THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred some of your Ordinary Shares, you should immediately consult the stockbroker, bank or agent through whom the sale or transfer was effected.

The Directors, whose names appear on page 13 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the 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.

F&C ASSET MANAGEMENT PLC

(Incorporated and registered in Scotland with Registered no. SC073508)

Proposed combination of F&C Asset Management's property business and REIT

and

Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to a letter from the Chairman which is set out in Part I of this document and which recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.

PLEASE REFER TO PART III OF THIS DOCUMENT ENTITLED "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS WHICH SHOULD BE TAKEN INTO ACCOUNT WHEN CONSIDERING THE MATTERS REFERRED TO IN THIS DOCUMENT.

Notice of an Extraordinary General Meeting of the Company, to be held at the Company's Head Office, Exchange House, Primrose Street, London EC2A 2NY, at 12 noon on 29 August 2008, is set out at the end of this document. The Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be received by the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, as soon as possible but in any event no later than 12 noon on 27 August 2008. Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

Fenchurch Advisory Partners, which is authorised and regulated by the Financial Services Authority, is acting exclusively for F&C Asset Management plc and, accordingly, will not be responsible to anyone other than F&C Asset Management plc for providing the protection afforded to its customers or for advising anyone other than F&C Asset Management plc in relation to the contents of this document or any other matter referred to herein.

JPMorgan Cazenove, which is authorised and regulated by the Financial Services Authority, is acting exclusively for F&C Asset Management plc and, accordingly, will not be responsible to anyone other than F&C Asset Management plc for providing the protection afforded to its customers or for advising anyone other than F&C Asset Management plc in relation to the contents of this document or any other matter referred to herein.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2008
Latest time and date for receipt of the Form of Proxy	12 noon on 27 August
Extraordinary General Meeting	12 noon on 29 August
Expected completion of the Transaction	1 September

Part I

Letter from the Chairman

F&C ASSET MANAGEMENT PLC

(Incorporated and Registered in Scotland with Registered no. SC073508)

Directors	*Registered Office*
Robert Jenkins (Chairman)	80 George Street
Keith Bedell-Pearce (Non-Executive; Senior Independent Director)	Edinburgh
Alain Grisay (Chief Executive)	EH2 3BU
David Logan (Chief Financial Officer)	
Dick De Beus (Independent Non-Executive Director)	
Brian Larcombe (Independent Non-Executive Director)	
Nicholas MacAndrew (Independent Non-Executive Director)	
Jeff Medlock (Non-Executive Director)	
Sir Adrian Montague, CBE (Non-Executive Director)	
Gerhard Roggemann (Independent Non-Executive Director)	
James Smart (Non-Executive Director)	

13 August 2008

Dear Shareholder,

Proposed combination of F&C Asset Management's property business with REIT and Notice of Extraordinary General Meeting

Introduction

On 22 July 2008, F&C Asset Management plc ("F&C") announced that it had entered into agreement with the owners of REIT to combine F&C's property asset management operations in the UK and Ireland ("F&C Property") and REIT under a new brand, F&C REIT.

F&C will be the majority owner of F&C REIT with an ownership interest of 70 per cent. The REIT Owners will hold a 30 per cent. ownership interest in the combined business. F&C will on Completion pay consideration of £60 million (£25 million cash and £35 million loan notes) to the owners of REIT Worldwide.

Subject to F&C REIT meeting certain EBITDA performance targets for the combined business, the ownership interest of the REIT Owners may increase up to 40 per cent. over the period to 31 December 2014.

Background to and reasons for the Transaction

The Board of F&C believes the Transaction is consistent with F&C's stated multi-specialist model and ambition to develop both organically and through selective acquisitions. F&C believes that property as an asset class is an important component of a balanced portfolio and that it can contribute to long term returns for investors. The combination will reinforce and strengthen F&C's presence, whilst providing broader geographic property exposure for F&C's existing clients.

The Board believes that the principal strategic and operational benefits arising from a combination of F&C Property and REIT are:

- Majority ownership of a leading UK-owned property asset manager with assets under management of £8.5 billion;[1]

[1] Source: Unaudited records of REIT and F&C.

- Combination of REIT's impressive investment track record, entrepreneurial approach and geographic diversity with F&C's strong investment track record, fund management skills and distribution network;
- Significant opportunities to launch new products and synergies from increased scale;
- Clients will benefit from the enhanced product offering of the combined operation, while experiencing continuity of investment process and client servicing from their existing teams and fund managers;
- Advancing F&C's plan to grow the business through development of a multi-specialist model; and
- The Directors of F&C expect the Transaction to be earnings enhancing for the first full year post Completion[2]. Under International Financial Reporting Standards, net assets of F&C are anticipated to remain constant at Completion.

Information on REIT

REIT was founded in 1997 and now comprises REIT Asset Management and REIT Worldwide. REIT Asset Management manages property investments in the UK. REIT Worldwide manages property investments outside the UK. In aggregate the two businesses manage an international commercial property portfolio with a value of £3.45 billion as at 30 June 2008 as follows:[3]

Location	*Assets Under Management*
United Kingdom	£2.02 billion
Germany	£1.05 billion
Sweden	£0.15 billion
India	£0.01 billion
Rest of Europe	£0.22 billion
Total	**£3.45 billion**

REIT manages assets for a range of investors, who currently include Apollo Real Estate Investors, Royal Bank of Scotland and Aedes Investment Management. The largest client of REIT is Trafalgar Overseas Limited, a company owned by a discretionary trust established in part for the benefit of the family of Leo Noé. Trafalgar accounted for 56.6 per cent. of assets under management as at 30 June 2008.[3]

In the year to 31 March 2008, the businesses comprising REIT earned aggregate revenue of £17.9 million and profit before tax of £9.5 million[4]. In addition, cornerstone fees of £10.1 million[5] were paid directly to the Trafalgar Group based on returns from investments and in the future such fee entitlements will fall to the benefit of F&C REIT. Furthermore, under new investment management agreements being entered into pursuant to the Transaction, REIT's base management fees would have been £8.5 million higher than they were in the year ended 31 March 2008.

REIT Asset Management is wholly owned by founding partners, Leo Noé (75 per cent.) and Ivor Smith (25 per cent.). REIT Worldwide is owned by Leo Noé, Ivor Smith and the Trusts.

REIT had 57 employees as at 31 March 2008.

As key individuals, Leo Noé and Ivor Smith will continue to be involved in the business of F&C REIT following Completion and will be subject to appropriate lock-in and incentivisation arrangements. These arrangements are referred to in paragraph 1 of Part II of this document.

Further information on the financial record of REIT can be found in Part V of this document. Investors should read the whole of this document and not rely solely on the financial information set out above.

2 On an underlying earnings basis (i.e. before amortisation of intangibles and exceptional items). This statement should not be interpreted to mean that the earnings per share of F&C will necessarily be greater than those for the preceding period.

3 Source: REIT (unaudited).

4 These figures have been extracted without material adjustment from the audited financial statements of REIT prepared as at 31 March 2008 and set out in Part V of this circular.

5 Source: Unaudited records of the Trafalgar Group.

Information on F&C Property Asset Management operations

F&C Property manages property investment portfolios on behalf of institutional clients, property trusts and funds. The property division has operations in the United Kingdom, Ireland and Portugal. The property asset management operations of F&C in Portugal will not become part of F&C REIT.

As at 31 December 2005, 31 December 2006 and 31 December 2007, F&C Property had assets under management (excluding Portugal) as follows[6]:

Location	*Dec 05*	*Dec 06*	*Dec 07*
United Kingdom	£6.6 billion	£4.9 billion	£4.2 billion
Ireland	£0.4 billion	£0.6 billion	£0.8 billion
Total	**£7.0 billion**	**£5.5 billion**	**£5.0 billion**

In the year to 31 December 2007, F&C Property revenues were £23.4 million (excluding Portugal) (2006: £24.6 million, 2005: £21.3 million)[6].

F&C Property had 81 employees in the United Kingdom and Ireland as at 30 June 2008.

As part of the Transaction, there will be an effective disposal of 30 per cent. of F&C Property, however, the Company will be included in the consolidated accounts of the Enlarged Group.

Current trading and prospects[7]

F&C announced its interim results for the six months to 30 June 2008 on 6 August 2008. F&C recorded a resilient financial performance with underlying earnings per share[8] of 4.2 pence, in-line with the first six months of 2007. The Group earned profits before taxation, goodwill amortisation and exceptional items[8] of £27.8 million, compared to £32.0 million in the six month period ended 30 June 2007.

Investment management fees for the six months to 30 June 2008, at £125.0 million were almost identical to those in the same period in 2007, despite a decline in assets under management to £96.5 billion as at 30 June 2008 from £103.6 billion as at 31 December 2007. The average net fee rate rose from 22.5 basis points for the full year ended 31 December 2007 to 23.3 basis points for the first half of 2008, reflecting the improving fee profile of new business wins and the lower fee nature of asset outflows experienced during the period.

On 31 January 2008, Friends Provident announced that wealth management was no longer core to its revised strategy and that it would seek to divest its 52 per cent. interest in F&C. The uncertainty resulting from this process has, in the view of the Directors, constrained the Group's ability to gather new assets. F&C continues to work with its advisers to find a solution that will enable the Group to either continue with, or accelerate, its strategy at the same time as enabling Friends Provident to achieve its objective of maximising the value of its holding in F&C. The Directors consider that the Group continues to make satisfactory progress in this regard.

Corporate governance arrangements

F&C REIT will be managed through an LLP Board and Executive Committee. On Completion the LLP Board will comprise the following:

Executive Chairman	Leo Noé
Chief Executive	Nick Criticos
Executive Member	Ivor Smith
Non-Executive	Alain Grisay
Non-Executive	David Logan

Nick Criticos is currently Head of UK Retail & Investment Trusts and Marketing at F&C and is a member of the F&C Executive and Management Committees. On Completion, Nick Criticos will become Chief Executive of F&C REIT. Responsibility for running and the day-to-day management of F&C REIT will be delegated to the Executive Committee which will comprise:

Executive Chairman	Leo Noé
Chief Executive	Nick Criticos
Executive Member	Ivor Smith
Managing Director	Paul Herrington (F&C)
Managing Director	Kevin McGrath (REIT)

6 Source: F&C (unaudited).

7 These figures have been extracted without material adjustment from the interim results published by F&C on 6 August 2008.

