

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

**Report & Financial
Statements for the
Year ended
31 December 2010**

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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

AUDITOR:

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

F&C (CI) LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 2010

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 loss after taxation of £2,000 (2009 profit of £2,098,000) The directors do not recommend the payment of a final dividend (2009 £nil) and no interim dividend was approved or paid during the year (2009 £2,000,000)

Trading Performance and Development of the Business

Graphite Capital Partners wrote to investors during February 2009 requesting consent to extend the life of Graphite Capital Partners V by two years as this was thought to be the best way of maximising the proceeds from the residual portfolio No investments were realised by the portfolio in 2010 and therefore no investment income was received during the year (2009 £nil)

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 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

GOING CONCERN

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern

On the basis of their assessment of the company's financial position the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows

A L Grisay
F&C Asset Management plc

There have been no appointments or resignations of directors since the last balance sheet date

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

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
Secretary
17 August 2011

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

F&C (CI) LIMITED

INDEPENDENT AUDITOR'S 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 2010 set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh
August 2011

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F&C (CI) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
Administrative expenses		(7)	(7)
OPERATING LOSS	2	(7)	(7)
Dividends receivable from subsidiary undertaking		-	2,000
Interest receivable	4	15	45
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8	2,038
Taxation on profit on ordinary activities	5	(10)	60
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	(2)	2,098

All amounts relate to continuing operations

The company has no recognised gains or losses in the current or preceding years other than those shown in the profit and loss account above

The notes on pages 8 to 12 form an integral part of these financial statements

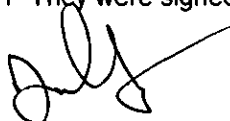
F&C (CI) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2010

(Registered Number 3950874)

	Notes	31 December 2010 £000	31 December 2009 £000
FIXED ASSETS			
Unlisted investments	7	57	57
CURRENT ASSETS			
Debtors	8	3,440	3,443
Cash at bank		7	7
		<u>3,447</u>	<u>3,450</u>
CREDITORS			
Amounts falling due within one year	9	<u>(19)</u>	<u>(20)</u>
NET CURRENT ASSETS		<u>3,428</u>	<u>3,430</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,485</u>	<u>3,487</u>
CAPITAL AND RESERVES			
Called up share capital	10, 11	-	-
Profit and loss account	11	<u>3,485</u>	<u>3,487</u>
TOTAL SHAREHOLDER'S FUNDS	11	<u>3,485</u>	<u>3,487</u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 August 2011. They were signed on its behalf by



F&C Asset Management plc
Director

The notes on pages 8 to 12 form an integral part of these financial statements

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently throughout the years ended 31 December 2010 and 31 December 2009

Basis of Accounting

The financial statements have been prepared on a going concern basis 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

Venture capital limited partnerships in which the company invests may dispose of certain investments realising a profit which is 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 an intra-group loan 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 liabilities are only recognised when the dividends have been declared and approved.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax 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 ultimate parent undertaking.

2. OPERATING LOSS

	2010 £000	2009 £000
This 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 ultimate parent undertaking, F&C Asset Management plc.

The company had no employees or staff during the year ended 31 December 2010 (2009: nil).

3. DIRECTORS' EMOLUMENTS

No director received any emoluments in respect of their services to the company during the year ended 31 December 2010 (2009: £nil).

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

4. INTEREST RECEIVABLE

	2010 £000	2009 £000
Interest on loan to fellow subsidiary undertaking	15	45

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2010 £000	2009 £000
UK Corporation Tax		
UK Corporation Tax on profit for the year	2	11
Adjustments in respect of previous periods	8	(71)
Total current tax charge/(credit) for the year	10	(60)
Factors affecting the tax charge/(credit) for the year		
The tax charge (2009 credit) assessed for the year is higher (2009 lower) than the standard rate of Corporation Tax in the UK of 28% (2009 28%)		
The differences are explained below		
Profit on ordinary activities before taxation	8	2,038
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 28% (2009 28%)	2	571
Effects of		
Non-taxable income	-	(560)
Adjustment in respect of previous periods	8	(71)
Current tax charge/(credit) for the year	10	(60)

Factors affecting future tax charges

The Chancellor of the Exchequer's Emergency Budget on 22 June 2010 announced that the UK Corporation Tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK Corporation Tax rate from 28% to 27% was substantively enacted on 20 July 2010 and was effective from 1 April 2011.

A further 1% reduction in the UK Corporation Tax rate was announced in the Chancellor's Budget of 23 March 2011. This was substantively enacted on 29 March 2011 and has reduced the Corporation Tax rate to 26% with effect from 1 April 2011.

As a result of both of the above measures, the company's expected effective tax rate will move to 23% by 2015.

6. ORDINARY DIVIDENDS

	2010 £000	2009 £000
Declared and paid during the year		
Interim dividend for 2010 nil (2009 2,000,000 0 pence per share)	-	2,000

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. FIXED ASSET INVESTMENTS

	2010 £000	2009 £000
Unlisted Investments:		
Cost at 1 January and 31 December	57	57

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

8. DEBTORS

	31 December 2010 £000	31 December 2009 £000
Amounts falling due within one year		
Loan to fellow subsidiary undertaking	3,440	3,443

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

9. CREDITORS

	31 December 2010 £000	31 December 2009 £000
Amounts falling due within one year		
Group relief payable	10	11
Accruals	7	-
Amounts due to subsidiary undertakings	2	2
Amounts due to ultimate parent undertaking	-	7
	19	20

10. SHARE CAPITAL

	31 December 2010 £000	31 December 2009 £000
Authorised		
12,000,000 Ordinary shares of £1	12,000	12,000
Allotted, called up and fully paid		
100 Ordinary shares of £1	-	-

F&C (CI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. 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 2009	-	3,389	3,389
Profit on ordinary activities after taxation	-	2,098	2,098
Interim dividend 2009	-	(2,000)	(2,000)
At 31 December 2009	-	3,487	3,487
Loss on ordinary activities after taxation	-	(2)	(2)
At 31 December 2010	-	3,485	3,485

12. 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 other related party transactions.

13. 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.

14. COMMITMENTS

As an investor the company may from time to time be required to commit additional funds to the Graphite Capital Partners investment partnerships.

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, the ultimate parent undertaking. Copies of the Annual Report and Financial Statements are available from its registered office at 80 George Street, Edinburgh EH2 3BU.

In the directors' opinion, the company's ultimate parent undertaking is considered to be F&C Asset Management plc.