

**F&C (CI)
Limited**
(Registered Number 3950874)

**Report & Financial
Statements for the
Year ended
31 December 2008**

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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:

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ

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

AUDITORS:

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

F&C (CI) LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements for the year ended 31 December 2008.

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 Investment partnerships.

RESULTS AND BUSINESS REVIEW

Results and Dividend

The financial statements show a profit after tax of £997,000 (2007: £1,771,000). The directors do not recommend the payment of a final dividend (2007: £nil) and an interim dividend of £nil (2007: £2,500,000) was approved and paid during the year.

Trading Performance and Development of the Business

There have been limited new investments during the year and a small number of investments have been sold. Investment income has fallen from £1,546,000 in 2007 to £337,000 in 2008. The investment income is realised on an opportunistic basis and therefore is not predictable.

Future Developments

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

Risks

The directors manage the risks as part of the overall risk management framework within the F&C Asset Management plc Group (F&C Group). Members of the F&C Group's executive management are responsible for identifying and evaluating key risks facing their areas of the business and procedures to control these risks, where possible, are reviewed and agreed. The key operational risks facing the company are:

Financial risk

The F&C Group adopts a low risk approach to treasury management and financial risks in relation to shareholder equity, seeking to manage and preserve its capital. The F&C Group's treasury function endeavours to ensure that sufficient cash is retained by the company in respect of short-term working capital requirements.

Market risk (price risk)

The company has direct market risk from its investments which are selected and managed by Graphite Capital Partners on behalf of the company.

Credit risk

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

The F&C Group 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.

F&C (CI) LIMITED

REPORT OF THE DIRECTORS (continued)

Risks (continued)

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 low, with prior Board approval required for any exception to this principle.

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 in which the company holds investments. The overall cash position is monitored by the F&C Group as a whole and each individual company within the F&C Group draws on the available cash balance to meet its working capital requirements.

DIRECTORS AND THEIR INTERESTS

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

A L Grisay
F&C Asset Management plc

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

DIRECTORS' AND OFFICERS' LIABILITY

The F&C Group maintains insurance cover in respect of directors' and officers' liability.

ULTIMATE PARENT UNDERTAKING

On 31 October 2008 Friends Provident plc announced its intention to distribute its 52% stake in F&C Asset Management plc to Friends Provident shareholders. The distribution of the shareholding was completed on 3 July 2009.

The directors do not believe this announcement has any material financial impact on the financial position of the company at 31 December 2008, as reported herein.

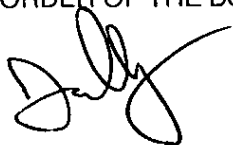
AUDITORS

The company has passed an elective resolution in accordance with section 487 of the Companies Act 2006 to dispense with the annual appointment of the auditor; consequently KPMG Audit Plc will remain in office.

ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITORS

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

BY ORDER OF THE BOARD



F&C Asset Management plc
Director
10 July 2009

F&C (CI) LIMITED

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

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

F&C (CI) LIMITED

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

We have audited the financial statements of F&C (CI) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Report and Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the 'Statement of Directors' Responsibilities on page 4.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit M.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

July 2009

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F&C (CI) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £000	2007 £000
Investment income		337	1,546
Administration expenses		(8)	(8)
OPERATING PROFIT	2	329	1,538
Dividends receivable from subsidiary undertaking		500	500
Interest receivable	4	331	316
Interest and similar charges payable	5	(91)	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,069	2,351
Taxation on profit on ordinary activities	6	(72)	(580)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	997	1,771

All of the above activities relate to continuing operations.

The company has no recognised gains or losses for the year ended 31 December 2008 or the year ended 31 December 2007 other than those shown in the profit and loss account above.

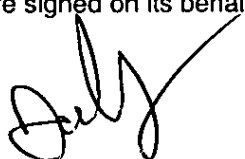
The accounting policies on pages 8 to 9 and the notes on pages 9 to 12 form part of these financial statements.

F&C (CI) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	31 December 2008 £000	31 December 2007 £000
FIXED ASSETS			
Unlisted investments	8	57	66
CURRENT ASSETS			
Debtors	9	3,588	5,312
Cash at bank		5	3
		<u>3,593</u>	<u>5,315</u>
CREDITORS			
Amounts falling due within one year	10	<u>(261)</u>	<u>(2,989)</u>
NET CURRENT ASSETS		<u>3,332</u>	<u>2,326</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,389</u>	<u>2,392</u>
CAPITAL AND RESERVES			
Called up share capital	11, 12	-	-
Profit and loss account	12	<u>3,389</u>	<u>2,392</u>
TOTAL SHAREHOLDER'S FUNDS	12	<u>3,389</u>	<u>2,392</u>

The financial statements were approved by the Board of Directors and authorised for issue on 10 July 2009.
They were signed on its behalf by:



F&C Asset Management plc
Director

The accounting policies on pages 8 to 9 and the notes on pages 9 to 12 form part of these financial statements.

