of this document in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement *in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Code applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8 of the Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Code applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any Offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Electronic Communications

Please note that addresses, electronic addresses and certain other information provided by F&C Shareholders, persons with information rights and other relevant persons for the receipt of communications from the Company may be provided to BMO during the offer period as required under the Code.

Right to Request Hardcopies

You may request a hard copy of the document incorporating the Preliminary Results by contacting the Shareholder Helpline between 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 384 2926 (or, from outside the United Kingdom, 00 44 121 415 0194) or by submitting a request in writing to the Company Secretary of F&C at Exchange House, Primrose Street, London EC2A 2NY. A hardcopy of the document incorporating the Preliminary Results will not be sent to you unless you so request it. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

Calls to the 0871 number are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the operators cannot provide advice on the merits of the Acquisition nor give any financial, tax, investment or legal advice.

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2013 PRELIMINARY ANNUAL RESULTS

13 March 2014

Preliminary Announcement for the year ended 31 December 2013 (unaudited)

The F&C Asset Management plc Group ("F&C" or "the Group") has today announced its unaudited financial results for the year ended 31 December 2013.

Financial and Business Highlights

- Strong investment performance, with 80% of assets under management (AUM) outperforming objectives over the one and three-year periods to 31 December 2013
- Underlying earnings per share (EPS) increased 25.7% to 8.8p (2012: 7.0p)
- Consumer and Institutional net inflows of £1.3bn (2012: net outflows £1.9bn)
- Cost reductions achieved in line with plan
- Underlying operating margin strengthened to 36.9% in 2013 (2012: 29.2%)
- AUM of £82.1bn (31 December 2012: £95.2bn); £20.3bn of Strategic Partner outflows during 2013
- Reduction in net debt to £76.0m (31 December 2012: £97.3m)

Financial Summary	Year ended 31 December 2013	Year ended 31 December 2012#
Assets under management$	**£82.1bn**	£95.2bn
Net revenue	**£241.2m**	£243.5m
Underlying operating profit*	**£89.0m**	£71.1m
Underlying operating margin*	**36.9%**	29.2%
Group underlying profit before tax*	**£69.2m**	£51.9m
Statutory profit after tax	**£10.2m**	£2.6m
Basic earnings/(loss) per Ordinary Share†	**1.5p**	(0.1p)
Underlying earnings per Ordinary Share†	**8.8p**	7.0p
Interim dividend paid	**1.0p**	1.0p
Second interim dividend for 2013—payable in May 2014	**2.0p**	—
Proposed final dividend	**—**	2.0p
Total dividend per Ordinary Share	**3.0p**	3.0p

\# As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

$ At year end. An analysis of AUM and fund flows is given in Appendix 1 to this announcement.

* Calculations are given in the 'Reconciliations of reported results to underlying earnings' in note 17.

† Reconciliations between reported profit and underlying earnings and between basic earnings/(loss) per Ordinary Share and underlying earnings per Ordinary Share are given in note 8.

Richard Wilson, Chief Executive said:

"I am pleased to report an encouraging set of results for the Group, reflecting strong investment performance and substantial improvements to net fund flows in our Consumer and Institutional business. We have also made good progress in delivering on our objective to reduce our cost base and we remain on track to meet our targets.

While 2013 has been a year of progress, we also acknowledge the financial headwinds that still face our business. The withdrawal of assets from Strategic Partners will continue to impact upon revenues, while the development of our Consumer and Institutional business will take time and investment. However, we will continue to put our customers at the centre of everything we do, delivering strong investment performance, client service and innovative solutions. Ultimately it is this that will support the Company's ambitious growth plans."

Kieran Poynter, Chairman said:

"The Board of your Company recognises the progress that has been made in 2013 towards its strategic goals, but also the challenges that it faces in the future. The proposed transaction with BMO provides shareholders with an attractive premium against the medium-term standalone prospects and valuation of your Company and the Board has unanimously recommended that shareholders vote in favour of the acquisition."

The Group will host an analyst conference call at 09.00 today.

Contacts:

F&C Asset Management plc

Richard Wilson	Chief Executive Officer	+44 (0) 20 7011 5049	richard.wilson@fandc.com
David Logan	Chief Financial Officer	+44 (0) 20 7011 4272	david.logan@fandc.com

Chairman's Statement

Corporate developments

This is my first statement as Chairman of your Company, having assumed the role in August 2013 following Sherborne's distribution of shares and Edward Bramson's departure from the Board. The distribution of Sherborne's 20 per cent holding in the Company to their underlying investors not only increased the shareholdings of a number of institutions who were already owners of the Company's shares, it also resulted in the widening of the Company's shareholder base through the introduction of a number of new shareholders. We welcome both developments.

In 2013, your Company has made good progress towards its strategic goals. Overall profitability has increased, our cost base continues to fall and we have generated net inflows within our strategically important Consumer and Institutional business. While the Company remains exposed to the future actions of our Strategic Partners, who collectively accounted for 51.5 per cent of our year-end assets under management (AUM) and 29 per cent of our 2013 net revenue, I believe that the positive momentum we have created within the business was a key factor in attracting the offer from BMO Global Asset Management (Europe) Limited ("BMO"), announced on 28 January this year.

The detail of the intended acquisition of your Company by BMO (a wholly-owned subsidiary of Bank of Montreal) is explained within documentation recently issued to shareholders, containing important information on the Court Meeting and General Meeting that will be held later this month, together with the reasons why the Board believes the transaction to be in the best interests of shareholders, clients and staff. The proposed transaction with BMO represents an important and positive development in your Company's history, and provides shareholders with an attractive premium against the potential medium-term standalone prospects and valuation of your Company.

In 2008/9 the Company was in a prolonged offer period as a result of Friends Provident's strategic review. Shareholders may recall the significant challenges that this presented to client and staff retention, as well as limiting our ability to attract new fund flows. I am therefore pleased to report that we have received an overwhelmingly positive reaction from our clients, employees and other stakeholders to this transaction. This means that, to date, we have seen limited impact from the announcement. The Board is focused on ensuring the risk to the business from any further prolonged period of corporate uncertainty is minimised and the Board has unanimously recommended the acquisition to shareholders.

I would encourage all shareholders to read the documentation carefully and lodge their proxy votes ahead of the deadline set for later this month.

2013 results and dividend

Underlying earnings per share (EPS) rose 25.7 per cent to 8.8 pence with underlying profit after tax rising from £37.1 million in 2012 to £49.0 million in 2013. On a statutory reporting basis, which includes exceptional and non-cash items, the Group made a profit after tax of £10.2 million, compared to a profit after tax of £2.6 million in 2012. Basic EPS therefore also rose from a loss of 0.1 pence to earnings of 1.5 pence. Further details of the improved profitability are set out in Richard Wilson's Chief Executive Report, accompanying this statement.

In the 28 January 2014 announcement, we declared an ordinary course dividend of 2.0 pence per share for the year ended 31 December 2013, payable on 20 May 2014 (or earlier if the cash consideration pursuant to the intended transaction with BMO is dispatched ahead of that date) to shareholders on the register at 4 April 2014. This brings full-year dividends to 3.0 pence per share, which is the same as that paid in respect of 2012.

Board changes

As highlighted in last year's Annual Report, Ian Brindle and Jeff Medlock retired from the Board on conclusion of the Annual General Meeting held on 10 May 2013. Since that date we have welcomed two new Directors to the Board, Charlie Porter and Ruth Sack. Charlie was formerly Chief Executive of Thames River Capital and therefore joined the Board as a non-independent Non-executive Director. Ruth is a partner in The Alliance coaching partnership and joined the Board as an Independent Non-executive Director. Both Charlie and Ruth have made significant contributions to Board discussions and are important additions to the Board.

It is with great sadness that we record the death of Alain Grisay. Alain had been with F&C from 2001 until his retirement in 2012, and had been the Company's Chief Executive since 2006. Alain's contribution to F&C, not least steering the Company through the financial crisis in 2008 and the demerger of F&C from Friends Provident in 2009, was very significant. He was a visionary executive and business leader with the utmost integrity and someone who was always concerned about fairness and equality for employees. Alain will be sadly missed by all of us who had the privilege of both knowing him and of working together. Our thoughts are with his family and friends.

Summary

2013 has been an eventful year for your Company and one in which we have made good progress. The improved profitability reflected in today's results announcement demonstrates the focus your Board, the management team and all staff have had on developing the business in recent years. It also illustrates the importance we place on meeting or exceeding the expectations of our clients, without whom we would have no business. Our corporate values, placing clients' interests at the centre of all we do, will continue to remain of paramount importance to us in the future.

My thanks go to our management and staff for their efforts throughout the year that have enabled us to report the improvement in our results.

Kieran Poynter
Chairman

13 March 2014

Chief Executive's Report

Summary and outlook

2013 was a positive year for the Group, as we delivered progress in line with the strategic objectives set. Our investment performance was strong, we launched a number of new products in areas of growing client demand, our cost base reduced in line with the targets we previously set out and, importantly, net fund flows in our Consumer and Institutional business improved substantially.

