

F&C (CI) Limited

(Registered Number 3950874)

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

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F&C (CI) LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

3950874

DIRECTORS:

A L Grisay
F&C Asset Management plc

SECRETARY:

F&C Asset Management plc
80 George Street
Edinburgh
EH2 3BU

REGISTERED OFFICE:

Exchange House
Primrose Street
London
EC2A 2NY

SOLICITORS:

Shepherd+ Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

AUDITORS:

Ernst & Young LLP
Registered Auditor
Ten George Street
Edinburgh
EH2 2DZ

F&C (CI) LIMITED

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is to act as an investment holding company and as an investor in the Graphite Capital Partners 'E' to 'G' Investment partnerships.

RESULTS AND DIVIDEND

The financial statements show a profit after tax of £2,189,000 (2004: £2,193,000). The company paid an interim dividend of £2,050,000 (2004: £400,000) and propose no further dividends for the year ended 31 December 2005 (2004: £nil).

FUTURE DEVELOPMENTS

The company will continue to hold investments in Graphite Capital Partners.

RISKS

Corporate financial risk strategy

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

Market risk (price risk)

The company has direct market risk from its investments.

Credit risk

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

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

Liquidity risk

The treasury policy set by the F&C Group only allows financial assets attributable to equity holders to be invested in low risk deposits or money market instruments where the risk of capital loss is extremely low, without prior Board approval.

F&C (CI) LIMITED

REPORT OF THE DIRECTORS (continued)

RISKS (continued)

Cash flow risk

There is minimal cash flow risk due to the non-receipt of cash from investments as the company's revenues are funded directly from the assets which the company holds investments in. The overall cash position is monitored by the F&C Group as a whole and each individual company within the Group draws on the available cash balance to meet its working capital requirements.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

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

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

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

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

	At 31 December 2005		At 31 December 2004	
	Ord shares	Options	Ord shares	Options
A L Grisay	-	2,130,268	-	2,599,607
I J Paterson Brown	195,771	447,835	195,021	472,835

From 31 December 2005 until 16 May 2006, the date of his resignation, I J Paterson Brown has acquired 294 Ordinary Shares through monthly subscriptions into F&C Asset Management plc's Share Incentive Plan.

A L Grisay's options include participation in the Re-Investment Plan (Investment Shares and Matching Shares), the Long Term Remuneration Plan and the Purchased Equity Plan operated by F&C Asset Management plc. The above options represent the maximum entitlement under the share based payment schemes assuming all performance criteria are met. Further details of these schemes can be obtained from the F&C Asset Management plc Group Report and Financial Statements.

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

On 21 September 2006 I J Paterson Brown exercised 107,914 options granted under the 2002 Executive Share Scheme and subsequently sold the shares realising a gain of £73,000. Further details of this scheme can be obtained from the F&C Asset Management plc Group Report and Financial Statements.

F&C (CI) LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS AND THEIR INTERESTS (continued)

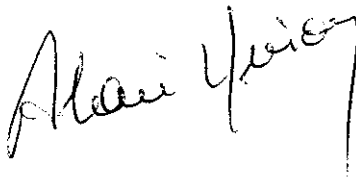
No director has any beneficial interests in the share capital of the ultimate parent company, Friends Provident plc.

AUDITORS

The company has passed an elective resolution in accordance with Section 379(A) of the Companies Act 1985 to dispense with the annual appointment of the auditor.

BY ORDER OF THE BOARD


For F&C Asset Management plc
Secretary
18 October 2006



F&C (CI) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

F&C (CI) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF F&C (CI) LIMITED

We have audited the company's financial statements for the year ended 31 December 2005, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

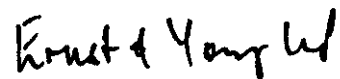
BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh

16 October 2006

F&C (CI) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
Investment income		2,366	3,098
Administration expenses		(475)	(2)
OPERATING PROFIT	2	1,891	3,096
Dividends receivable from subsidiary undertaking		300	-
Interest receivable	4	146	31
Interest and similar charges payable	5	(1)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,336	3,127
Taxation on profit on ordinary activities	7	(147)	(934)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,189	2,193

All of the above activities relate to continuing operations.

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

The accounting policies on pages 9 and 10 and the notes on pages 10 to 14 form part of these financial statements.

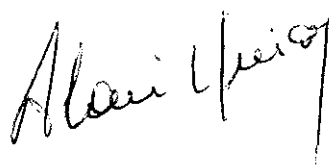
F&C (CI) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	31 December 2005 £000	31 December 2004 £000
FIXED ASSETS			
Unlisted investments	8	665	1,213
CURRENT ASSETS			
Debtors (amounts falling due within one year)	9	6,313	1
Cash at bank		14	2,602
		<u>6,327</u>	<u>2,603</u>
CREDITORS (amounts falling due within one year)	10	<u>(4,882)</u>	<u>(1,845)</u>
NET CURRENT ASSETS		<u>1,445</u>	<u>758</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,110</u>	<u>1,971</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	<u>2,110</u>	<u>1,971</u>
TOTAL SHAREHOLDER'S FUNDS	12	<u>2,110</u>	<u>1,971</u>

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

A L Grisay
Director



The accounting policies on pages 9 and 10 and the notes on pages 10 to 14 form part of these financial statements.

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

Investment income

During the year, the venture capital limited partnerships in which the company invests have disposed of certain investments, realising a profit which has been distributed to the partners. Investment income represents the surplus of the distribution received over the original cash call to fund the underlying investment.

Interest receivable

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

Interest payable

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

Investments

Investments in venture capital partnerships are classified as fixed asset investments and are recorded in the balance sheet at cost less provision for any permanent diminution in value less the proportion of cost from capital distributions. Adjustments for diminution in value are taken to the profit and loss account.