8 Before amortisation of intangibles, exceptional employment costs, Investment Trust VAT expense and the cost of the Re-Investment Plan.

Principal terms and conditions of the Transaction

On Completion, F&C will be the majority owner of F&C REIT with a 70 per cent. interest and the REIT Owners will hold the remaining 30 per cent.

F&C will finance the £25 million cash consideration out of existing cash resources.

The membership interests of the REIT Owners will increase to 40 per cent. of F&C REIT in the event that F&C REIT achieves EBITDA of not less than £45 million in three of the financial years ending on or before 31 December 2014.

The LLP Agreement includes the following arrangements pursuant to which the REIT Owners can obtain liquidity in the future for their membership interests. The REIT Owners each have the right to require F&C to acquire all or part of their membership interests at a valuation determined by an independent valuer, subject to an overall cap on F&C's liability of £100 million. Leo Noé's option is exercisable after the seventh anniversary of Completion and Ivor Smith's option is exercisable after the third anniversary of Completion. Consideration payable to Ivor Smith by F&C under the option for his entire interest in the LLP is to be capped at £60 million and subject to a minimum of £15 million. Following the third anniversary of Completion, Leo Noé is able to require the listing or quotation of F&C REIT. Leo Noé may also under certain circumstances dispose of his membership interests to a third party from seven years after Completion.

Trafalgar Overseas Limited, which is the largest client of REIT, accounting for 56.6 per cent. of assets under management as at 30 June 2008, will enter into an agreement whereby, for the five years following Completion, it will provide a minimum annual base management fee of £14 million per annum and grant geographic exclusivity over Trafalgar invested property assets (excluding Israel). The agreement can be terminated in certain circumstances, including for underperformance of a significant proportion of the assets under management.

The Transaction is subject to the satisfaction of, inter alia, the following conditions:

- Approval by F&C Shareholders at the Extraordinary General Meeting;
- Regulatory approvals, including the approval of the Financial Services Authority; and
- Certain tax and related approvals in Switzerland.

Rule 21 of the Takeover Code

As a result of Friends Provident's announcement of 31 January 2008, F&C entered an "offer period" as defined in the Takeover Code.

Rule 21.1 of the Takeover Code requires, inter alia, that where the board of a company has reason to believe that a bona fide offer might be imminent, the board must not, without the consent of shareholders in general meeting, acquire, or agree to acquire, assets of a material amount or enter into contracts otherwise than in the ordinary course of business. As F&C is in an offer period, this Transaction requires the consent of Shareholders pursuant to this rule.

Extraordinary General Meeting

Set out at the end of this document is a notice convening an Extraordinary General Meeting to be held at 12 noon on 29 August 2008 at the Company's Head Office, Exchange House, Primrose Street, London EC2A 2NY at which the Resolution will be proposed. The Resolution is set out in full in the notice of Extraordinary General Meeting.

Risk factors

The Transaction may give rise to certain risks which, if they occur, may have a material adverse effect on the F&C Group's business, financial condition, results or prospects. Accordingly, the factors set out in Part III of this document should be given careful consideration in deciding whether to approve the Transaction. There may be other risks of which the Board is not aware, or which it believes to be immaterial, which may, in the future, be connected to the Transaction and have an adverse effect on the F&C Group's business, financial condition, results or prospects.

Additional information

Your attention is drawn to the additional information set out in Part IV of this document. You should read the whole of this document and not just rely on the information provided in this letter.

Irrevocable undertakings

Irrevocable undertakings to vote in favour of the Resolution have been received from:

(1) Friends Provident in respect of a total of 258,722,798 Ordinary Shares representing 52.2 per cent. of the Issued Share Capital of the Company; and

(2) Eureko in respect of a total of 51,128,190 Ordinary Shares representing 10.3 per cent. of the Issued Share Capital of the Company.

Action to be taken

You will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you propose to attend the Extraordinary General Meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed thereon and return it to the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR as soon as possible, but in any event so as to be received no later than 12 noon on 27 August 2008. Neither the completion of the Form of Proxy nor its return will preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they wish to do so.

Recommendation

The Board, having received financial advice from Fenchurch Advisory Partners, considers the Transaction to be in the best interests of Shareholders taken as a whole and recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as the Directors intend to do in respect of their own Ordinary Shares, amounting in aggregate to 1,150,270 Ordinary Shares, representing approximately 0.23 per cent of the Company's existing issued Ordinary Share capital. In providing advice to the Board, Fenchurch Advisory Partners has relied upon the Directors' commercial assessments of the Transaction.

Yours faithfully

Robert Jenkins
Chairman

Part II

Summary of the key terms of the Transaction

1. LLP Agreement

1.1 The Company has entered into a conditional agreement with Leo Noé, Ivor Smith and a company controlled by the Trusts (the "REIT Parties'') dated 21 July 2008 in relation to the regulation and operation of F&C REIT. The agreement is conditional upon completion of the Framework Agreement, outlined below. Ownership interests will initially be split 70 per cent to F&C and 30 per cent to the REIT Parties. For each financial year ending on or before 31 December 2014 in which the EBITDA of F&C REIT is £45 million or more, the REIT Parties will be entitled to an uplift of 3.33 per cent. in their ownership interest in F&C REIT, subject to a maximum uplift of 10 per cent.

1.2 F&C REIT will be governed by the LLP Board. Responsibility for the day-to-day management of F&C REIT will be delegated to an Executive Committee. F&C and the REIT Parties (jointly) have the right to appoint two members each to the LLP Board. The Chief Executive of F&C REIT may also be appointed from time to time to the LLP Board. On Completion the LLP Board will comprise Alain Grisay and David Logan as representatives of F&C, each of the Executives and Nick Criticos, as Chief Executive of F&C REIT. Decisions of the LLP Board are by unanimous vote. Except in certain limited circumstances, where a unanimous decision cannot be reached by the LLP Board the matter will be referred to the members of the LLP for decision by simple majority, with each member having such number of votes as is equal to its interest in F&C REIT.

1.3 Each of the Executives is entitled to receive fixed monthly drawings as an advance on his profit share. The LLP Board may require either of the Executives to cease to perform an executive role, if it (excluding the relevant Executive) unanimously believes that that Executive has not satisfactorily performed his duties. However, unless the Executive is a "bad leaver" within three years after Completion, in which case he may be required to transfer all or part (depending on the time elapsed since Completion) of his interest to F&C for £1, his ceasing to perform executive duties would not affect his status as a member.

1.4 The members generally share in the capital, profits and losses of F&C REIT in proportion to their respective ownership interests in F&C REIT. However, where certain EBITDA targets are met in any financial year ending on or before 31 December 2013, the REIT Parties may be entitled to receive an uplift in their profit allocation for that year, subject to receiving a maximum profit allocation of 45 per cent. in any financial year.

1.5 F&C may transfer its interest in F&C REIT at any time, subject to certain pre-emption rights and tag-along rights of the REIT Parties. The REIT Parties may not transfer their interests save as described below.

1.6 Where there is a change of control of F&C following the third anniversary of Completion or a second change of control during the first three years from Completion, F&C can elect to change the arrangements for voting at Members' meetings such that F&C's interests are represented by one vote and the REIT Parties' aggregate interests are represented by one vote. If F&C does not so elect, then F&C must offer to sell its interests to the other members at a price determined by an independent valuer.

1.7 If certain events (including the liquidation, administration or winding-up of F&C) occur on or after the third anniversary of Completion, F&C may elect either (i) to retain its interest in F&C REIT, in which case the arrangements for voting at Members' meetings will change such that F&C's interests are represented by one vote and the REIT Parties' aggregate interests are represented by one vote or (ii) to transfer its interest in F&C REIT to the other members at a price determined by an independent valuer taking into account agreed valuation principles.

1.8 If Leo Noé wishes to dispose of his interest (other than to a connected party) at any time after the third anniversary of Completion, F&C shall have the right to acquire that interest at a price agreed between F&C and Leo Noé or, failing agreement, by an independent valuer. If F&C chooses not to exercise this right, Leo Noé may require F&C REIT to use all reasonable endeavours to seek a listing or quotation. Leo Noé has a put option, exercisable after the seventh anniversary of Completion, pursuant to which he may require F&C to purchase all or part of his interest at a price determined by an independent valuer, subject to the aggregate cap on consideration referred to below. If

Leo Noé wishes to sell more membership interests after seven years from Completion then, subject to having explored a listing or quotation for F&C REIT and F&C having a right, in certain circumstances, to match a third party offer, those membership interests may be sold to a third party.

1.9 The REIT Parties have tag-along rights whereby, in the event that F&C sells all or part of its membership interest in F&C REIT, the REIT Parties can require the purchaser to acquire a *pro rata* portion of their membership interests on equivalent terms.

1.10 Ivor Smith has a put option, exercisable after the third anniversary of Completion, pursuant to which he may require F&C to purchase all or part of his interest at a price determined by an independent valuer, subject to a minimum of £15 million and a maximum of £60 million for his entire interest in the LLP and the aggregate cap on consideration referred to below.

1.11 The maximum aggregate amount that F&C may be required to pay under the put options referred to above is £100 million.

2. The Framework Agreement

2.1 The Company has entered into a conditional agreement dated 21 July 2008 with the REIT Parties and F&C REIT. Completion of the Framework Agreement is conditional upon, inter alia, certain regulatory and tax clearances being obtained and on approval by F&C Shareholders at an Extraordinary General Meeting. The Framework Agreement may be terminated prior to Completion upon the occurrence of certain events that have a material adverse effect on either F&C or REIT.

2.2 The Framework Agreement provides for cash adjustments in the event that either F&C Property or REIT does not have the expected level of net assets on Completion and in the event that certain expected revenues of REIT do not materialise.