However, the Group faces significant headwinds in the short term as our Strategic Partner assets decline and the growth from our Consumer and Institutional business, which is starting to emerge, takes time to develop. In 2013 some £20 billion of Strategic Partner assets were withdrawn as their contracts matured. The combined annualised revenue loss associated with these assets and related fee changes, including F&C REIT, is some £35.5 million, of which £11.3 million is reflected in the 2013 results given the timing of withdrawals during the year. Whilst Consumer and Institutional net inflows were some £1.3 billion during 2013, as described later in this report, the annualised net revenue increase from these inflows will be modest. In contrast to 2012 and 2013, there will be no further material cost reductions to compensate for the full-year revenue impact in 2014 of the Strategic Partner withdrawals in 2013. However, the Group remains on track to deliver the remaining cost savings associated with the original cost-reduction programme. The increased importance of and focus on asset growth and new revenue generation from Consumer and Institutional will also require investment in our sales and distribution functions, as well as ensuring that we retain the investment talent required to offer our clients the investment performance and solutions they require.

Irrespective of these financial challenges, F&C will continue to strive to deliver what our clients expect in terms of investment performance and client service. It is this that will build F&C's franchise and enable the Company to achieve its ambitious plans for growth.

Business flows and revenues

The Group incurred overall net outflows of £19.0 billion during the year, comprising some £20.3 billion of Strategic Partner outflows and £1.3 billion of Consumer and Institutional net inflows. The Strategic Partner outflows predominantly reflect the maturity and changing nature of the contractual relationships with these parties, while the Consumer and Institutional inflows demonstrate the growing momentum in this area of our business. The level of Strategic Partner outflows during 2013 was anticipated, but the annualised loss of revenue associated with them remains significant and is estimated at approximately £24.3 million with some £8.0 million of this impact recognised in 2013. In addition, contractual terms were renegotiated with a major institutional client of F&C REIT, and as a result of this the revenues from that client will reduce on an annualised basis by £8.5 million, of which some £2.8 million is reflected in the 2013 results.

Third-Party Institutional gross sales were strong during 2013, with £5.1 billion of new mandates funded, an increase of some £2.2 billion over the prior year. Although outflows from the institutional business were £0.3 billion higher than 2012, our net flow position improved considerably, with net inflows of £1.2 billion (2012: net outflows of £0.7 billion). This encouraging result is indicative of our much improved position with investment consultants, where our credentials in areas such as fixed income and Liability Driven Investments (LDI) have gained strong recognition. Our Consumer business also had a good year, generating net inflows of £519 million (2012: net outflows of £40 million).

While the combined Consumer and Institutional business achieved net inflows of some £1.3 billion during 2013, the revenue margin on the gross inflows was lower than that on outflows, and accordingly, the annualised net revenue increase associated with these inflows will be modest. This is driven by two factors. Firstly, the Consumer and Institutional business incorporates a range of clients with very different fee characteristics and secondly, as we start to win larger institutional mandates, with strong absolute revenues, these are often at lower fee margins than the smaller mandates we were previously gaining.

Results

Net revenue for the year was £241.2 million (2012: £243.5 million). Within this overall figure, revenue from Strategic Partners fell £10.8 million, whilst revenues from the Consumer and Institutional business increased by £8.5 million, as a result of the combination of fund flows described above, together with market and exchange movements in our asset base and changes in revenue yields.

Underlying operating costs, excluding amortisation of intangible assets and exceptional items, were £152.4 million (2012: £172.2 million). Core operating expenses declined by £19.3 million during the year, whilst distributions to the individual members of the Thames River LLPs declined by £0.5 million. The reduction in core operating expenses reflects the ongoing recognition of savings resulting from the implementation of actions from our strategic review process in 2011 and 2012.

The Group also incurred a number of exceptional and non-recurring costs which totalled £11.2 million (2012: a net cost of £10.4 million) and are excluded from underlying results. These represent the final costs associated with our back and middle office outsourcing, the remaining one-off expenses of implementing our cost-reduction programme, the costs associated with the Thames River retention plan and commutation agreements, and the movement in the F&C REIT put option liability.

Group underlying operating profit increased from £71.1 million in 2012 to £89.0 million in 2013. After net interest expense, tax and a deduction for the share of the Group's profit attributable to the non-controlling interests in F&C REIT, this resulted in underlying earnings per share for the year of 8.8 pence (2012: 7.0 pence) attributable to shareholders.

On a statutory basis, which includes non-recurring and other exceptional items, the Group reported a profit after tax of £10.2 million for 2013 (2012: £2.6 million).

The Group closed the year with £182.0 million of shareholders' cash reserves and net debt reduced to £76.0 million (2012: £97.3 million). A significant proportion of the shareholders' cash reserves are held in our regulated subsidiaries against their capital requirements.

Gross debt of some £258 million (2012: £258 million) comprises £116 million of subordinated loan notes and £142 million of senior loan notes, neither of which include any financial covenants.

Business review

During 2013 the Group focused on its financial objectives of delivering the planned cost savings associated with the strategic review and improving cashflow generation, while working to retain Strategic Partner assets, executing Consumer and Institutional short-term sales and growth plans, and developing product and marketing plans for the medium term.

As demonstrated by the financial information above, the Group has continued to make good progress with the cost-reduction programme initiated in 2011 and remains on schedule to achieve the previously announced cumulative savings target of £48.8 million. F&C did not repurchase any further debt in 2013 as a combination of rising prices and illiquidity made this less attractive. The reduction in net debt is attributable to improved cashflow generation.

F&C's Consumer and Institutional fund flows show that we are making progress in winning new clients, whilst outflows from Strategic Partners reflect what we announced during the year and are consistent with the maturing of the specific contracts. We continue to work closely with all our Strategic Partners to explore opportunities to extend our relationships beyond their initial contractual periods.

The long-term contract with Achmea expired during the year and they withdrew some £10 billion of "own risk" assets at maturity. We have renegotiated commercial terms for circa £6 billion of the remaining own risk assets, which are now under contract until November 2015. In addition we manage a further £7.4 billion of assets, principally on behalf of Achmea's institutional and retail clients.

During 2013, we also amended our contractual arrangements with Friends First, our Irish Strategic Partner, allowing them to withdraw certain assets in return for revised contractual arrangements on remaining assets. Whilst this resulted in a loss of circa £1.1 billion in assets and £1.0 million in annualised revenues, we have been able to re-align F&C's cost base in Ireland and have extended some of the remaining contracts to Q4 2018. As at 31 December 2013, we managed £1.5 billion on behalf of Friends First.

The long-term contract with the Millennium BCP group expired in 2011 and, whilst we continue to manage a range of asset classes on their behalf, during 2013 they terminated mandates for approximately £260 million of property assets with £1.5 million of associated annualised revenues, placing them under the management of an in-house subsidiary. As at 31 December 2013, we managed £11.2 billion on behalf of Millennium BCP.

We have an active dialogue with each of our Strategic Partners, at multiple levels—investment, client service and senior management, and 2014 will be another important year with regard to Strategic Partner relationships, as our long-term contract with Friends Life expires towards the end of the year. During 2013, Friends Life withdrew £6.0 billion of fixed income assets and transferred them to their in-house manager. At 31 December 2013, we managed £16.2 billion on behalf of Friends Life. We continue our ongoing discussions with this important client and are keen to establish whether there are future investment management and commercial arrangements that are acceptable to both parties.

Turning to our Investment Trusts, we are pleased to report that 8 out of 12 trusts issued shares during 2013, with a total value in excess of £100 million. It is also encouraging to note that we have about 172,000 customers in the F&C Investment Trust savings plans. These plans now have close to £2 billion under management, up from £1.5 billion a year ago, and we are seeing consistent monthly inflows to Investment Trusts through our savings plans.

The UK Retail market continues to experience major change. Whilst it appears that the full effects of RDR (Retail Distribution Review) will not be seen and understood in the market for some time, we continue to believe that our Multi-Manager and Lifestyle product ranges leave us well placed to benefit from emerging trends in the UK Retail marketplace, and we will focus on continuing to improve our position in this market. New business in 2013 supported this positioning with £0.4 billion of gross inflows into these funds and £2.1 billion of gross flows across all Retail funds.

Our Third-Party Institutional business continues to make progress, with gross inflows increasing from £2.9 billion in 2012 to £5.1 billion in 2013. Importantly, a significant proportion of our inflows continue to be generated from "long duration" products, such as LDI and Property, which should have a long period under management. As we look forward, we aim to maintain and grow the gross inflows from this business, widen the product range generating gross inflows and continue to reduce the level of gross outflows. To achieve these goals we plan to increase our distribution resources focused on this market during 2014.