Capital distributions including carried interest from venture capital investments are credited against the cost of the relevant investment when received and any excess over cost is included in investment income.

Dividend recognition

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

Related party disclosures

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

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (continued)

Cash flow statement

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

2. OPERATING PROFIT

	2005 £000	2004 £000
Operating profit is stated after charging / (crediting) :		
Auditors' remuneration – audit services	4	-
Auditors' remuneration – non-audit services	2	-
Gain on sales of investments	-	(117)

In 2004 the auditors' remuneration for services as auditors was paid by F&C Management Limited, a fellow subsidiary undertaking.

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

3. DIRECTORS' EMOLUMENTS

No director received any emoluments in respect of their services to the company during the year ended 31 December 2005 (2004: nil).

The emoluments of A L Grisay and I J Paterson Brown are shown in the financial statements of F&C Asset Management plc, the parent undertaking.

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INTEREST RECEIVABLE

	2005 £000	2004 £000
Interest on loan to fellow subsidiary undertaking	70	-
Bank interest receivable	<u>76</u>	<u>31</u>
	<u>146</u>	<u>31</u>

5. INTEREST AND SIMILAR CHARGES PAYABLE

	2005 £000	2004 £000
Bank interest and charges	<u>1</u>	<u>-</u>

6. ORDINARY DIVIDENDS

	2005 £000	2004 £000
Declared and paid during the year:		
Interim dividend for 2005: 2,050,000.0p (2004: 400,000.0p)	<u>2,050</u>	<u>400</u>

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Notes	2005 £000	2004 £000
UK Corporation Tax			
UK Corporation Tax on profit for the year		463	938
Adjustments in respect of previous periods		(316)	(4)
Total current tax charge for the year		<u>147</u>	<u>934</u>
Factors affecting the tax charge for the year			
The tax assessed for the year is lower (2004: lower) than the standard rate of Corporation Tax in the UK of 30.0% (2004:30.0%). The differences are explained below.			
Profit on ordinary activities before tax		<u>2,336</u>	<u>3,127</u>
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30.0% (2004: 30.0%)		701	938
Effects of non-taxable income		(90)	-
Utilisation of unrecognised losses		(288)	-
Permanent differences		140	-
Adjustment in respect of previous periods		<u>(316)</u>	<u>(4)</u>
Current tax charge for the year		<u>147</u>	<u>934</u>

Unrecognised losses represent the setting off of capital gains in this company against non-trade losses by other group companies. No provision was previously made for deferred tax in the other group companies as the crystallisation of any capital gains to offset against non-trade losses are difficult to predict with any certainty.

8. FIXED ASSET INVESTMENTS

	31 December 2005 £000	31 December 2004 £000
Unlisted Investments :		
Cost at 1 January	1,213	1,320
Additions	19	27
Disposals	(100)	(134)
Impairment provided for during the year	<u>(467)</u>	<u>-</u>
Cost at 31 December	<u>665</u>	<u>1,213</u>

An impairment charge of £467,000 was made in respect of the company's investments in venture capital investments. The investments have been written down to reflect the doubt the directors have as to the level of future returns on the investment. The impairment charge is included within administration expenses in the profit and loss account. The company holds a £2 investment (being 100% of the share capital) in F&C Private Equity Nominee Limited, a company registered in England and Wales, the business of which is to hold certain carried interest and co-investment entitlements in venture capital partnerships.

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. DEBTORS

	31 December 2005 £000	31 December 2004 £000
Amounts falling due within one year:		
Loan to fellow subsidiary undertaking	5,320	-
Amounts due from fellow subsidiary undertakings	993	-
VAT recoverable	-	1
	<u>6,313</u>	<u>1</u>

The loan is to F&C Treasury Limited, a fellow subsidiary undertaking. It is repayable on demand and is subject to interest at 3 month LIBOR plus 1% margin.

10. CREDITORS

	31 December 2005 £000	31 December 2004 £000
Amounts falling due within one year :		
Amounts due to parent undertaking	11	5
Amounts due to fellow subsidiary undertakings	3,786	842
Corporation tax payable	1,085	998
	<u>4,882</u>	<u>1,845</u>

11. SHARE CAPITAL

	31 December 2005 £000	31 December 2004 £000
Authorised		
12,000,000 Ordinary shares of £1	<u>12,000</u>	<u>12,000</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1	<u>-</u>	<u>-</u>

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS IN RESERVES

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2004	-	178	178
Profit on ordinary activities after taxation	-	2,193	2,193
Interim dividend 2004	-	(400)	(400)
At 31 December 2004	-	1,971	1,971
Profit on ordinary activities after taxation	-	2,189	2,189
Interim dividend 2005	-	(2,050)	(2,050)
At 31 December 2005	-	2,110	2,110

13. RELATED PARTY TRANSACTIONS

The company has taken exemption from the requirement to disclose related party transactions with members of the F&C Asset Management plc group on the basis that it is a wholly owned subsidiary. There are no related party transactions with Friends Provident plc or other investors of the group.

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is F&C Holdings Limited, a company registered in England and Wales.

The smallest group of which the company is a member and for which group financial statements are prepared is F&C Asset Management plc. Copies of the Group Report and Financial Statements are available from its registered office: 80 George Street, Edinburgh EH2 3BU.

The company's ultimate parent undertaking and controlling party is Friends Provident plc which is incorporated in England and Wales. Copies of the Friends Provident Group Report and Accounts for Friends Provident plc are available from the Company Secretary, Pixham End, Dorking, Surrey RH4 1QA.