2.3 Under the Framework Agreement, the REIT Parties are giving warranties, a tax indemnity and certain specific indemnities to the Company and to F&C REIT in respect of the REIT business to be contributed to F&C REIT. The REIT Parties' aggregate liability under the warranties and indemnities is limited both in time and in amount. Proven warranty claims against the REIT Owners can be satisfied by any one or a combination of: cash, acquisition of their membership interests in F&C REIT, or retention of profit share due to the REIT Parties under the LLP Agreement (in each case to the extent required to meet the claim).

2.4 Under the Framework Agreement, F&C is giving warranties, a tax indemnity and certain specific indemnities to the Executives and to F&C REIT in respect of the F&C Property business to be contributed to F&C REIT. F&C's aggregate liability under the warranties and indemnities is limited in both time and amount. Proven warranty claims against F&C can, if not otherwise satisfied, be satisfied by a retention of profit share due to F&C under the LLP Agreement (to the extent required to meet the claim).

3. Umbrella Agreement

3.1 On Completion, F&C REIT will enter into an agreement with, inter alios, Trafalgar pursuant to which Trafalgar will grant F&C REIT and certain of its subsidiaries the exclusive right to conduct property asset management on its behalf for at least five years. Following Completion, Trafalgar agrees to pay a guaranteed annual minimum base management fee of £14 million in respect of property asset management services for five years from Completion.

3.2 Subject to certain exceptions, Trafalgar agrees to appoint F&C REIT and certain of its subsidiaries as the exclusive provider of property asset management services in certain jurisdictions. If Trafalgar seeks to acquire property in other territories (excluding Israel), F&C REIT has the right to submit a proposal for the provision of services in respect of that property and Trafalgar must, subject to being satisfied as to F&C REIT's ability to manage such property on commercial terms and subject to certain limited exceptions, appoint F&C REIT.

3.3 Either party may terminate the Umbrella Agreement on 12 months' notice not to be given before the fourth anniversary of Completion. Trafalgar may terminate the Umbrella Agreement at any time on written notice if F&C REIT commits a material breach which, if capable of remedy, is not remedied within 30 days, if F&C REIT becomes insolvent or F&C REIT is guilty of fraud or gross negligence in the performance of its duties under the Umbrella Agreement.

3.4 F&C REIT may terminate the Umbrella Agreement at any time on written notice if Trafalgar commits a material breach, which, if capable of remedy, is not remedied within 30 days or if Trafalgar becomes insolvent.

3.5 Trafalgar may also terminate the Umbrella Agreement in the event that not less than 50 per cent. by aggregate capital value of the portfolio has been withdrawn for underperformance. Trafalgar may terminate an underlying property management agreement for underperformance. Underperformance is measured by reference to two hurdles in respect of all properties acquired by Trafalgar or its subsidiaries after the date of the Umbrella Agreement, one based on the internal rate of return of the relevant property or portfolio and one based on performance relative to the IPD index. In respect of certain of the properties held by Trafalgar and its subsidiaries at the date of the Umbrella Agreement an additional hurdle is set, based on the internal rate of return over the life of the investment.

3.6 Termination of the Umbrella Agreement in accordance with its terms does not give rise to any payment of compensation unless F&C REIT terminates for cause, in which case the annual guaranteed minimum fee for the unexpired term will be payable by Trafalgar.

4. Loan Note and Security Document

4.1 On Completion, the Company will execute a Loan Note Instrument creating £35 million in nominal value of floating rate secured loan notes 2010 (the "Notes"). A certificate in respect of the entire amount of Notes will be issued to Kendray. The Notes are repayable by the Company at any time on or before 30 June 2010. Interest on the Notes is payable quarterly at the rate of LIBOR plus 2 per cent. The interest rate will rise to LIBOR plus 3 per cent. after 15 December 2008 and to LIBOR plus 4 per cent. after 15 June 2009.

4.2 The loan represented by the Notes will be secured over the Company's units in F&C REIT pursuant to a security document to be entered into contemporaneously with the Loan Note Instrument.

5. Shared Services Agreement

5.1 On Completion, the Company will enter into an agreement with F&C REIT relating to the provision of certain services by F&C to F&C REIT following Completion.

5.2 For the first 6 months after Completion, F&C will provide certain services to F&C REIT in consideration of the payment by F&C REIT of an annual fee, payable in monthly instalments. After that initial period, F&C will continue to provide such services, together with any additional services agreed between the parties from time to time. Either party may, after this date and upon giving six months' written notice, terminate the provision by F&C of particular services, although the provision by F&C of certain services relating to regulatory and other matters cannot be terminated by either party while F&C owns a majority interest in F&C REIT. The fees payable in respect of services provided after 31 December 2008 will be determined between the parties and reviewed annually.

Part III

Risk Factors

Introduction

In addition to the other information presented in this document, the following risk factors should be carefully considered by Shareholders when deciding what action to take in relation to the Resolution. Additional risks and uncertainties not presently known to the Board, or that the Board deems immaterial, may also adversely affect the business of the F&C Group. If any of the risks actually occur, the business, financial condition or results of future operations of the F&C Group could be materially adversely affected.

The risks and uncertainties are described under the following general categories:

Risks associated with the Transaction not proceeding

1. Satisfaction of conditions to Completion

   Completion is subject to certain conditions contained in the Framework Agreement relating to, *inter alia*, the approval of Shareholders at the Extraordinary General Meeting.

2. Costs

   F&C has incurred significant costs in connection with due diligence on REIT, the preparation of the Transaction Documents and the preparation of the financial information set out in this document. Save in certain circumstances, these costs will be payable by F&C, whether or not Completion takes place.

   In certain circumstances F&C may, if the Transaction does not proceed to Completion, be responsible for REIT's reasonable and proper costs incurred in connection with the Transaction.

3. Business certainty

   If the Transaction does not proceed, the perceived uncertainty as to the future of F&C's property asset management business may have a destabilising effect on employees and customers.

Risks associated with the Transaction

The Framework Agreement contains certain warranties and indemnities given by the Company to the Executives and F&C REIT. Whether the Company will incur any liability under any of those warranties and indemnities and the extent of any such liability is not known and, if the Company should incur such liability, it could have an adverse effect on its cash flow and financial position.

Further details of the Framework Agreement are set out in Part II of this document.

Risks associated with the Group and, following Completion, the Enlarged Group

Employees

The success of the Group and REIT depends, inter alia, upon the support of its employees and, in particular, the Executives and certain fund managers. The loss of key members of the Group's and REIT's staff could have a material adverse effect on their performance. In addition, the success of the Enlarged Group following the Transaction will significantly depend upon the Executives and other key employees. The success of F&C REIT may be adversely affected if such key employees were to leave.

Financial Markets and Property Markets

1. The income of the Group and of REIT is subject to change as a result of fluctuations in the financial markets in which they operate which directly affect the level of funds under management and which may adversely affect the Group's and REIT's performance.
2. The income of the Group and of REIT is subject to change as a result of fluctuations in the property markets, which directly affect returns on investment and which may adversely affect the Group's and REIT's performance.
3. Certain of the income of the Group and of REIT is dependent on the returns achieved for investors at realisation or other points in time. This income is subject to fluctuations in the financial and property markets.

Economic Environment

The future results of the Group and REIT will be dependent on factors outside the Group's control such as general economic conditions, ability of clients to source leverage from capital and banking markets for investment purposes, competition and regulation. These factors could have a substantial positive or negative effect on the future results of the Group and REIT. This statement does not affect the working capital statement set out at paragraph 6 of Part IV of this document.

Regulation

The Group's and REIT's operations are subject to financial regulations in certain jurisdictions. Alterations to the regulatory requirements in any applicable jurisdiction may adversely affect the Group's and REIT's performance. In addition, any breach of relevant regulatory requirements may result in regulatory sanction.

Customers

The success of the Enlarged Group will depend upon relationships with certain key clients. Some of these clients, such as Trafalgar, have entered into or will on Completion enter into, long term investment management arrangements with the Enlarged Group. However, not all key clients of the Enlarged Group have done so. Material client losses following Completion would have a material adverse effect on the success of the Enlarged Group.

Litigation

The Enlarged Group may face the risk of litigation in connection with all parts of its business. In general, liability for litigation is difficult to assess or quantify. Recovery may be sought for very large and/or indeterminate amounts and the existence and magnitude of liability may remain unknown for substantial periods of time.

Given the inherent unpredictability of litigation, it is possible that an adverse outcome in some matters could, from time to time, have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition (arising from the criminal and civil penalties and fines as well as, if relevant, the costs of defending any action).

Part IV

Additional Information

1. Registered Office

The registered office of the Company is 80 George Street, Edinburgh EH2 3BU which is also the business address of each of the Directors.

2. Directors

The Directors are as follows:

Robert Jenkins	Chairman
Keith Bedell-Pearce	Non-Executive, Senior Independent Director
Alain Grisay	Chief Executive
David Logan	Chief Financial Officer
Dick De Beus	Independent Non-Executive Director
Brian Larcombe	Independent Non-Executive Director
Nicholas MacAndrew	Independent Non-Executive Director
Jeff Medlock	Non-Executive Director
Sir Adrian Montague, CBE	Non-Executive Director
Gerhard Roggemann	Independent Non-Executive Director
James Smart	Non-Executive Director

3. Directors and Other Interests

3.1 As at the date of this document, the interests of the Directors, and of persons connected with them, which, unless otherwise stated, are beneficial, in the issued Ordinary Share capital of the Company, which have been notified to the Company pursuant to section 182 of the Act or are the interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed above, and the existence of which is known or could with reasonable diligence be ascertained by that Director, are set out below:

		Number of Ordinary Shares	*Percentage of Ordinary Shares*
Robert Jenkins	Beneficial	200,000	0.04
	Non Beneficial*	64,176	0.01
Keith Bedell-Pearce	Beneficial	51,285	0.01
Alain Grisay	Beneficial	1,438,676	0.29
David Logan	Beneficial	1,490	less than 0.01
Dick de Beus	Beneficial	Nil	–
Brian Larcombe	Beneficial	20,000	less than 0.01
	Non Beneficial*	64,176	0.01
Nicholas MacAndrew	Beneficial	25,000	less than 0.01
Jeff Medlock	Beneficial	10,000	less than 0.01
Sir Adrian Montague	Beneficial	Nil	–
Gerhard Roggemann	Beneficial	Nil	–
James Smart	Beneficial	Nil	–

* Robert Jenkins and Brian Larcombe are Directors of the F&C Group ESOP Trustee Limited, a company incorporated in 1995 as a discretionary employee benefit trust to encourage and facilitate the acquisition and holding of shares in the Company by employees.