Our distribution ambitions will only be met if we have strong investment performance, and during 2013 our fixed income, equities and property capabilities all performed well. Relative returns were particularly good in fixed income; this is encouraging as it is a core asset class for insurance portfolios and, increasingly, for defined benefit pension schemes. On a three-year annualised asset-weighted basis, 90 per cent of our fixed income portfolios outperformed their respective benchmarks. On the same basis, 70 per cent of our equity portfolios outperformed, with our European equity performance being particularly strong. Indeed the European Equity SICAV Fund ranked in the 1st percentile of its peer group of over 1,300 funds for the three-year period to 31 December 2013. 77 per cent of our property assets are above benchmarks over the three-year period. The Company received a number of prestigious awards for investment performance and services to clients during the year.

In 2013 we have continued to re-organise our investment capabilities, investing where necessary, in order to provide the investment solutions that are being demanded of us by our clients. As the objectives of our clients change, so F&C must evolve to meet those requirements. F&C has been at the forefront of innovation in the industry for many years and it is our aspiration to ensure that this remains the case.

Recommended acquisition of the Group by BMO Global Asset Management

On 28 January 2014 we announced that agreement had been reached on the terms of a recommended cash acquisition by which the entire ordinary share capital of F&C will be acquired by BMO Global Asset Management (Europe) Limited. The Board has unanimously recommended this acquisition to shareholders and believes that this will give us the opportunity to accelerate our growth plans for the business, with the support of a financially strong and ambitious parent. I look forward to welcoming you to the General meeting on 25 March.

Richard Wilson
Chief Executive Officer

13 March 2014

Consolidated Income Statement (unaudited)
for the year ended 31 December 2013

	Notes	2013	2012 (as restated*)
		£m	£m
Revenue			
Investment management fees	3	**252.5**	252.6
Other income	3	**5.0**	4.8
Total revenue	3	**257.5**	257.4
Fee and commission expenses	3	**(16.3)**	(13.9)
Net revenue	3	**241.2**	243.5
Net gains and investment income on unit-linked assets		**6.5**	40.6
Movement in fair value of unit-linked liabilities		**(6.3)**	(40.8)
Operating expenses			
Operating expenses		**(140.9)**	(162.6)
Distributions to members of LLPs		**(11.1)**	(11.6)
Amortisation and impairment of intangible assets—management contracts	10	**(42.7)**	(42.5)
Other exceptional operating expenses	4(a)	**(8.2)**	(21.9)
Total operating expenses		**(202.9)**	(238.6)
Operating profit		**38.5**	4.7
Finance revenue	5	**2.3**	3.9
Finance costs	6	**(22.1)**	(23.1)
F&C REIT put option fair value (loss)/gain	4(b)	**(3.0)**	11.5
Profit/(loss) before tax		**15.7**	(3.0)
Tax—Shareholders		**(5.5)**	5.4
Tax—Policyholders		**—**	0.2
Tax (expense)/income	7	**(5.5)**	5.6
Profit for the year		**10.2**	2.6
Attributable to:			
Equity holders of the parent		**8.5**	(0.3)
Non-controlling interests		**1.7**	2.9
Profit for the year		**10.2**	2.6
Basic earnings/(loss) per Ordinary Share	8	**1.52p**	(0.06p)
Diluted earnings/(loss) per Ordinary Share	8	**1.43p**	(0.06p)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

		£m	£m
Memo—dividends paid	9	**16.7**	15.8
Memo—dividends proposed	9	**11.8**	10.9

Consolidated Statement of Comprehensive Income (unaudited)
for the year ended 31 December 2013

	Notes	2013	2012 (as restated*)
		£m	£m
Profit for the year		**10.2**	2.6
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial gains/(losses) on defined benefit pension arrangements		**3.6**	(8.5)
Tax (expense)/income on net actuarial gains/(losses) on defined benefit pension arrangements	7	**(0.8)**	1.7
Corporation Tax rate change	7	**(0.2)**	(0.3)
Items which may be reclassified subsequently to profit or loss:			
Foreign exchange movements on translation of foreign operations		**2.3**	(2.6)
Gains on revaluation of available for sale financial investments		**0.4**	0.7
Realised gains on available for sale financial investments recycled to the Income Statement		**(1.4)**	(1.1)
Tax income on available for sale financial investments	7	**0.2**	0.1
Other comprehensive income/(expense) for the year		**4.1**	(10.0)
Total comprehensive income/(expense) for the year		**14.3**	(7.4)
Attributable to:			
Equity holders of the parent		**12.6**	(10.3)
Non-controlling interests		**1.7**	2.9
		14.3	(7.4)

* As restated for the adoption of IAS 1 Presentation of Items in Other Comprehensive Income (Amendments) and for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

Consolidated Statement of Financial Position (unaudited)
as at 31 December 2013

	Notes	31 December 2013	31 December 2012
		£m	£m
Assets			
Non-current assets			
Property, plant and equipment		**5.5**	7.1
Intangible assets:			
—Goodwill	10	**611.9**	611.9
—Management contracts	10	**43.1**	84.5
—Software and licences	10	**8.7**	7.8
	10	**663.7**	704.2
Financial investments		**0.3**	1.3
Deferred acquisition costs		**2.0**	3.3
Deferred tax assets		**18.2**	28.6
Trade and other receivables		**10.7**	0.4
Total non-current assets		**700.4**	744.9
Current assets			
Financial investments		**3.0**	138.2
Stock of units and shares		**1.3**	0.3
Deferred acquisition costs		**1.5**	2.0
Trade and other receivables		**99.6**	87.2
Current tax receivable		**0.2**	1.0
Cash and cash equivalents:			
—Shareholders		**182.0**	160.7
—Policyholders		**0.9**	4.5
		182.9	165.2
Total current assets		**288.5**	393.9
Total assets		**988.9**	1,138.8
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		**257.5**	257.4
Other payables		**5.0**	3.3
Provisions	11	**3.7**	5.1
Pension deficit	12	**17.5**	24.1
Employee benefits		**4.4**	5.0
Deferred income		**4.3**	5.6
Other financial liabilities		**33.0**	30.0
Deferred tax liabilities		**8.9**	19.7
Total non-current liabilities		**334.3**	350.2
Current liabilities			
Investment contract liabilities		**0.1**	136.9
Trade and other payables		**68.5**	53.2
Provisions	11	**5.2**	8.3
Employee benefits		**18.5**	24.7
Liabilities to members of LLPs		**2.2**	4.0
Deferred income		**2.2**	2.7
Other financial liabilities		**3.8**	3.8
Current tax payable		**10.5**	8.8
Total current liabilities		**111.0**	242.4
Total liabilities		**445.3**	592.6
Equity			
Ordinary Share capital	13	**0.6**	0.6
Share premium account		**58.9**	58.9
Capital redemption reserve		**0.8**	0.8
Merger reserve		**315.8**	336.8
Other reserves		**(24.2)**	(25.7)
Retained earnings		**182.9**	162.7
Total equity attributable to equity holders of the parent		**534.8**	534.1
Non-controlling interests		**8.8**	12.1
Total equity		**543.6**	546.2
Total liabilities and equity		**988.9**	1,138.8

Consolidated Statement of Changes in Equity (unaudited)
for the year ended 31 December 2013

	Attributable to equity holders of the parent									
	Ordinary Share capital	**Share premium account**	**Capital redemption reserve**	**Merger reserve**	**Foreign currency translation reserve**	**Fair value reserve**	**Acquisition reserve**	**Retained earnings**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 January 2012	0.5	51.8	0.8	359.7	42.1	1.1	(66.0)	154.3	12.5	556.8
(Loss)/profit for the year (as restated*)	—	—	—	—	—	—	—	(0.3)	2.9	2.6
Other comprehensive expense (as restated*)	—	—	—	—	(2.6)	(0.3)	—	(7.1)	—	(10.0)
Total comprehensive (expense)/income	—	—	—	—	(2.6)	(0.3)	—	(7.4)	2.9	(7.4)
Transactions with owners:										
Share capital allotted in respect of TRC Commutation arrangements	0.1	7.1	—	—	—	—	—	(7.2)	—	—
Purchase of own shares	—	—	—	—	—	—	—	(0.1)	—	(0.1)
Realised element of merger reserve to offset amortisation of intangible assets	—	—	—	(22.9)	—	—	—	22.9	—	—
Share-based payment charges credited to equity	—	—	—	—	—	—	—	13.4	—	13.4
Tax credit in respect of share-based payments	—	—	—	—	—	—	—	0.6	—	0.6
Adjustment to consideration for non-controlling interests in F&C Partners LLP	—	—	—	—	—	—	—	2.8	—	2.8
Tax associated with adjustment to consideration for non-controlling interests in F&C Partners LLP	—	—	—	—	—	—	—	(0.8)	—	(0.8)
Final 2011 dividend paid	—	—	—	—	—	—	—	(10.4)	—	(10.4)
Interim 2012 dividend paid	—	—	—	—	—	—	—	(5.4)	—	(5.4)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(3.3)	(3.3)
Balance at 31 December 2012	**0.6**	**58.9**	**0.8**	**336.8**	**39.5**	**0.8**	**(66.0)**	**162.7**	**12.1**	**546.2**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8.5**	**1.7**	**10.2**
Other comprehensive income/ (expense)	**—**	**—**	**—**	**—**	**2.3**	**(0.8)**	**—**	**2.6**	**—**	**4.1**
Total comprehensive income/ (expense)	**—**	**—**	**—**	**—**	**2.3**	**(0.8)**	**—**	**11.1**	**1.7**	**14.3**
Transactions with owners:										
Purchase of own shares	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1.6)**	**—**	**(1.6)**
Realised element of merger reserve to offset amortisation of intangible assets	**—**	**—**	**—**	**(21.0)**	**—**	**—**	**—**	**21.0**	**—**	**—**
Share-based payment charges credited to equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6.9**	**—**	**6.9**
Tax charge in respect of share-based payments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**—**	**(0.5)**
Final 2012 dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10.9)**	**—**	**(10.9)**
Interim 2013 dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5.8)**	**—**	**(5.8)**
Distributions to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5.0)**	**(5.0)**
Balance at 31 December 2013	**0.6**	**58.9**	**0.8**	**315.8**	**41.8**	**—**	**(66.0)**	**182.9**	**8.8**	**543.6**