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies set out below have been applied consistently for the years ended 31 December 2008 and 31 December 2007.

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.

Subsidiary undertakings

The company has taken exemption under section 401 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of F&C Asset Management plc, a company incorporated in Scotland, which prepares consolidated financial statements.

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 intra-group loans, interest on a bank account and other interest and is recognised in the profit and loss account on an accruals basis.

Interest payable

Interest payable comprises interest on intra-group balances and other interest 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 accumulated impairment. The carrying value of investments is reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the profit and loss account in the year in which it arises.

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 payables are only recognised when the dividends have been declared and approved.

Current tax

Current tax is the expected tax payable to the taxation authorities on the taxable profit for the period, using base rates enacted or substantively enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years.

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Related party disclosures

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

Cash flow statement

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

2. OPERATING PROFIT

	2008 £000	2007 £000
Operating profit is stated after charging:		
Auditors' remuneration – audit of these financial statements	4	4

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

The company had no employees or staff during the year ended 31 December 2008 (2007: nil).

3. DIRECTORS' EMOLUMENTS

No director received any emoluments in respect of their services to the company during the year ended 31 December 2008 (2007: £nil).

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

4. INTEREST RECEIVABLE

	2008 £000	2007 £000
Interest on loan to fellow subsidiary undertaking	330	315
Bank interest receivable	-	1
Other interest	1	-
	<u>331</u>	<u>316</u>

5. INTEREST AND SIMILAR CHARGES PAYABLE

	2008 £000	2007 £000
Other interest	-	3
Interest on balance owed to subsidiary undertaking	91	-
	<u>91</u>	<u>3</u>

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Notes	2008 £000	2007 £000
UK Corporation Tax		
UK Corporation Tax on profit for the year	162	555
Adjustments in respect of previous periods	(90)	25
Total current tax charge for the year	72	580
Factors affecting the tax charge for the year		
The tax assessed for the year is lower (2007: lower) than the standard rate of Corporation Tax in the UK of 28.5% (2007: 30.0%).		
The differences are explained below.		
Profit on ordinary activities before taxation	1,069	2,351
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 28.5% (2007: 30.0%)	305	705
Effects of:		
Non-taxable income	(143)	(150)
Adjustment in respect of previous periods	(90)	25
Current tax charge for the year	72	580

7. ORDINARY DIVIDENDS

	2008 £000	2007 £000
Declared and paid during the year:		
Interim dividend for 2008: nil (2007: 2,500,000.0p)	-	2,500

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FIXED ASSET INVESTMENTS

	2008 £000	2007 £000
Unlisted Investments:		
Cost at 1 January	66	119
Additions	2	7
Disposals	(11)	(60)
Cost at 31 December	57	66

In addition to the investments in the private equity partnerships 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 carried interest and co-investment entitlements in venture capital partnerships.

9. DEBTORS

	31 December 2008 £000	31 December 2007 £000
Amounts falling due within one year:		
Loan to fellow subsidiary undertaking	3,496	5,312
Amounts due from fellow subsidiary undertakings	92	-
	3,588	5,312

The loan is to F&C Treasury Limited, a fellow subsidiary undertaking. It is repayable on demand and is subject to interest at the 3 month LIBOR minus 0.25% margin.

10. CREDITORS

	31 December 2008 £000	31 December 2007 £000
Amounts falling due within one year :		
Amounts due to parent undertaking	8	8
Amounts due to fellow subsidiary undertakings	-	159
Amounts due to subsidiary undertakings	91	2,267
Group relief payable	162	555
	261	2,989

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

	31 December 2008 £000	31 December 2007 £000
Authorised: 12,000,000 Ordinary shares of £1	12,000	12,000
Allotted, called up and fully paid: 100 Ordinary shares of £1	-	-

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 2007	-	3,121	3,121
Profit on ordinary activities after taxation	-	1,771	1,771
Interim dividend 2007	-	(2,500)	(2,500)
At 31 December 2007	-	2,392	2,392
Profit on ordinary activities after taxation	-	997	997
At 31 December 2008	-	3,389	3,389

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 significant investors of the group.

14. CONTINGENT LIABILITIES

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

15. 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 until 3 July 2009 was 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.

The company's ultimate parent undertaking from 3 July 2009 is F&C Asset Management plc.