3.2 In addition to the interests in the share capital of the Company described in paragraph 3.1 above, the following options (which, as at the date of this document, remain unexercised) have been granted to the Directors under the F&C Share Schemes:

F&C Share Save Scheme

Director	*Number of Ordinary Shares under option*	*Exercise Price per Ordinary Share (pence)*	*Date from which options become exercisable*
David Logan	6,548	144.3	25 April 2010

The Directors are also interested in Ordinary Shares pursuant to deferred or restricted shareholders schemes as follows:

Executive Director Remuneration Plan

Director	*Nature of Award*	*Total Awards Outstanding*	*Share price at date of award (pence)*
Alain Grisay	Deferred	1,300,000	193.0
	Deferred	740,740	175.5
	Restricted	2,500,000	193.0
David Logan	Deferred	200,574	193.0
	Deferred	284,900	175.5
	Restricted	360,000	193.0

Deferred Share Award

Director	*Number of Ordinary Shares*	*Date of vesting*	*Share price*
David Logan	154,838	July 2009	193.75

3.3 Apart from the interests set out in paragraph 3.1 and 3.2 above, there are no other interests of a Director, or of any person connected with a Director, which are required to be disclosed under the Act.

3.4 Save as disclosed below, no Director has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected during the current or immediately preceding financial year of the Company or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

3.4.1 Sir Adrian Montague, James Smart, Gerhard Roggemann and Alain Grisay are directors of both the Company and its parent company, Friends Provident. The Company has entered into a relationship agreement dated 4 October 2004 with Friends Provident, which formalises the ongoing relationship between Friends Provident and Friends Provident's subsidiaries. In accordance with best practice, this relationship agreement is submitted annually to Shareholders for renewal annually at the Company's annual general meeting. The relationship agreement was renewed at the Company's annual general meeting held on 13 May 2008.

3.4.2 The Directors have the benefit of the indemnity provision set out in the Company's articles of association at article 166 which is a qualifying third party indemnity provision as that term is defined in the Companies Act 2006. David Logan has received a qualifying third party indemnity from the Company as set out on page 29 of the Annual Report which is incorporated by reference. Since the date of the Annual Report, each director of the Company has been granted a qualifying third party indemnity by the Company (including an indemnity granted to Mr Logan which is supplemental to the indemnity referred to in the Annual Report).

4. Substantial interests in shares

As at 12 August 2008 (the latest practicable date prior to publication of this document), the Company was aware of the following beneficial holdings of persons other than Directors who were interested, directly or indirectly, in 3 per cent. or more of the Issued Share Capital of the Company:

Shareholder	*Number of Ordinary Shares*	*Percentage of Issued Share Capital*
Friends Provident	258,722,798	52.2
Eureko	51,128,190	10.3
Artemis	17,000,000	3.4

5. Service agreements

Details of the Directors' service contracts which provide for benefits on termination of employment were included in Annual Report on pages 46 and 47, which are incorporated by reference.

6. Working Capital

It is the Company's opinion that the working capital of the Enlarged Group, taking into account its cash resources and existing bank and other available facilities, is sufficient for the Enlarged Group's present requirement, that is for the next twelve months from the date of this document.

7. Material contracts

7.1 The following contracts, not being contracts entered into in the ordinary course of business, (i) have been entered into by the Group within the two year period immediately preceding the date of this document and are or may be material, or (ii) are contracts entered into at any time and which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

7.1.1 The Transaction Documents summarised in Part II of this Document.

7.2 The following contracts, not being contracts entered into in the ordinary course of business, (i) have been entered into by REIT within the two year period immediately preceding the date of this document and are or may be material, or (ii) are contracts entered into at any time and which contain any provision under which REIT has any obligation or entitlement which is material to REIT as at the date of this document.

7.2.1 The Transaction Documents summarised in Part II of this Document.

7.3 The following contracts, not being contracts entered into in the ordinary course of business, (i) have been entered into by F&C REIT within the two year period immediately preceding the date of this document and are or may be material, or (ii) are contracts entered into at any time and which contain any provision under which F&C REIT has any obligation or entitlement which is material to REIT as at the date of this document.

7.3.1 The Transaction Documents summarised in Part II of this document.

8. Significant changes

8.1 There has been no significant change in the financial or trading position of the Group since 30 June 2008, the date to which the last unaudited interim accounts of the Group were prepared.

8.2 There has been no significant change in the financial or trading position of REIT since 31 March 2008, the date to which the audited financial statements set out in Part V were prepared.

8.3 There has been no significant change in the financial or trading position of F&C REIT since 27 June 2008, the date of incorporation of F&C REIT.

9. Litigation

9.1 Save as set out below, no member of the Group is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against any member of the Group of which the Company is aware) which may have or may have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability.

A person who was employed by the Company as Director and Head of Legal from 1 June 2001 until 7 September 2007 when the employee resigned, has submitted four separate claims in the Central Employment Tribunal in London against the Company and certain named individuals within the Company, based on direct sex discrimination, indirect sex discrimination, harassment on the grounds of sex, victimisation, whistleblowing, disability discrimination and lack of equal pay. The total amount of compensation claimed by the employee is £19 million.

The first three claims were heard between 19 November and 10 December 2007. On 10 January 2008, the Employment Tribunal gave judgment on the matters contained in the first three claims and while dismissing a number of matters raised, it held that the employee had been subject to three forms of sex discrimination (less favourable treatment on the grounds of sex and harassment on the grounds of sex) and victimisation, by the Company and certain named individuals within the Company. The Company brought an appeal on the judgment of the Employment Tribunal in respect of the first three claims to the Employment Appeal Tribunal. This was heard in April 2008, but the Employment Appeal Tribunal upheld the decision of the original Employment Tribunal. The Company denies the claims and intends to continue to defend them.

On 16 June 2008, the Company successfully applied for the original tribunal to undertake a review of its decision on the first three claims following the discovery of new evidence relating to the employee's claims. Following the conclusion of the review, the Employment Tribunal may confirm, vary or revoke their original decision. If the decision is revoked, the Employment Tribunal must order the decision to be taken again.

The fourth claim, which alleges constructive dismissal, sex discrimination and disability discrimination in relation to the employee's resignation of 7 September 2007, commenced being heard by the Employment Tribunal in the week commencing 16 June 2008. The Employment Tribunal completed the hearing of the fourth claim on 27 June 2008 with judgment from the Employment Tribunal now being awaited along with the results of their review of the original decision in the first three claims.

A remedies hearing to determine the amount of compensation awarded to the employee in respect of the first three claims (and the fourth, if successful) has not yet been fixed but is likely to be held some time in early 2009.

9.2 REIT is neither involved nor has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against REIT of which REIT is aware) which may have or may have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of REIT.

9.3 F&C REIT is neither involved nor has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against F&C REIT of which F&C REIT is aware) which may have or may have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of F&C REIT.

10 Related Party transactions

During the period covered by the historical financial information set out in Part V, the Company did not enter into any related party transactions (which for these purposes are those set out in the Standards adopted according to the regulation (EC) No 1606/2002) save as disclosed in paragraphs 3.4.1 and 3.4.2 above.

11. Consents

11.1 Fenchurch Advisory Partners has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

11.2 Deloitte has given and not withdrawn its consent to the inclusion in this document of the accountant's report in Part VI of this document in the form and context in which it is included.

11.3 JPMorgan Cazenove has given and not withdrawn its written consent to the inclusion in its document of references to its name in the form and context in which they appear.

12. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the Extraordinary General Meeting:

(a) the Memorandum and Articles of Association of the Company;

(b) the audited consolidated accounts of the Group for the 2 years ended 31 December 2007;

(c) the Transaction Documents;

(d) the material contracts referred to in paragraph 7 of Part IV of this document;

(e) the irrevocable undertakings from Friends Provident and Eureko referred to in Part I of this document; and

(f) the written consents referred to in paragraph 11 of Part IV of this document.