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

The total of foreign currency translation reserve, fair value reserve and acquisition reserve constitutes 'Other reserves' as disclosed in the Consolidated Statement of Financial Position and amounts to a debit of £24.2m at 31 December 2013 (31 December 2012: £25.7m debit).

Consolidated Statement of Cash Flows (unaudited)
for the year ended 31 December 2013

	Notes	2013	2012 (as restated*)
		£m	£m
Cash flows from operating activities			
Operating profit		**38.5**	4.7
Adjustments for non-cash items	14	**54.0**	61.4
Changes in working capital and provisions	14	**(27.5)**	(54.5)
Cash inflows from operating activities#		**65.0**	11.6
Income tax paid		**(5.2)**	(6.5)
Net cash inflow from operating activities		**59.8**	5.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.9)**	(3.6)
Proceeds from disposal of property, plant and equipment		**0.1**	0.1
Purchase of software and licences		**(2.6)**	(5.8)
Payments to acquire investments		**(0.1)**	(0.1)
Proceeds from disposal of investments		**1.3**	3.3
Investment income—interest and dividends		**2.0**	2.0
Consideration payment for the acquisition of F&C GH†		**—**	(0.7)
Net cash outflow from investing activities		**(0.2)**	(4.8)
Cash flows from financing activities			
Interest paid on Loan Notes		**(20.6)**	(21.6)
Other interest paid		**(0.3)**	(0.3)
Equity dividends paid	9	**(16.7)**	(15.8)
Distributions to non-controlling interests		**(5.0)**	(3.3)
Purchase of own shares		**(1.6)**	(0.1)
Repayment of Guaranteed Loan Notes 2016		**—**	(8.0)
Repayment of Subordinated Loan Notes 2016/2026		**—**	(7.6)
Payments in respect of debt arrangements		**—**	(0.2)
Net cash outflow from financing activities		**(44.2)**	(56.9)
Net increase/(decrease) in cash and cash equivalents		**15.4**	(56.6)
Effect of exchange rate fluctuations on cash held		**2.3**	(3.2)
Cash and cash equivalents at 1 January		**165.2**	225.0
Cash and cash equivalents at 31 December		**182.9**	165.2
Cash and cash equivalents			
Shareholders		**182.0**	160.7
Policyholders		**0.9**	4.5
		182.9	165.2

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

Cash inflows from operating activities includes investments and disinvestments relating to unit-linked assets attributable to policyholders in the Group's insurance company. These activities can result in significant fluctuations in "cash flows from operating activities".

† Final consideration settlement in respect of the acquisition of F&C Group (Holdings) Limited in 2004.

1. Basis of preparation and accounting policies

Basis of preparation

These are the unaudited preliminary results of F&C Asset Management plc and its subsidiaries (the Group) for the year ended 31 December 2013 which were approved by the Board on 13 March 2014. This preliminary results announcement has been prepared on a going concern basis and based on the recognition and measurement requirements of International Financial Reporting Standards, as adopted by the European Union (adopted IFRS), and those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS.

The financial information for the year ended 31 December 2013 included in this preliminary results announcement does not constitute the Company's statutory Financial Statements for that financial year within the meaning of section 435 of the Companies Act 2006. However, the comparative figures for the year ended 31 December 2012 are derived from the 2012 Annual Report and Financial Statements. Those 2012 Financial Statements, which were prepared in accordance with IFRS and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU were approved by the Board of Directors on 25 March 2013 and have been delivered to the Registrar of Companies. Those Financial Statements were reported on by the Company's auditors; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Accounting policies

This preliminary results announcement for the year ended 31 December 2013 has been prepared in accordance with accounting policies that the Directors are applying in the Consolidated Financial Statements for the year ended 31 December 2013. The accounting policies adopted are consistent with those followed in the preparation of the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 2012, except as highlighted below.

IAS 1 Presentation of Items of Other Comprehensive Income—Amendments to IAS 1

The amendments to IAS 1 affect the classification of items shown in Other Comprehensive Income (OCI). The components of OCI now have to be classified as either 'items which may be reclassified subsequently to profit or loss' at a future point in time and 'items that will not be reclassified subsequently to profit or loss'. It does not affect what should be shown in OCI. The amendment only affects presentation and has no impact on the F&C Group's financial results.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure the fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the F&C Group.

IAS 19 Employee Benefits (Revised 2011)

The Group has applied IAS 19 (Revised 2011) retrospectively in the current period. There were no adjustments required to the earliest comparative statement of financial position (1 January 2012), but a prior period adjustment has been made to the year ended 31 December 2012, as shown below.

The main changes of IAS 19 (Revised 2011) which impact the Group are:

- The interest cost and expected return on plan assets used in the previous version of IAS 19 have been replaced with a net interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each accounting period; and
- The classification of plan administration costs and income taxes associated with the plans are measured in either the Income Statement or OCI.

The impact of the prior period adjustment on the 2012 Income Statement is shown below:

Year ended 31 December 2012:	£m
Operating expenses	(0.1)
Finance revenue	(10.7)
Finance costs	10.3
Tax income	0.1
Decrease in profit for the year, compared with the originally reported profit	**(0.4)**

There is a movement through the OCI which is equal and opposite to the movement in the Income Statement. Hence there is no overall change in the net assets of the Group from the adoption of IAS 19 (Revised 2011) and, therefore there is no adjustment to the Statement of Financial Position at 31 December 2012.

The impact of the prior period adjustment on Earnings per Share is disclosed in note 8.

Accounting estimates, assumptions and judgements

The preparation of the Financial Statements necessitates the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date as well as the reported income and expenses for the year. While estimates are based on management's best knowledge and judgement using information and financial data available to them, the actual outcome may differ from these estimates.

2. Operating segments

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

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

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

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

Segment revenue, operating expenses, finance revenue and profit/(loss) for the year include transactions between operating segments, which are eliminated on consolidation. The accounting policies of the operating segments are the same as those of the Group.

(a) Operating segments' financial information

	F&C		F&C REIT		TRC		Total	
	2013	2012 (as restated*)	2013	2012	2013	2012	2013	2012 (as restated*)
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue								
External clients	**193.5**	187.0	**36.6**	38.4	**27.4**	32.0	**257.5**	257.4
Inter-segment revenue	**0.6**	0.7	**—**	—	**1.5**	1.5	**2.1**	2.2
Segment revenue	**194.1**	187.7	**36.6**	38.4	**28.9**	33.5	**259.6**	259.6
Fee and commission expenses	**(11.6)**	(11.1)	**(2.5)**	(2.2)	**(2.2)**	(0.6)	**(16.3)**	(13.9)
Net gains and investment income on unit-linked assets	**6.5**	40.6	**—**	—	**—**	—	**6.5**	40.6
Movement in fair value of unit-linked liabilities	**(6.3)**	(40.8)	**—**	—	**—**	—	**(6.3)**	(40.8)
Operating expenses								
Operating expenses	**(110.9)**	(128.7)	**(17.5)**	(16.5)	**(21.3)**	(27.6)	**(149.7)**	(172.8)
Amortisation, depreciation and impairment	**(28.5)**	(28.4)	**(12.4)**	(11.0)	**(6.2)**	(6.7)	**(47.1)**	(46.1)
Other exceptional operating expenses	**(5.3)**	(11.6)	**—**	—	**(2.9)**	(10.3)	**(8.2)**	(21.9)
Total operating expenses	**(144.7)**	(168.7)	**(29.9)**	(27.5)	**(30.4)**	(44.6)	**(205.0)**	(240.8)
Operating profit/(loss)	**38.0**	7.7	**4.2**	8.7	**(3.7)**	(11.7)	**38.5**	4.7
Finance revenue	**13.1**	9.6	**0.2**	0.1	**0.1**	0.2	**13.4**	9.9
Finance costs	**(22.0)**	(23.0)	**—**	—	**(0.1)**	(1.0)	**(22.1)**	(24.0)
F&C REIT put option fair value (loss)/gain	**(3.0)**	11.5	**—**	—	**—**	—	**(3.0)**	11.5
Tax (expense)/income	**(5.3)**	4.4	**(0.3)**	(0.8)	**0.1**	2.0	**(5.5)**	5.6
Profit/(loss) for the year	**20.8**	10.2	**4.1**	8.0	**(3.6)**	(10.5)	**21.3**	7.7
Segment assets	**775.5**	898.9	**186.3**	197.2	**45.0**	55.5	**1,006.8**	1,151.6
Segment liabilities	**(418.4)**	(544.1)	**(16.8)**	(19.2)	**(10.5)**	(18.0)	**(445.7)**	(581.3)
Other information								
Expenditure on non-current assets	**3.5**	8.8	**0.3**	0.5	**—**	0.3	**3.8**	9.6
Non-cash expenses/(income) other than amortisation, depreciation and impairment	**8.0**	(4.8)	**1.0**	0.2	**4.4**	7.0	**13.4**	2.4