Part V

Financial Information on REIT

REIT ASSET MANAGEMENT

COMBINED INCOME STATEMENT

		For the year ended 31 March		
		2008	*2007*	*2006*
	Note	*£*	*£*	*£*
Revenue	4	17,907,704	21,132,914	18,442,000
Cost of sales		(1,931,649)	(2,851,679)	(2,794,444)
Gross profit		15,976,055	18,281,235	15,647,556
Other operating income		–	9,155	76,291
Administrative expenses		(6,649,338)	(8,186,370)	(4,442,084)
Profit from operations	5	9,326,917	10,104,020	11,281,763
Investment income	7	182,773	85,663	103,598
Finance costs	7	(22,073)	(46,695)	(22,248)
Profit before tax		9,487,417	10,142,988	11,363,113
Tax (expense) / benefit	8	(428,501)	(689,322)	49,950
Profit for the year available for distribution between partners		9,058,916	9,453,666	11,413,063

The notes on pages 22 to 38 form an integral part of this financial information

REIT ASSET MANAGEMENT

COMBINED BALANCE SHEET

			At 31 March	
		2008	*2007*	*2006*
	Note	*£*	*£*	*£*
ASSETS				
Non-current assets				
Property, plant and equipment	10	620,265	663,590	351,465
		620,265	663,590	351,465
Current assets				
Trade and other receivables	11	13,268,897	10,433,824	4,274,430
Cash and cash equivalents	12	4,266,075	6,067,281	591,268
		17,534,972	16,501,105	4,865,698
Total assets		18,155,237	17,164,695	5,217,163
LIABILITIES				
Current liabilities				
Trade and other payables	13	3,041,736	6,343,895	1,618,650
Current tax liabilities		1,255,143	733,485	129,250
Loans and borrowings	14	171,993	350,021	452,081
		4,468,872	7,427,401	2,199,981
Total liabilities		4,468,872	7,427,401	2,199,981
NET ASSETS		13,686,365	9,737,294	3,017,182
EQUITY				
Partners' account	15	13,039,562	9,731,970	3,010,575
Foreign currency translation reserve	15	646,803	5,324	6,607
TOTAL EQUITY		13,686,365	9,737,294	3,017,182

The notes on pages 22 to 38 form an integral part of this financial information

REIT ASSET MANAGEMENT

COMBINED STATEMENT OF CHANGES IN EQUITY

	Partners' Account £	*Foreign Currrency Translation Reserve* £	*Total equity* £
Balance at 1 April 2005	7,784,962	2,539	7,787,501
Changes in equity for 2006			
Exchange differences arising on translation of foreign operation	–	4,068	4,068
	7,784,962	6,607	7,791,569
Profit for the year	11,413,063	–	11,413,063
Issue of partners' capital	2,000	–	2,000
	19,200,025	6,607	19,206,632
Partners' drawings	(16,189,450)	–	(16,189,450)
Balance at 31 March 2006	3,010,575	6,607	3,017,182
Changes in equity for 2007			
Exchange differences arising on translation of foreign operation	–	(1,283)	(1,283)
	3,010,575	5,324	3,015,899
Profit for the year	9,453,666	–	9,453,666
Issue of partners' capital	2,000	–	2,000
	12,466,241	5,324	12,471,565
Partners' drawings	(2,734,271)	–	(2,734,271)
Balance at 31 March 2007	9,731,970	5,324	9,737,294
Changes in equity for 2008			
Exchange differences arising on translation of foreign operation	–	641,479	641,479
	9,731,970	646,803	10,378,773
Profit for the year	9,058,916	–	9,058,916
Issue of partners' capital	–	–	–
	18,790,886	646,803	19,437,689
Partners' drawings	(5,751,324)	–	(5,751,324)
Balance at 31 March 2008	13,039,562	646,803	13,686,365

The notes on pages 22 to 38 form an integral part of this financial information

REIT ASSET MANAGEMENT

COMBINED CASH FLOW STATEMENT

	Note	*For the year ended 31 March* 2008 £	2007 £	2006 £
Cash flows from operating activities				
Profit before tax for the year		9,487,417	10,142,988	11,363,113
Adjustments for:				
Depreciation		200,168	228,573	117,191
Loss on disposal of property, plant and equipment		778	36,087	7,282
Investment income		(182,773)	(85,663)	(103,598)
Finance cost		22,073	46,695	22,248
Non cash estimated rental expense		344,100	219,000	219,000
Cash flows from operating activities before changes in working capital and provisions		9,871,763	10,587,680	11,625,236
(Increase)/decrease in trade and other receivables		(2,835,073)	(6,159,394)	1,236,949
(Decrease)/increase in trade and other payables		(3,302,159)	4,725,245	825,359
Cash generated from operations		3,734,531	9,153,531	13,687,544
Income taxes received/(paid)		93,158	(85,088)	(125,925)
Investment income received		182,773	85,663	103,598
Finance cost paid		(22,073)	(46,695)	(22,248)
Net cash inflow from operating activities		3,988,389	9,107,411	13,642,969
Cash flows from investing activities				
Purchase of property, plant and equipment		(218,906)	(715,515)	(789,377)
Proceeds from sale of property, plant and equipment		71,253	136,641	716,588
Net cash (outflow) from investing activities		(147,653)	(578,874)	(72,789)
Cash flows from financing activities				
Partners' drawings		(6,095,424)	(2,953,271)	(16,408,450)
Issue of Partners' capital		–	2,000	2,000
Net cash (outflow) from financing activities		(6,095,424)	(2,951,271)	(16,406,450)
Net (decrease)/increase in cash and cash equivalents		(2,254,688)	5,577,266	(2,836,270)
Net foreign exchange differences		631,510	807	2,405
Cash and cash equivalents at beginning of year		5,717,260	139,187	2,973,052
Cash and cash equivalents at end of year	12	4,094,082	5,717,260	139,187

The notes on pages 22 to 38 form an integral part of this financial information

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the combined financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial information has been presented in Pounds Sterling because that is the currency of the primary economic environment in which the Combined Group (as defined below) operates. Foreign operations are included in accordance with the policies set out in 1(e) below.

Basis of accounting

The combined financial information for the three years ended 31 March 2008 has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board (IASB) as adopted for use in the European Union.

The source of the financial information is internal financial accounting records of the various entities listed below.

Basis of preparation

The entities that are subject to this transaction have not formed part of a single group historically and accordingly have not previously prepared consolidated group accounts. Instead, they have prepared individual sets of accounts in accordance with their respective partnership agreements or applicable local statutory requirements. For the purposes of this circular the financial information has been prepared under IFRS as if all of the entities subject to the transaction were, and had always been, a single group with REIT Asset Management, being the parent as this is the principal operating entity in the UK. The share capital (if any) and revenue reserves of the entities have been included within partners' equity. The entities included within the Combined Group are either partnerships or companies, and are as follows (together the "Combined Group"):

* REIT Asset Management	UK partnership
* REIT Corporate Finance Limited	UK company
* REIT Worldwide Limited	Gibraltarian company
* REIT Europe Limited	Gibraltarian company
* TIER Services Limited	UK company
* REIT Asset Management GmbH & Co KG	German partnership, this was formerly, until 31 March 2006, a company called REIT Asset Management GmbH
* REIT Asset Management Sweden AB	Swedish company
* REIT Property Management India Pvt Limited	Indian company

All the above entities have a 31 March year end, except for REIT Asset Management Sweden AB, which has a 31 December year end.

Basis of combination

The combined financial information incorporates the financial information of the entities listed above, effectively consolidating their revenues, expenses, assets and liabilities. Inter-entity transactions and balances between entities within the Combined Group are eliminated on consolidation.

Additionally, the entities within the Combined Group have historically held certain investments on behalf of their principals. These investments were not part of the core activities of the Combined Group and are not part of the proposed transaction. Accordingly, the balances and items of revenue and expense related to such investments have been carved out of the historical financial information presented.

Since the UK activities of the Combined Group were conducted from part of premises which are owned by the partners, an estimated historical rental expense based on rentals estimated for the entire property and pro-rated by floor space utilised by the Combined Group, has been included in the historical financial information presented.

The financial information of entities with non coterminous year-ends has been adjusted to end on 31 March of each year.

The following significant accounting policies have been adopted in the preparation and presentation of the financial information.

(b) Adoption of new and revised Standards

New standards, amendments to published standards and interpretations to existing standards effective in 2008 adopted by the Combined Group

IFRS 7, Financial Instruments: Disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – capital disclosures (effective for accounting periods beginning on or after 1 January 2007).

IFRS 7 introduces new requirements aimed at improving the disclosure of information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. Where those risks are deemed to be material to the Combined Group it requires disclosures based on the information used by key management. It replaces the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Combined Group has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1 January 2007, which has had no impact on the disclosures of the Combined Group.

Standards, interpretations and amendments to published standards effective in 2007 but which are not relevant to the Combined Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are currently not relevant to the Combined Group's operations.

IFRIC 8, Scope of IFRS 2 (effective for accounting periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issue or grant of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to situations where the identifiable consideration received is, or appears to be, less than the fair value of the equity instruments issued. There was no impact on the Combined Group's accounts from its adoption.

Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods and which the Combined Group has decided not to adopt early. The following standards, amendments and interpretations are still to be endorsed by the EU.

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). Management of the Combined Group anticipate that adoption of the Statement in future periods will have no material impact on the financial statements of the Combined Group except for additional segment disclosures.

IAS 1, Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 1 requires a Statement of Comprehensive Income that includes all non–owner changes in equity. Transactions with owners, such as dividends and share issues, will be reported in the Statement of Changes in Equity. Management of the Combined Group is currently assessing the impact of this amendment on the Combined Group's accounts.

(c) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable and represents amounts receivable for the provision of services in the normal course of business, net of any discounts and after the elimination of any inter-entity revenues. The following specific recognition criteria must be met before revenue is recognised:

Management fees

Management fees are billed to clients on a quarterly basis, with the level of the fee calculated as either a percentage of the cost or value of the clients' property asset or as a percentage of the rental income collected in respect of the property. Management fees are recognised on an accruals basis, in the period in which the services are provided.

Transaction fees

Transaction fees are earned on the sale or disposal of client held property at a specified rate of the gross sale and purchase price. These fees are only earned and therefore recognised following completion of the sale or purchase.

Financial advice fees

These fees are charged to the client on an individually negotiated basis at appropriate commercial rates and are recognised when the services are provided.

Interest

Interest income is recognised as interest accrues, using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(d) Allocation of profits

The profits of the UK partnership are allocated to the partners in accordance with the partnership agreement dated 27 August 1998.

Payments to the partners of REIT Asset Management are included in Partners' Drawings in the Statement of Changes in Equity rather than as remuneration in the Income Statement.

The following individuals and companies were partners throughout the 3 years. All partners have been partners of REIT Asset Management throughout the 3 year period, unless otherwise stated:

Leo Noé		
Ivor Smith		
Kevin McGrath	–	resigned 25 October 2007
Martin Sheppard	–	resigned 25 October 2007
Bradstone Associates Limited	–	resigned 26 March 2008
Fieldmount Investments Limited	–	resigned 26 March 2008
Tring Securities Limited	–	resigned 25 October 2007
Hamilton Investments (London) Limited	–	resigned 25 October 2007

(e) Foreign Currency Translation

Transactions entered into by Combined Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the combined income statement.

On combination, the results of overseas operations are translated into Pounds Sterling, the presentational currency of these financial statements, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in the income statement of Combined Group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on combination.