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

(b) Reconciliations to Group Financial Statements

	2013 £m	2012 (as restated*) £m
Total revenue		
Total revenue for reportable segments	**259.6**	259.6
Elimination of inter-segment revenue	**(2.1)**	(2.2)
Group revenue	**257.5**	257.4
Operating expenses		
Total operating expenses for reportable segments	**(205.0)**	(240.8)
Elimination of inter-segment expenses	**2.1**	2.2
Group operating expenses	**(202.9)**	(238.6)
Finance revenue		
Total finance revenue for reportable segments	**13.4**	9.9
Adjustment for inter-segment profit distributions	**(11.1)**	(6.0)
Group finance revenue	**2.3**	3.9
Finance costs		
Total finance costs for reportable segments	**(22.1)**	(24.0)
Elimination of inter-segment finance costs	**—**	0.9
Group finance costs	**(22.1)**	(23.1)
Profit for the year		
Total profit for reportable segments	**21.3**	7.7
Adjustment for inter-segment profit distributions	**(11.1)**	(5.1)
Group profit for the year	**10.2**	2.6
Assets		
Total assets for reportable segments	**1,006.8**	1,151.6
Elimination of inter-segment assets	**(17.9)**	(12.8)
Group assets	**988.9**	1,138.8
Liabilities		
Total liabilities for reportable segments	**(445.7)**	(581.3)
Elimination of inter-segment liabilities	**17.9**	12.8
Unallocated defined benefit pension liabilities	**(17.5)**	(24.1)
Group liabilities	**(445.3)**	(592.6)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

The reportable segments' totals for all other line items reported in the table at note 2(a) are the same as those for the Group, with no reconciling differences.

3. Net revenue

	2013	2012
	£m	£m
Base management fees	**240.9**	243.1
Performance-related management fees	**11.6**	9.5
Total investment management fees	**252.5**	252.6
Other income	**5.0**	4.8
Total revenue	**257.5**	257.4
Renewal commission on open-ended investment products	**(10.9)**	(8.0)
Other selling expenses	**(5.4)**	(5.9)
Fee and commission expenses	**(16.3)**	(13.9)
Net revenue	**241.2**	243.5

Other income in 2013 includes £1.1m (2012: £2.0m) of compensation in respect of the withdrawal of Strategic Partner assets.

4. Exceptional income and expenditure

(a) Other exceptional operating expenses

The Group has classified the following operating expenses as exceptional:

	Notes	2013	2012
		£m	£m
TRC Commutation expenses	(i)	**2.7**	1.6
Exceptional employment expenses	(ii)	**2.4**	8.2
Exceptional outsourcing expenses	(iii)	**1.6**	3.3
TRC Management Retention Plan expense	(iv)	**1.2**	6.2
Exceptional premises expenses	(v)	**0.3**	1.3
F&C Partners litigation expense	(vi)	**—**	1.3
		8.2	21.9

(i) TRC Commutation expenses

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

The expense of £2.7m recognised in 2013 comprises a £1.0m charge for the Investment Teams where options have been exercised and a further charge of £1.7m for the remaining call option which is expected to be exercised by F&C on 1 April 2014.

Given the capital nature of these arrangements, the Directors consider it appropriate to treat the total Commutation expense as exceptional in nature and exclude it from the measurement of underlying earnings for each financial year.

(ii) Exceptional employment expenses

During the year ended 31 December 2013 a further £2.4m (2012: £8.2m) of non-recurring redundancy and related staff costs were incurred in order to achieve the staff cost savings identified as part of the strategic review.

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

(iii) Exceptional outsourcing expenses

During 2013, a further £1.2m of advisory and consultancy costs were incurred in completing the project to outsource certain of the Group's back and middle office investment operations to State Street. In addition, £0.4m of non-recurring costs were incurred as part of implementing strategic changes.

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

(iv) TRC Management Retention Plan expense

As a condition of the acquisition of TRC, the Group established a Management Retention Plan (MRP) to retain and incentivise certain TRC personnel. The MRP expense (including NIC) recognised in the Income Statement for the year ended 31 December 2013 is £1.2m (2012: £6.2m).

Given the quantum and nature of this award, the Directors consider it appropriate to treat the associated expense as exceptional and exclude it from the measurement of underlying earnings for each financial year.

(v) Exceptional premises expenses

As part of the Group's cost-saving initiatives, several actions have been taken in respect of a number of premises to reduce the recurring level of property costs. A net cost of £0.3m has been incurred during 2013 (2012: a net cost of £1.3m), comprising restructuring costs of £0.7m offset by a £0.4m release of excess onerous property provisions recognised in previous periods, following the successful reassignment and termination of lease arrangements.

(vi) F&C Partners litigation expense

The F&C Partners litigation was settled in 2012, resulting in a net expense of £1.3m being recognised in the Income Statement for that year.

Given the nature of this expense and the quantum of costs previously incurred, the Directors considered it appropriate to treat this expense as exceptional in nature and excluded it from the measurement of underlying earnings for 2012.

(b) F&C REIT put option fair value loss/(gain)

	2013	**2012**
	£m	**£m**
F&C REIT put option fair value loss/(gain)	**3.0**	(11.5)

The fair value of the F&C REIT put option liability reflects the value of the portion of the F&C REIT business which is currently owned by the non-controlling interest partners and which is the subject of options. The £3.0m increase in the fair value of the option liability during 2013 has been recognised as a loss in the Income Statement (2012: gain of £11.5m).

The Directors consider the put option liability movements to be of a capital nature, and have therefore excluded the associated loss or gain from the measurement of underlying earnings for each financial year.

5. Finance revenue

	2013	2012 (as restated*)
	£m	£m
Loans and receivables:		
Bank interest receivable	**0.4**	0.8
Other interest receivable	**0.2**	0.2
Designated as fair value through profit or loss:		
Gain on fair value of investments	**0.3**	0.7
Gain on redemption of bonds	**—**	1.1
Designated as available for sale:		
Investment income receivable	**1.4**	1.1
Total finance revenue	**2.3**	3.9

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

6. Finance costs

	2013	2012 (as restated*)
	£m	£m
Interest expense on financial liabilities recognised at cost using the effective interest rate method:		
Fixed/Floating Rate Subordinated Notes 2016/2026	**7.8**	8.4
Guaranteed Fixed Rate Loan Notes 2016	**12.8**	13.1
Bank charges and other interest payable	**0.3**	0.3
Total interest expense	**20.9**	21.8
Other finance costs:		
Amortisation of loan note issue costs and facility fees	**0.3**	0.3
Unwinding of discount on onerous provisions	**—**	0.3
Net interest cost on pension obligations	**0.9**	0.7
Total finance costs	**22.1**	23.1

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

7. Income tax

(a) Analysis of tax expense/(income) in the year

The major components of tax expense/(income) recognised in the Income Statement are:

	2013	2012 (as restated*)
Current income tax:		
UK	**0.9**	0.7
Foreign	**5.7**	5.3
Adjustments in respect of previous years	**0.8**	(1.9)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(1.6)**	(10.9)
Adjustments in respect of previous years	**(1.4)**	1.3
Adjustments in respect of Corporation Tax rate change	**1.1**	(0.1)
Tax expense/(income) reported in the Income Statement	**5.5**	(5.6)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

The major components of tax expense/(income) recognised in the Statement of Changes in Equity are:

Deferred and current income tax related to items charged or credited directly to equity:	2013	2012 (as restated*)
Fair value movements on available for sale financial investments	**(0.2)**	(0.1)
Net actuarial movements on defined benefit pension arrangements	**0.8**	(2.0)
Other pension plan movements	**—**	0.3
Adjustments in respect of Corporation Tax rate change	**0.2**	0.3
Tax expense/(income) recognised directly in the Statement of Comprehensive Income	**0.8**	(1.5)
Tax associated with purchase of NCI in F&C Partners LLP	**—**	0.8
Share-based payments	**0.5**	(0.6)
Tax expense/(income) recognised directly in the Statement of Changes in Equity	**1.3**	(1.3)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

(b) Factors affecting the tax expense/(income) for the year

A reconciliation between the actual tax expense/(income) and the accounting profit/(loss) multiplied by the Group's domestic tax rate for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012 (as restated*)
Profit/(loss) before tax	**15.7**	(3.0)
At the Group's statutory income tax rate of 23.25% (2012: 24.5%)	**3.6**	(0.7)
Adjustments in respect of previous years	**(0.6)**	(0.6)
Disallowed expenses	**1.4**	0.8
Non-taxable income	**(0.8)**	(3.6)
Foreign tax at different rates	**0.6**	0.3
Movement in unrecognised loss position	**0.2**	(0.1)
Disallowed distributions to LLP members	**2.6**	3.0
Non-taxable income attributable to LLP members	**(2.6)**	(3.0)
Share-based payments	**—**	(1.6)
Corporation Tax rate change	**1.1**	(0.1)
Tax expense/(income) reported in the Income Statement	**5.5**	(5.6)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

(c) Effective rate of tax and factors affecting future tax charges

The current Corporation Tax rate of 23% became effective from 1 April 2013, leading to a statutory UK Corporation Tax rate of 23.25% for 2013 for the Group.

A 3% reduction in the UK Corporation Tax rate was substantively enacted during the year to take effect in 2014 and 2015. The effect of these tax rate changes enacted has been to decrease the net deferred tax assets of the Group by £1.3m comprising a £1.1m charge through the Income Statement and a £0.2m charge to equity reflecting the deferred tax that is expected to reverse through equity.

The 3% reduction in the UK Corporation Tax rate will lead to a Group statutory Corporation Tax rate of 21.50% for 2014 and 20.25% for 2015.

No additional rate changes have been substantively enacted since the reporting date.

8. Earnings per share

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

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

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

The impact of the prior period adjustment for the adoption of IAS 19 Employee Benefits (Revised 2011), as explained in note 1, on the 2012 profit/(loss) attributable to ordinary equity holders of the parent and on the basic and diluted profit/(loss) per share is as follows:

	2012				
	Profit/(loss) attributable to equity holders of the parent				
	Gross	**Tax**	**Net**	**Basic EPS**	**Diluted EPS**
	£m	**£m**	**£m**	**p**	**p**
As originally reported	(5.1)	5.2	0.1	0.01	0.01
Prior period adjustment	(0.5)	0.1	(0.4)	(0.07)	(0.07)
As restated	(5.6)	5.3	(0.3)	(0.06)	(0.06)

Reconciliation of earnings/(loss) per Ordinary Share	**2013**	**2012 (as restated*)**
	p	**p**
Basic earnings/(loss) per Ordinary Share	**1.52**	(0.06)
Amortisation and impairment of intangibles	**5.25**	5.25
TRC Commutation expenses	**0.48**	0.30
Exceptional employment expenses	**0.32**	1.13
Exceptional outsourcing expenses	**0.22**	0.47
TRC Management Retention Plan expense	**0.11**	1.02
Exceptional premises expenses	**0.06**	0.21
F&C Partners litigation expense	**—**	0.19
F&C REIT put option fair value loss/(gain)	**0.54**	(2.16)
Deferred Tax—Corporation Tax rate change	**0.34**	0.36
Underlying earnings per Ordinary Share	**8.84**	6.71
Foreign exchange (gains)/losses included within underlying earnings per share	**(0.06)**	0.28
Underlying earnings per Ordinary Share excluding foreign exchange gains and losses	**8.78**	6.99

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

	2013	**2012 (as restated*)**
	p	
Diluted earnings/(loss) per Ordinary Share†	**1.43**	(0.06)
Diluted underlying earnings per Ordinary Share	**8.27**	6.03
Diluted underlying earnings per Ordinary Share excluding foreign exchange gains and losses	**8.22**	6.28

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

† Where the Group has incurred a basic loss per Ordinary Share, no dilution arises despite the 'dilutive potential weighted average number of Ordinary Shares' being greater than the 'weighted average number of Ordinary Shares used to determine the basic loss per share'. As a result, the reported basic and diluted loss per Ordinary Share are the same in 2012.

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

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

Reconciliation of earnings/(loss)	2013 Gross	2013 Tax	2013 Net	2012 (as restated*) Gross	2012 (as restated*) Tax	2012 (as restated*) Net
	£m	£m	£m	£m	£m	£m
Earnings/(loss) attributable to ordinary equity holders of the parent for basic earnings/(loss) per share	**14.3**	**(5.8)**	**8.5**	(5.6)	5.3	(0.3)
Amortisation and impairment of intangibles(1)	**39.1**	**(9.8)**	**29.3**	39.3	(11.4)	27.9
TRC Commutation expenses	**2.7**	**—**	**2.7**	1.6	—	1.6
Exceptional employment expenses	**2.4**	**(0.6)**	**1.8**	8.2	(2.2)	6.0
Exceptional outsourcing expenses	**1.6**	**(0.4)**	**1.2**	3.3	(0.8)	2.5
TRC Management Retention Plan expense	**1.2**	**(0.6)**	**0.6**	6.2	(0.8)	5.4
Exceptional premises expenses	**0.3**	**—**	**0.3**	1.3	(0.2)	1.1
F&C Partners litigation expense	**—**	**—**	**—**	1.3	(0.3)	1.0
F&C REIT put option fair value loss/(gain)	**3.0**	**—**	**3.0**	(11.5)	—	(11.5)
Deferred Tax—Corporation Tax rate change(2)	**—**	**1.9**	**1.9**	—	1.9	1.9
Underlying earnings attributable to ordinary equity holders of the parent	**64.6**	**(15.3)**	**49.3**	44.1	(8.5)	35.6
Foreign exchange (gains)/losses included within underlying earnings	**(0.4)**	**0.1**	**(0.3)**	2.0	(0.5)	1.5
Underlying earnings attributable to ordinary equity holders of the parent excluding foreign exchange gains and losses	**64.2**	**(15.2)**	**49.0**	46.1	(9.0)	37.1

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

(1) Excludes £2.6m (2012: £2.2m) of amortisation and impairment of intangibles (net of tax) which is attributable to NCI. The tax amount includes the related deferred tax movement associated with the Corporation Tax rate change.

(2) Excludes £0.8m credit associated with intangible assets.

Share capital	2013	2012
	No.	No.
Weighted average number of Ordinary Shares(3)	**557,459,389**	530,962,557
Dilutive potential weighted average number of Ordinary Shares	**595,868,630**	590,275,767

(3) Excludes own shares held by Nominees/Employee Benefit Trusts.

9. Ordinary dividends

Declared and paid during the year	2013	2012
	£m	£m
Final dividend for 2012: 2.0p (2011: 2.0p)	**10.9**	10.4
Interim dividend for 2013: 1.0p (2012: 1.0p)	**5.8**	5.4
	16.7	15.8
Second interim dividend for 2013: 2.0p (2012: nil)	**11.8**	n/a
Proposed for approval at the Annual General Meeting		
Final dividend for 2013: nil (2012: 2.0p)	**n/a**	10.9

On 28 January 2014, the Board declared a second interim dividend of 2.0p per share for the year ended 31 December 2013, payable on 20 May 2014 (or earlier if the cash consideration pursuant to the intended transaction with BMO is dispatched ahead of that date) to shareholders on the register at 4 April 2014. This brings full-year dividends for 2013 to 3.0p per share, which is the same as that paid in respect of 2012.

10. Goodwill and other intangible assets

	Goodwill	Investment management contracts	Software and licences	Total
	£m	£m	£m	£m
Cost:				
At 1 January 2012	611.9	703.5	7.9	1,323.3
Additions	—	—	5.9	5.9
Disposals	—	—	(1.2)	(1.2)
Foreign exchange losses	—	(1.6)	—	(1.6)
At 31 December 2012	**611.9**	**701.9**	**12.6**	**1,326.4**
Additions	—	—	2.7	2.7
Disposals	—	—	(0.3)	(0.3)
Foreign exchange gains	—	1.3	—	1.3
At 31 December 2013	**611.9**	**703.2**	**15.0**	**1,330.1**
Amortisation and impairment:				
At 1 January 2012	—	574.9	5.4	580.3
Amortisation charge for the year	—	42.5	0.6	43.1
Disposals	—	—	(1.2)	(1.2)
At 31 December 2012	**—**	**617.4**	**4.8**	**622.2**
Amortisation charge for the year	**—**	**41.3**	**1.7**	**43.0**
Impairment charge	**—**	**1.4**	**—**	**1.4**
Disposals	**—**	**—**	**(0.2)**	**(0.2)**
At 31 December 2013	**—**	**660.1**	**6.3**	**666.4**
Net book values:				
At 31 December 2011	611.9	128.6	2.5	743.0
At 31 December 2012	611.9	84.5	7.8	704.2
At 31 December 2013	**611.9**	**43.1**	**8.7**	**663.7**

Software and licences additions consists of £2.2m (2012: £5.7m) of internally generated software and £0.5m (2012: £0.2m) of acquired licences.