(f) Financial Assets

The Combined Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Combined Group has not classified any of its financial assets as fair value through income statement, available for sale or held to maturity and has never held any derivative instruments. The Combined Group's accounting policy for each class of financial asset it has held is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Combined Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Combined Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(g) Financial Liabilities

Financial liabilities, including bank borrowings, are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. These amounts are unsecured and have typically 14-60 day payment terms.

The Combined Group does not have any liabilities that are held for trading nor has it designated any financial liabilities as being at fair value through the income statement.

(h) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of balance sheet date are recognised in respect of employees' services rendered up to the balance sheet date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries, annual leave and sick leave are included as part of accruals.

Profit-sharing and Bonus Plans

The Combined Group recognises an expense and a liability for bonuses and profit-sharing based on the profits of the specific entity when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

Retirement Benefit Obligations

Contributions to employee defined contribution pension funds are recognised as expenses as they become payable.

(i) Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(j) Property, Plant and Equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Any corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

– Motor vehicles	25% reducing balance
– Furniture, fittings and equipment	33% straight line

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the income statement in the year that the item is disposed.

(k) Impairment of fixed Assets

The need for any fixed asset impairment writedown is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

(l) Taxation

Income tax payable on the profits of any of the partnerships aggregated within the Combined Group is solely the personal liability of the individual members of the partnership and consequently is not included within this financial information.

Certain entities within the Combined Group are companies and are subject to corporation tax based on their profits.

The corporation tax expense for these entities is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary timing differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax in relation to these taxable companies is recognised using the liability method on all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the tax rates that are substantively enacted at the balance sheet date and expected to apply in the periods in which the temporary differences reverse.

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

All key accounting estimates and judgements are included in the accounting policies note. The group generally does not make material estimates and judgements, except for that noted below.

Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the combined income statement in specific periods. More details including carrying values are included in note 10.

NOTE 3 FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Combined Group is exposed through its operations to the following financial risks:

* Credit risk
* Liquidity risk
* Market risk (price, foreign currency and interest rate risks)

In common with all other businesses, the Combined Group is exposed to risks that arise from its use of financial instruments. This note describes the Combined Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Capital management

The Combined Group has a general policy of financing operations through equity, although a relatively small amount of debt financing is used.

One of the entities within the Combined Group, REIT Corporate Finance Limited, is regulated by the Financial Services Authority in the UK and has a requirement to maintain its capital and reserves in excess of £86,000. The entity has complied with this capital requirement throughout the years ended 31 March 2006, 2007 and 2008.

For capital management purposes, the total equity is classified as capital. No borrowings are classified as capital.

Principal financial instruments

The principal financial instruments used by the Combined Group from which financial instrument risk arises, are as follows:

* trade and other receivables
* cash at bank
* bank overdrafts
* trade and other payables

The significant accounting policies on which the above were recognised are disclosed in note 1 to the financial information. Further analysis of these balances is included in notes 11, 13 and 14.

General objectives, policies and processes

The partners have overall responsibility for the determination of the Combined Group's risk management objectives and polices. Management receives quarterly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the partners is to set polices that seek to reduce risk as far as possible without unduly affecting the Combined Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Combined Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Combined Group is mainly exposed to credit risk from credit sales. It is the Combined Group's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

There is also a credit risk in that clients of the Combined Group could experience cashflow issues which could result in them defaulting on their fees due to the Combined Group. This is mitigated by fees being charged on a quarterly basis so reducing the size of the exposure.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only well known banks in the country of operation are used.

The Combined Group does not enter into derivatives to manage credit risk, although in certain isolated cases it may take steps to mitigate such risks where the risk is considered to be sufficiently concentrated.

Management of the Combined Group reviews major outstanding debts on a quarterly basis, and obtain explanations as to why the balances are unpaid. Provisions for impairment are then duly made, where required.

Quantitative disclosures of the credit risk exposure in relation to trade and other receivables, which are neither past due nor impaired, are disclosed in note 11. An analysis of the Combined Group's current net trade receivable balance along with historical default rates is shown in the table below:

	2008	*2007*	*2006*	*Historical default rate*
Trade receivables	5,440,993	5,669,622	2,142,544	0%

At the reporting date the Combined Group does not expect any defaults from non-performance by the counterparties.

The partners believe that there is no significant concentration of credit risk.

Liquidity risk

Liquidity risk arises from the Combined Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Combined Group will encounter difficulty in meeting its financial obligations as they fall due.

The Combined Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 1 year.

The maturity analysis of these balances is included in note 13.

Market risk

Fair value and cash flow interest rate risk

The Combined Group is sometimes exposed to cash flow interest rate risk from short-term bank overdrafts, for short periods, at variable rates denominated in Pounds Sterling and Euro. Any overdrafts are within the pre-agreed limits.

At appropriate times when entities within the Combined Group have large cash surpluses, this surplus cash has been deposited into accounts where management has been able to obtain the highest possible interest rates available from the banks and financial institutions authorised for use.

The partners did not perform an interest rate risk sensitivity as they did not consider this exposure to be significant.

Foreign exchange risk

The Combined Group's policy is, where possible, to allow Combined Group entities to settle liabilities denominated in their functional currency (primarily Euro, Pound Sterling, Swedish Krona) with the cash generated from their own operations in that currency. Therefore foreign exchange risk is minimised.

The Combined Group is still exposed to risks arising from translating the results of foreign operations into the presentational currency. A 10 per cent. depreciation in the value of the Pound Sterling against the Euro would affect the post tax profits of the Combined Group by the following amounts:

	2008	*2007*	*2006*
	£	*£*	*£*
Increase/(decrease) on post tax profit of a 10% change in the value of the Pound Sterling	180,054	252,530	(15,393)

10% represents management's assessment of a reasonably possible change in foreign exchange rates, although this cannot be presented with certainty.

	2008	*2007*	*2006*
	£	*£*	*£*
Increase on the net assets of a 10% change in the value of the Pound Sterling	500,049	284,078	41,742

The Combined Group's foreign currency denominated monetary assets and liabilities at the reporting date are shown in notes 11 and 13.

Price risk

Although revenue may vary with changes in property market values, the partners do not consider there to be significant exposure to price risk for the Combined Group because management fee income is based either on rental income received or the original cost of property. However, some of the fees may vary with the liquidity and movement of the property market.

NOTE 4 REVENUE

	Combined For the year ended 31 March 2008 £	2007 £	2006 £
From continuing operations			
Management fees	9,657,382	6,621,134	5,866,425
Transaction fees	2,630,852	7,362,566	4,577,314
Financial advice fees	5,619,470	7,149,214	7,998,261
Revenue	17,907,704	21,132,914	18,442,000

NOTE 5 PROFIT FROM OPERATIONS

	Combined For the year ended 31 March 2008 £	2007 £	2006 £
This has been arrived at after charging/(crediting):			
Staff costs (see note 6)	4,365,689	3,790,869	2,115,888
Depreciation	200,168	228,573	117,191
Foreign exchange differences	693,356	(29,288)	–
Loss on disposal of property, plant and equipment	778	36,087	7,282
Operating lease expense			
– actual lease payment	142,134	118,513	46,815
Estimated rental expense (see note 1(a))	344,100	219,000	219,000
Auditors' remuneration			
– audit of group	42,850	30,935	34,800
– tax compliance	900	7,915	10,000
– other	750	1,836	1,500

NOTE 6 STAFF COSTS

	Combined For the year ended 31 March 2008 £	2007 £	2006 £
Staff costs (including key management personnel) comprise:			
Wages and salaries	3,840,391	3,424,792	1,873,513
Short-term monetary benefits	38,660	24,465	17,213
Defined contribution pension cost	52,664	23,696	19,460
Employer's national insurance contributions and similar taxes	433,974	317,916	205,702
	4,365,689	3,790,869	2,115,888

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Combined Group, including the members of the partnership. Payments to the partners of REIT Asset Management are shown in partners' drawings rather than as remuneration, and have been excluded from the table below.

	Combined For the year ended 31 March 2008 £	2007 £	2006 £
Salary	803,780	707,907	250,764
Bonuses	55,333	1,608,865	1,178
Defined contribution pension cost	17,573	6,103	4,585
	876,686	2,322,875	256,527

NOTE 7 INVESTMENT INCOME AND FINANCE COSTS

	Combined For the year ended 31 March 2008	2007	2006
Recognised in profit or loss	£	£	£
Investment income			
Interest received - bank	182,773	83,851	103,598
Interest received - other	–	1,812	–
	182,773	85,663	103,598
Finance costs			
Interest expense on financial liabilities measured at amortised cost	22,073	46,695	22,248

NOTE 8 INCOME TAX EXPENSE IN CORPORATE ENTITIES

The financial information does not incorporate any charge or liability for taxation on the results of the partnerships combined within the group as the taxation is the responsibility of the individual partners.

The tax charge that arises in the corporate entities included within the combined financial information is as follows:

	Combined For the year ended 31 March 2008	2007	2006
	£	£	£
Current tax – UK corporation tax expense	59,718	49,736	5,075
Current tax – German trade tax expense/(benefit)	368,783	639,586	(55,025)
	428,501	689,322	(49,950)

The following table reconciles the tax expense at the standard rate to the actual tax expense:

	Combined For the year ended 31 March 2008	2007	2006
	£	£	£
Profit/(loss) on ordinary activities of corporate entities before tax	2,767,659	6,848,090	(749,813)
Tax expense at UK standard rate of 20% (2007: 19%; 2006: 19%)	553,532	1,301,137	(142,464)
– Income and expenses not subject to tax as companies located in Gibraltar	(171,613)	(746,478)	50,918
– Income and expenses of German operations subject to trade tax rather than corporation tax	(421,076)	(562,770)	39,701
– German trade tax	368,783	639,586	(55,025)
– Swedish company not subject to tax	(12,789)	(38,558)	–
– Expenses not deductible for tax purposes	49	–	–
– Tax losses and timing differences not recognised in India due to the company being loss making	111,249	96,405	60,825
– Depreciation in excess of capital allowances	366	–	–
– Utilisation of losses brought forward not previously recognised	–	–	(3,905)
	428,501	689,322	(49,950)

NOTE 9 SEGMENT REPORTING

Description of segments

The Combined Group's primary reporting format is geographical segments.