Goodwill

Goodwill has arisen from various business combinations and, reflecting the Group's reportable operating segments disclosed in note 2, is represented by three cash generating units (CGUs), as follows:

	31 December 2013	31 December 2012
	£m	£m
F&C	**467.2**	467.2
F&C REIT	**127.9**	127.9
Thames River Capital	**16.8**	16.8
	611.9	611.9

Goodwill is not amortised but is tested for impairment annually at individual CGU level, or when indicators of potential impairment are identified. The carrying value of goodwill attributable to each CGU was tested for impairment as at 31 December 2013; to date, none of the CGUs has suffered any impairment of goodwill.

Investment management contracts (management contracts)

Management contracts predominantly relate to contracts arising from business acquisitions.

Management contracts are amortised over their expected useful lives and are tested for impairment only when indicators of potential impairment are identified. Such an indicator was identified in 2013 in the

REIT property contracts and, as a result of the impairment review undertaken, an impairment charge of £1.4m has been recognised in the year, and a change made to the relevant asset's estimated useful life.

The foreign exchange gains recognised in the year arise from the relative strengthening of the Euro over the course of 2013, increasing the value of Euro-denominated contracts, primarily F&C insurance contracts, in Sterling terms.

11. Provisions

	31 December 2013	31 December 2012
	£m	**£m**
Summary:		
Onerous premises contracts	**3.2**	5.3
NIC on share schemes	**4.5**	7.0
Other provisions	**1.2**	1.1
	8.9	13.4
Split as follows:		
Non-current	**3.7**	5.1
Current	**5.2**	8.3
	8.9	13.4

12. Defined benefit pension obligations

The following tables summarise the aggregate defined benefit pension deficit of the Group and the key assumptions which drive the quantum of the deficit:

	31 December 2013	31 December 2012
	£m	**£m**
Fair value of plan assets	**257.5**	232.7
Benefit obligations	**(275.0)**	(256.8)
Total pension deficit	**(17.5)**	(24.1)

Discount rate and growth assumptions

The range of assumptions used to determine the benefit obligations are as follows:

	31 December 2013	31 December 2012
Discount rate	**3.70%–4.70%**	3.90%–4.50%
Rate of salary increase	**2.00%–3.00%**	2.00%–3.00%
Rate of pension increases (excluding fixed increases)	**1.00%–3.99%**	1.00%–3.87%
Rate of price inflation (CPI)	**2.00%–2.75%**	2.00%–2.45%
Rate of inflation increase (RPI)—UK only	**3.55%**	3.15%

Mortality assumptions

The mortality assumptions used for the main UK defined benefit scheme and the unfunded UK obligation are:

	31 December 2013	31 December 2012
Mortality table for males retiring in the future	**S1NMA L–1 CMI 2012 1.50%**	S1NMA L–1 CMI 2011 1.25%
Mortality table for females retiring in the future	**S1NFA L–1 CMI 2012 1.50%**	S1NFA L–1 CMI 2011 1.25%
Mortality table for current male pensioners	**S1NMA L–1 CMI 2012 1.50%**	S1NMA L–1 CMI 2011 1.25%
Mortality table for current female pensioners	**S1NFA L–1 CMI 2012 1.50%**	S1NFA L–1 CMI 2011 1.25%

To demonstrate what these mortality assumptions mean in respect of the UK Plan, the expected ages at death of members retiring at age 60 are as follows:

	31 December 2013	31 December 2012
	Years	Years
Expected age at death for a male retiring in the future at age 60, currently aged 40	**92**	92
Expected age at death for a female retiring in the future at age 60, currently aged 40	**94**	93
Expected age at death for a current male pensioner aged 60	**90**	90
Expected age at death for a current female pensioner aged 60	**92**	91

13. Share capital

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

	31 December 2013	31 December 2012
	£m	£m
Ordinary Shares of 0.1p	0.6	0.6

The number of Ordinary Shares in issue was as follows:

	31 December 2013	31 December 2012
	No.	No.
Allotted, called up and fully paid Ordinary Shares of 0.1p each	**581,035,337**	555,180,788
Ordinary Shares held by Employee Benefit Trusts/Nominees*	**(6,544,609)**	(13,001,180)
Ordinary Shares available in the market	**574,490,728**	542,179,608

* Which are classified as "Own Shares".

14. Analysis of movements in statement of cash flows

	Note	2013 £m	2012 (as restated*) £m
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**2.7**	3.0
Amortisation and impairment of intangible assets	10	**44.4**	43.1
Equity-settled share-based payment expenses		**6.9**	13.4
Loss on disposal of intangible assets (software and licences)		**0.1**	—
(Gain)/loss on disposal of property, plant and equipment		**(0.1)**	0.9
Non-cash movement in respect of adjustment to consideration for NCI in F&C Partners LLP		**—**	1.0
		54.0	61.4
Changes in working capital and provisions:			
Increase in trade and other receivables		**(22.9)**	(2.5)
Increase/(decrease) in trade and other payables		**16.1**	(16.5)
Decrease in employee benefit liabilities		**(6.8)**	(5.0)
(Increase)/decrease in stock of units and shares		**(1.0)**	0.6
Decrease in liabilities to members of LLPs		**(1.8)**	(0.7)
Decrease in investment contract liabilities		**(136.8)**	(335.9)
Decrease in reinsurance assets		**—**	2.0
Decrease in insurance contract liabilities		**—**	(2.0)
Decrease in deferred acquisition costs		**1.8**	1.8
Decrease in deferred income		**(1.8)**	(2.0)
Pension charge to operating profit less defined benefit pension contributions paid		**(4.1)**	(5.4)
Decrease in provisions		**(4.4)**	(2.5)
Decrease in unit-linked financial investments		**134.2**	313.6
		(27.5)	(54.5)

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

15. Contingent liabilities

Ongoing business operations

In the normal course of its business, the Group is subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Group.

16. Events after the reporting period

Proposed acquisition of F&C by Bank of Montreal

On 28 January 2014, F&C and the Bank of Montreal (BMO) announced that agreement had been reached for BMO Global Asset Management (Europe) Limited (BMO Europe), a wholly-owned subsidiary of BMO, to acquire the entire issued and to be issued Ordinary Share capital of F&C for an aggregate consideration of approximately £708m. F&C shareholders will receive 120p per share and will also be entitled to retain an ordinary course dividend of 2p per share which was declared on 28 January 2014.

The acquisition, which is unanimously recommended to shareholders by the F&C Board, is subject to the approval of F&C shareholders and the satisfaction of certain regulatory and other conditions.

The acquisition will be effected by means of a Court-sanctioned scheme of arrangement, full details of which, together with the terms and conditions of the transaction, are contained in the Scheme Circular. A copy of this document is available via the link on the front page of the Company's website: www.fandc.com. To become effective, the Scheme will need to be approved at a meeting of shareholders convened by the Court and will require the passing of a special resolution at a General Meeting of F&C; both meetings are scheduled for 25 March 2014. The Scheme is then subject to sanction by the Court prior to it becoming effective. Once the Scheme becomes effective, BMO Europe will acquire 100% of the share capital of F&C and F&C will, therefore, become a wholly-owned subsidiary of BMO Europe.

Subject to the fulfilment of the conditions, the acquisition is currently expected to complete on or around 7 May 2014. However, if the Scheme does not become effective on or before 31 August 2014 (or such later date (if any) as BMO and F&C may agree), it will lapse and the acquisition will not proceed (unless the Takeover Panel otherwise consents).

While the proposed acquisition has not materially impacted the Group results for 2013 or the financial position of the Group as at 31 December 2013, it will impact the results of subsequent periods. In particular, the Scheme document highlights that the aggregate fees and expenses which are expected to be incurred by F&C in connection with the acquisition are estimated to amount to between £7.9m and £9.1m (excluding applicable VAT). A significant element of these costs is conditional upon completion of the acquisition; however, certain costs will be incurred irrespective of whether the transaction completes or not. In addition, the aggregate cost of share awards and the profile of the associated accounting charge will be influenced by the combination of the increase in the F&C share price since the date of the announcement of the proposed acquisition and its impact on share awards vesting in 2014, and the proposed replacement of certain existing F&C share awards with new BMO awards.