Geographical segments

The Combined Group is managed globally and operates in the following main geographical areas:

E.U
Non E.U.

Business segments

The Combined Group operates within one business segment.

Primary reporting format – *geographical segments*

31 March 2008

	E.U. £	*Non E.U.* £	*Total operations* £	*Intersegment eliminations/ Unallocated* £	*Combined Group* £
Segment Revenue					
Sales to external customers	17,616,290	291,414	17,907,704	–	17,907,704
Total sales revenue	17,616,290	291,414	17,907,704	–	17,907,704
Other revenue/income	–	–	–	–	–
Total segment revenue/income	17,616,290	291,414	17,907,704	–	17,907,704
Segment Result					
Segment result	10,043,662	(556,245)	9,487,417	–	9,487,417
Unallocated expense					–
Profit before income tax					9,487,417
Income tax expense					(428,501)
Net profit for the year					9,058,916
Segment Assets and Liabilities					
Segment assets	19,891,400	(1,253,623)	18,637,777	(482,540)	18,155,237
Unallocated assets					–
Total assets					18,155,237
Segment liabilities	5,868,511	128,146	5,996,657	(1,527,785)	4,468,872
Unallocated liabilities					–
Total liabilities					4,468,872
Depreciation	200,168	–	200,168	–	200,168
Fixed asset additions	210,935	7,971	218,906	–	218,906

31 March 2007

	E.U. £	*Non E.U.* £	*Total operations* £	*Intersegment eliminations/ Unallocated* £	*Combined Group* £
Segment Revenue					
Sales to external customers	20,983,909	149,005	21,132,914	–	21,132,914
Total sales revenue	20,983,909	149,005	21,132,914	–	21,132,914
Other revenue/income	9,155	–	9,155	–	9,155
Total segment revenue/income	20,993,064	149,005	21,142,069	–	21,142,069
Segment Result					
Segment result	10,650,381	(507,393)	10,142,988	–	10,142,988
Unallocated expense					–
Profit before income tax					10,142,988
Income tax expense					(689,322)
Net profit for the year					9,453,666
Segment Assets and Liabilities					
Segment assets	17,957,969	292,685	18,250,654	(1,085,959)	17,164,695
Unallocated assets					–
Total assets					17,164,695
Segment liabilities	7,394,340	1,118,209	8,512,549	(1,085,148)	7,427,401
Unallocated liabilities					–
Total liabilities					7,427,401
Depreciation	228,573	–	228,573	–	228,573
Fixed asset additions	694,882	20,633	715,515	–	715,515

31 March 2006

	E.U.	*Non E.U.*	*Total operations*	*Intersegment eliminations/ Unallocated*	*Combined Group*
	£	*£*	*£*	*£*	*£*
Segment Revenue					
Sales to external customers	18,442,000	–	18,442,000	–	18,442,000
Total sales revenue	18,442,000	–	18,442,000	–	18,442,000
Other revenue/income	76,291	–	76,291	–	76,291
Total segment revenue/income	18,518,291	–	18,518,291	–	18,518,291
Segment Result					
Segment result	11,683,244	(320,131)	11,363,113	–	11,363,113
Unallocated expense					–
Profit before income tax					11,363,113
Income tax expense					49,950
Net profit for the year					11,413,063
Segment Assets and Liabilities					
Segment assets	5,096,077	121,086	5,217,163	–	5,217,163
Unallocated assets					–
Total assets					5,217,163
Segment liabilities	1,760,763	439,218	2,199,981	–	2,199,981
Unallocated liabilities					–
Total liabilities					2,199,981
Depreciation	117,191	–	117,191	–	117,191
Fixed asset additions	789,377	–	789,377	–	789,377

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	*Fixtures and fittings*	*Computer Equipment*	*Total*
	£	*£*	*£*	*£*
Cost or valuation				
Balance at 1 April 2005	618,840	100,914	1,016	720,770
Additions	612,192	117,558	59,627	789,377
Disposals	(721,642)	(2,062)	(166)	(723,870)
Effect of movements in foreign exchange	–	911	751	1,662
Balance at 31 March 2006	509,390	217,321	61,228	787,939
Balance at 1 April 2006	509,390	217,321	61,228	787,939
Additions	629,935	59,568	26,012	715,515
Disposals	(368,194)	(14,523)	–	(382,717)
Effect of movements in foreign exchange	–	(1,165)	(924)	(2,089)
Balance at 31 March 2007	771,131	261,201	86,316	1,118,648
Balance at 1 April 2007	771,131	261,201	86,316	1,118,648
Additions	57,688	146,435	14,783	218,906
Disposals	(177,777)	(24,278)	(38,117)	(240,172)
Effect of movements in foreign exchange	–	5,864	4,104	9,968
Balance at 31 March 2008	651,042	389,222	67,086	1,107,350
Accumulated depreciation				
Balance at 1 April 2005	273,809	44,840	634	319,283
Depreciation charge for the year	57,119	49,598	10,474	117,191
Balance at 31 March 2006	330,928	94,438	11,108	436,474
Balance at 1 April 2006	330,928	94,438	11,108	436,474
Depreciation charge for the year	154,653	49,487	24,433	228,573
Disposals	(195,982)	(14,007)	–	(209,989)
Balance at 31 March 2007	289,599	129,918	35,541	455,058
Balance at 1 April 2007	289,599	129,918	35,541	455,058
Depreciation charge for the year	109,282	58,220	32,666	200,168
Disposals	(120,642)	(19,657)	(27,842)	(168,141)
Balance at 31 March 2008	278,239	168,481	40,365	487,085
Net book value				
At 31 March 2006	178,462	122,883	50,120	351,465
At 31 March 2007	481,532	131,283	50,775	663,590
At 31 March 2008	372,803	220,741	26,721	620,265

NOTE 11 TRADE AND OTHER RECEIVABLES

	2008	Combined 31 March 2007	2006
	£	£	£
Current			
Trade receivables	5,172,878	5,441,854	1,954,527
Receivables from related parties	303,793	233,287	191,732
Other receivables	7,127,801	4,328,557	1,843,003
Accrued income	406,476	214,020	–
Total financial assets other than cash and cash equivalents classifed as loans and receivables	13,010,948	10,217,718	3,989,262
Prepayments	257,949	216,106	285,168
	13,268,897	10,433,824	4,274,430

Receivables from related parties are not secured and do not bear interest.

	2008	Combined 31 March 2007	2006
	£	£	£
Total financial assets other than cash and cash equivalents classified as loans and receivables	13,010,948	10,217,718	3,989,262
Cash and cash equivalents (note 12)	4,266,075	6,067,281	591,268
Total financial assets classified as loans and receivables	17,277,023	16,284,999	4,580,530

The fair values of trade and other receivables classified as loans and receivables are not signficantly different to the book values.

The carrying values above represent the maximum exposure to credit risk.

The Combined Group does not hold any collateral as security.

The carrying values of the Combined Group's trade and other receivables are denominated in the following currencies:

	2008	Combined 31 March 2007	2006
	£	£	£
Pound Sterling	8,659,381	6,258,496	2,838,572
Euro	3,897,404	3,685,040	1,150,690
Swedish Krona	454,163	274,182	–
	13,010,948	10,217,718	3,989,262

NOTE 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the cash flow statement comprise

	2008	Combined 31 March 2007	2006
	£	£	£
Cash at bank and in hand	4,266,075	6,067,281	591,268
	4,266,075	6,067,281	591,268
Overdrafts (note 14)	(171,993)	(350,021)	(452,081)
	4,094,082	5,717,260	139,187

NOTE 13 TRADE AND OTHER PAYABLES

	2008 £	Combined 31 March 2007 £	2006 £
Current			
Trade payables	344,179	928,495	554,078
Payables to related parties	–	–	105
Other tax and social security taxes	163,464	344,259	92,442
Other payables	2,046,239	3,713,110	889,236
Accruals	487,854	1,358,031	82,789
Total current financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	3,041,736	6,343,895	1,618,650

The fair values of trade and other payable carried at amortised cost are not significantly different to the book values.

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows:

	2008 £	Combined 31 March 2007 £	2006 £
Up to 3 months	2,468,678	4,585,545	788,191
3 to 6 months	150,599	8,982	45,376
6 to 12 months	86,007	1,058,786	162,611
Later than 1 year and not later than 5 years	336,452	690,582	622,472
	3,041,736	6,343,895	1,618,650

The carrying values of the Combined Group's trade and other payables are denominated in the following currencies:

	2008 £	Combined 31 March 2007 £	2006 £
Pound Sterling	2,032,423	3,205,277	491,185
Euro	312,886	1,336,635	952,129
Swedish Krona	45,109	99,693	–
	2,390,418	4,641,605	1,443,314

NOTE 14 LOANS AND BORROWINGS

	2008 £	Combined 31 March 2007 £	2006 £
Current			
Overdrafts	171,993	350,021	452,081
	171,993	350,021	452,081

The fair values of current bank borrowings approximates amortised cost.

The bank overdrafts are unsecured and payable on demand.

The carrying values of the Combined Group's loans and borrowings are denominated in the following currencies:

	2008 £	Combined 31 March 2007 £	2006 £
Pound Sterling	50,793	246,131	247,337
Euro	121,200	103,890	204,744
	171,993	350,021	452,081

NOTE 15 PARTNERS' ACCOUNT

	2008 £	Combined 31 March 2007 £	2006 £
Partners' Account			
Balance at the beginning of the year	9,731,970	3,010,575	7,784,962
Additional capital	–	2,000	2,000
Profit for the year available for distribution between members	9,058,916	9,453,666	11,413,063
Drawings and distributions	(5,751,324)	(2,734,271)	(16,189,450)
	13,039,562	9,731,970	3,010,575

	2008 £	Combined 31 March 2007 £	2006 £
Foreign currency translation reserve			
Balance at the beginning of the year	5,324	6,607	2,539
Movement in the year	641,479	(1,283)	4,068
	646,803	5,324	6,607

NOTE 16 RELATED PARTY TRANSACTIONS

Transactions with related parties

The entities below are considered related parties because one or more partners in REIT Asset Management serves as a director of these companies.

The following fees were received from the related parties set out below:

	2008 £	Combined 31 March 2007 £	2006 £
Sale of goods and services			
Pinton Estates PLC Group	1,251,955	791,228	735,658
Ecclestone Hotel Limited	70,950	68,179	67,255
Ashpol PLC Group	271,437	255,550	616,000
Brightsea EPG Limited Group	510,427	–	–
Rachel Charitable Trust	39,227	32,044	24,724
Estates & General Limited Group	344,477	298,834	1,022,299
St Katherine's Investments LP	278,467	306,724	521,767

Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2008	*Combined 31 March 2007*	*2006*
	£	*£*	*£*
Receivables from			
Pinton Estates PLC Group	100,012	112,227	17,837
Ecclestone Hotel Limited	17,737	17,737	16,814
Ashpol PLC Group	35,621	19,199	45,946
Brightsea EPG Limited Group	31,901	–	–
Rachel Charitable Trust	10,781	8,785	4,530
Estates & General Limited Group	24,680	17,470	9,961
St Katherine's Investments LP	83,061	57,869	96,644
	303,793	233,287	191,732

	2008	*Combined 31 March 2007*	*2006*
	£	*£*	*£*
Payables to			
St Katherine's Investments LP	–	–	(105)
	–	–	(105)

Receivables from related parties are unsecured and non interest bearing. The balances are trading balances and are due in the ordinary course of the business.

Payables to related parties are unsecured and non interest bearing. The balances are trading balances and are due to be repaid in the ordinary course of the business.

NOTE 17 COMMITMENTS

Lease commitments	*2008*	*Combined 31 March 2007*	*2006*
	£	*£*	*£*
Non-cancellable operating leases – future minimum lease payments			
Within one year	145,957	117,597	110,005
Later than one year but not later than 5 years	109,087	160,863	264,979
Later than 5 years	–	–	–
	255,044	278,460	374,984

The Combined Group leases various premises, cars and photocopiers under non-cancellable operating leases expiring between 1 and 5 years. The above commitments do not include any rentals which are contingent upon the various Combined Group entities achieving defined turnover levels, nor do they include commitments for any renewal options on leases or in respect of future rentals on the UK property. Lease terms usually run between 3 and 5 years.

Part VI

Accountant's Report

The Board of Directors
F&C Asset Management plc (the "Company")
80 George Street
Edinburgh
EH2 3BU

Dear Sirs

REIT Asset Management and its subsidiaries, REIT Worldwide Limited and its subsidiaries, REIT GmbH & Co KG and REIT Property Management India Pvt Limited (the "Target Group")

We report on the financial information set out in Part V of the Class 1 Circular dated 13 August 2008 relating to the acquisition of the Target Group by FRR Asset Management LLP (to be renamed F&C REIT Asset Management LLP) (the "Circular"). This financial information has been prepared for inclusion in the Circular on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by Listing Rule 13.5.21R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Circular, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Target Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Part VII

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended) and the Companies Act 2006, as the context may require
"Annual Report"	the Annual Report and Accounts of F&C for the year ended 31 December 2007
"Company" or **"F&C"** or **"F&C Asset Management"**	F&C Asset Management plc
"Completion"	completion of the Transaction in accordance with the terms of the Transaction Documents
"Deloitte"	Deloitte & Touche LLP
"Directors" or **"Board"**	the directors of the Company, whose names appear in paragraph 2 of Part IV of this document
"Enlarged Group"	the Group, as enlarged following Completion
"Eureko"	Eureko B.V., a shareholder of F&C
"Executives"	Leo Noé and Ivor Smith
"Extraordinary General Meeting" or **"EGM"**	the extraordinary general meeting of the Company, notice of which is set out at the end of this document, or any adjournment thereof
"F&C Group" or **"Group"**	the Company and its subsidiaries
"F&C Property"	F&C Property Asset Management plc, a wholly owned subsidiary of F&C and, where the context so permits, the property asset management business of F&C carried on in Ireland
"F&C REIT"	FRR Asset Management LLP, to be renamed F&C REIT Asset Management LLP, an LLP registered in England and Wales with registered number OC338377
"F&C Share Schemes"	the Executive Director Remuneration Plan, the 2002 Executive Share Option Scheme, the 2002 Share Save Scheme and the 1995 Executive Share Option Scheme, the Re-investment Plan, the Long-Term Remuneration Plan, the Purchased Equity Plan, the Deferred Share Awards, each as described on pages 101 to 114 of the Annual Report
"Fenchurch Advisory Partners"	Fenchurch Advisory Partners Limited
"Form of Proxy"	the form of proxy accompanying this document for use by Shareholders in connection with the EGM
"Friends Provident"	Friends Provident plc, the majority shareholder of F&C
"Framework Agreement"	the conditional Framework Agreement dated 21 July 2008 and made between the Company, the REIT Parties and F&C REIT in connection with the Transaction, including, where applicable, certain ancillary agreements
"Ireland"	the Republic of Ireland
"Issued Share Capital"	Ordinary Shares in issue from time to time
"JPMorgan Cazenove"	JPMorgan Cazenove Limited
"Kendray"	Kendray Properties Limited
"Listing Rules"	the listing rules of the UK Listing Authority made for the purposes of Part VI of the Financial Services and Markets Act 2000

"LLP Agreement"	the conditional Limited Liability Partnership Agreement dated 21 July 2008 entered into between the Company and the REIT Parties for the purposes of governing the relationship between them in connection with the operation of F&C REIT
"LLP Board"	the board of F&C REIT
"Loan Note Instrument"	the instrument to be executed by the Company upon Completion creating the Notes
"London Stock Exchange"	London Stock Exchange plc
"Notes"	the £35 million floating rate unsecured notes 2010 to be created pursuant to the Loan Note Instrument
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 0.1 pence each in the capital of the Company
"REIT"	REIT Asset Management, a partnership established in England and Wales, and REIT Worldwide
"REIT Owners"	Leo Noé, Ivor Smith and the Trusts
"REIT Worldwide"	REIT Worldwide Limited, a company incorporated in Gibraltar and certain other companies and partnerships owned by the Trusts
"Resolution"	the ordinary resolution contained in the notice of extraordinary general meeting set out at the end of this document, or any adjournment thereof
"Security Document"	the agreement to be entered into at Completion between the Company (1) and Kendray (2) pursuant to which the loan represented by the Notes will be secured over the Company's units in F&C REIT
"Shareholder(s)"	holder(s) of Ordinary Shares
"Shared Services Agreement"	the agreement to be entered into upon Completion by the Company and F&C REIT pursuant to which the Company will provide certain services to F&C REIT and its subsidiaries following Completion
"Takeover Code"	The City Code on Takeovers and Mergers
"Trafalgar"	Trafalgar Overseas Limited
"Trafalgar Group"	Trafalgar and the subsidiaries of Trafalgar
"Transaction"	the acquisition by the Company of a 70 per cent. interest in F&C REIT; the contribution by the Company to F&C REIT of F&C Property; the payment by the Company of £25 million cash and £35 million loan notes; and the acquisition by F&C REIT of the business of REIT.
"Transaction Documents"	the principal documents associated with the Transaction, namely the Framework Agreement, the LLP Agreement, the Umbrella Agreement, the Loan Note Instrument, the Security Document and the Shared Services Agreement
"Trusts"	discretionary trusts established for the benefit in part of the families of Leo Noé and Ivor Smith, namely, Pisa Trust, Helen Trust and Sorrento Trust, all of which are established in Gibraltar
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"Umbrella Agreement"	the agreement to be entered into upon Completion between, *inter alios*, Trafalgar and F&C REIT pursuant to which, *inter alia*, Trafalgar agrees to provide an annual minimum income from base management fees to F&C REIT and its subsidiaries

F&C ASSET MANAGEMENT PLC

(Incorporated and Registered in Scotland with Registered no. SC073508)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of **F&C Asset Management plc** will be held at the Company's Head Office, Exchange House, Primrose Street, London EC2A 2NY, on 29 August 2008 at 12 noon for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Ordinary Resolution:

Ordinary Resolution

THAT for the purposes of Rule 10.5 of the Listing Rules of the UK Listing Authority and Rule 21 of The City Code on Takeovers and Mergers, the proposed transaction of the Company ("Transaction") on the terms of certain documents more particularly set out in the circular relating to the Transaction issued by the Company on 13 August 2008 (the "Circular"), and all agreements or documents which the Board of Directors of the Company or any duly authorised committee thereof may determine are required or are expedient to give effect to the Transaction, be and are hereby approved, and that the Board of Directors of the Company or any duly authorised committee thereof be and is hereby authorised to make such modifications, variations, waivers and extensions of any of the terms or conditions of the Transaction and of any such agreements or documents (provided such modifications, variations, waivers or extension are not of a material nature) as, in their absolute discretion, they think necessary or desirable and to do all such things as, in their absolute discretion, may be necessary or desirable to complete and give effect to, or otherwise in connection with, the Transaction and any matters incidental to the Transaction.

By Order of the Board	*Registered Office*
	80 George Street
	Edinburgh
W. Marrack Tonkin	EH2 3BU
Company Secretary	

Notes:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the offices of the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, so as to be received no later than 12 noon on 27 August 2008.
3. Upon a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote, and upon a poll every member present in person or by proxy shall have one vote for every Ordinary Share held by him/her.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, changes to entries in the register of members after 6.00 p.m. on the day prior to the day immediately before the meeting or any adjourned meeting (as the case may be) shall be disregarded in determining the rights of any member to attend or vote at the meeting or adjourned meeting (as the case may be). Accordingly, only a member registered in the register of members of the Company as at 6.00 p.m. on 27 August 2008 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in his name at that time.