17. Reconciliations of reported results to underlying earnings

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

Year ended 31 December 2013

	£ millions unless otherwise stated	Reported results	Adjustments	Adjusted Income Statement	Adjustments for FX gains	Underlying earnings	Non-controlling interests profits*	Underlying Earnings (ex NCI)
A	**Net Revenue**	**241.2**	**—**	**241.2**	**—**	**241.2**	**—**	**241.2**
	Net policyholder income	0.2	—	0.2	—	0.2	—	0.2
	Operating expenses	(141.3)	—	(141.3)	—	(141.3)	—	(141.3)
	Exchange gains	0.4	—	0.4	(0.4)	—	—	—
	Operating expenses	**(140.9)**	**—**	**(140.9)**	**(0.4)**	**(141.3)**	**—**	**(141.3)**
	Distributions to members of LLPs	(11.1)	—	(11.1)	—	(11.1)	—	(11.1)
	Amortisation and impairment of intangible assets	(42.7)	42.7	—	—	—	—	—
	Other exceptional operating expenses	(8.2)	8.2	—	—	—	—	—
	Total operating expenses	**(202.9)**	**50.9**	**(152.0)**	**(0.4)**	**(152.4)**†	**—**	**(152.4)**
B	**Operating profit**	**38.5**	**50.9**	**89.4**	**(0.4)**	**89.0**	**—**	**89.0**
	Interest paid	(21.2)	—	(21.2)	—	(21.2)	—	(21.2)
	Interest and investment income received	2.3	—	2.3	—	2.3	—	2.3
	F&C REIT put option fair value loss	(3.0)	3.0	—	—	—	—	—
	Other non-operating items	(0.9)	—	(0.9)	—	(0.9)	—	(0.9)
	Non-controlling interests share of profits	—	—	—	—	—	(5.0)	(5.0)
	Profit before tax	**15.7**	**53.9**	**69.6**	**(0.4)**	**69.2**‡	**(5.0)**	**64.2**
	Tax expense	(5.5)	(10.5)	(16.0)	0.1	(15.9)	0.7	(15.2)
C	**Profit for year**	**10.2**	**43.4**	**53.6**	**(0.3)**	**53.3**	**(4.3)**	**49.0**
	Underlying EPS (C ÷ D)							**8.8p**
	Underlying operating margin (B ÷ A)							**36.9%**
D	**Weighted average number of shares (000's)**							**557,459**

* Excluding NCI share of amortisation and impairment of intangible assets.

† Defined as 'underlying operating costs'.

‡ Defined as 'Group underlying profit before tax'.

Year ended 31 December 2012ø

£ millions unless otherwise stated	Reported results	Adjustments	Adjusted Income Statement	Adjustments for FX losses	Underlying earnings	Non-controlling interests profits*	Underlying Earnings (ex NCI)
A Net Revenue	**243.5**	**—**	**243.5**	**—**	**243.5**	**—**	**243.5**
Net policyholder expense	(0.2)	—	(0.2)	—	(0.2)	—	(0.2)
Operating expenses	(160.6)	—	(160.6)	—	(160.6)	—	(160.6)
Exchange losses	(2.0)	—	(2.0)	2.0	—	—	—
Operating expenses	**(162.6)**	**—**	**(162.6)**	**2.0**	**(160.6)**	**—**	**(160.6)**
Distributions to members of LLPs	(11.6)	—	(11.6)	—	(11.6)	—	(11.6)
Amortisation of intangible assets	(42.5)	42.5	—	—	—	—	—
Other exceptional operating expenses	(21.9)	21.9	—	—	—	—	—
Total operating expenses	**(238.6)**	**64.4**	**(174.2)**	**2.0**	**(172.2)**†	**—**	**(172.2)**
B Operating profit	**4.7**	**64.4**	**69.1**	**2.0**	**71.1**	**—**	**71.1**
Interest paid	(22.4)	—	(22.4)	—	(22.4)	—	(22.4)
Interest and investment income received	3.9	—	3.9	—	3.9	—	3.9
F&C REIT put option fair value gain	11.5	(11.5)	—	—	—	—	—
Other non-operating items	(0.7)	—	(0.7)	—	(0.7)	—	(0.7)
Non-controlling interests share of profits	—	—	—	—	—	(5.8)	(5.8)
(Loss)/profit before tax	**(3.0)**	**52.9**	**49.9**	**2.0**	**51.9**‡	**(5.8)**	**46.1**
Tax income/(expense)	5.6	(14.8)	(9.2)	(0.5)	(9.7)	0.7	(9.0)
C Profit for year	**2.6**	**38.1**	**40.7**	**1.5**	**42.2**	**(5.1)**	**37.1**
Underlying EPS (C ÷ D)							**7.0p**
Underlying operating margin (B ÷ A)							**29.2%**
D Weighted average number of shares (000's)							**530,963**

ø As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

* Excluding NCI share of amortisation of intangible assets.

† Defined as 'underlying operating costs'.

‡ Defined as 'Group underlying profit before tax'.

18. Underlying operating costs

The underlying operating costs of the Group are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012 (as restated*)
	£m	£m
Staff costs and related expenses	**86.9**	104.5
Premises expenses	**10.1**	12.2
Communication and information technology expenses	**16.0**	16.4
Third-party administration expenses	**11.0**	9.7
Promotional and client servicing expenses	**4.0**	5.1
Other expenses	**13.3**	12.7
Core operating expenses	**141.3**	160.6
Distributions to members of LLPs	**11.1**	11.6
Underlying operating costs	**152.4**	172.2

* As restated for the adoption of IAS 19 (revised) Employee Benefits, as disclosed in note 1.

19. Other information

The Company's 2013 Annual Report & Financial Statements will be published on the Company's website later this month or in early April.

The Company's thirty-fourth Annual General Meeting will be held in June with Notice being sent to shareholders in early June.

This announcement and the information contained herein are not for publication or distribution in and shall not constitute or form any part of any offer or invitation to subscribe for, underwrite or otherwise acquire, or any solicitation of any offer to purchase or subscribe for, securities including in the United States of America, Canada, Australia, Japan or any other jurisdiction where such activity is unlawful.

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Forward-looking statements

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

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control including, among other things, UK domestic and global economic and business conditions, market-related risks such as fluctuations in 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, estimates of assets to be managed for Strategic Partners or other clients in the future and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. F&C undertakes no obligation to update the forward-looking statements contained in this announcement. Nothing in this announcement should be considered as a profit forecast.

Assets Under Management

The tables below disclose AUM at 31 December 2013 and fund flows for the twelve months to 31 December 2013.

1. Summary of AUM and fund flows

Client Category	AUM 1 January 2013	Jan–Dec Net flows	FX	Performance	AUM 31 December 2013
	£m	£m	£m	£m	£m
Investment Trusts	5,996	(66)	4	767	**6,701**
Retail	5,017	585	10	487	**6,099**
Consumer	11,013	519	14	1,254	**12,800**
Wholesale	1,316	(427)	10	29	**928**
Third-Party Institutional	24,421	1,163	315	177	**26,076**
Consumer & Institutional	36,750	1,255	339	1,460	**39,804**
Strategic Partners	58,475	(20,250)	1,184	2,901	**42,310**
Total	95,225	(18,995)	1,523	4,361	**82,114**

2. Fund flows

Client Category	Inflows	Outflows	Net Flows
	£m	£m	£m
Investment Trusts	137	(203)	(66)
Retail	2,056	(1,471)	585
Consumer	2,193	(1,674)	519
Wholesale	278	(705)	(427)
Third-Party Institutional	5,149	(3,986)	1,163
Consumer & Institutional	7,620	(6,365)	1,255
Strategic Partners	2,854	(23,104)	(20,250)
Total	**10,474**	**(29,469)**	**(18,995)**

3. AUM by client category

In Sterling	31 December 2012	31 December 2013
	£bn	£bn
Investment Trusts	6.0	**6.7**
Retail	5.0	**6.1**
Consumer	11.0	**12.8**
Wholesale	1.3	**0.9**
Third-Party Institutional	24.5	**26.1**
Consumer & Institutional	36.8	**39.8**
Strategic Partners	58.4	**42.3**
Total	**95.2**	**82.1**

In Euro	31 December 2012	31 December 2013
	€bn	€bn
Investment Trusts	7.4	**8.1**
Retail	6.2	**7.3**
Consumer	13.6	**15.4**
Wholesale	1.6	**1.1**
Third-Party Institutional	30.2	**31.4**
Consumer & Institutional	45.4	**47.9**
Strategic Partners	72.1	**50.8**
Total	**117.5**	**98.7**

4. AUM by asset class

In Sterling	31 December 2012	31 December 2013
	£bn	£bn
Fixed Interest	56.3	**40.9**
Equities	25.7	**28.3**
Property	7.5	**7.3**
Alternative Investments	1.2	**1.0**
Liquidity	4.5	**4.6**
Total	**95.2**	**82.1**

In Euro	31 December 2012	31 December 2013
	€bn	€bn
Fixed Interest	69.5	**49.2**
Equities	31.8	**34.0**
Property	9.2	**8.8**
Alternative Investments	1.5	**1.2**
Liquidity	5.5	**5.5**
Total	**117.5**	**98.7**