

# **F&C (CI) Limited**

(Registered Number 3950874)

**Report & Financial  
Statements for the  
Year ended  
31 December 2004**

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# **F&C (CI) LIMITED**

## ***DIRECTORS AND ADVISERS***

### **REGISTERED NUMBER:**

3950874

### **DIRECTORS:**

A L Grisay  
IJ Paterson Brown

### **SECRETARY:**

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

### **REGISTERED OFFICE:**

F&C Asset Management plc  
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 financial statements for the year ended 31 December 2004.

## 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. This is expected to continue.

F&C Asset Management plc (formerly ISIS Asset Management plc) acquired the F&C Group (Holdings) Limited group from Eureka B.V. on 11 October 2004. Accordingly there was a change of control of the company on this date.

## RESULTS AND DIVIDEND

The accounts show a profit after tax of £2,193,000 (2003: loss of £183,000). A final dividend of £400,000 (2003: £nil) is proposed leaving a retained profit of £1,793,000 (2003: loss of £183,000) to be transferred to/(from) reserves.

## DIRECTORS AND THEIR INTERESTS

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

A L Grisay	(appointed 11 October 2004)
R W Jenkins	(resigned 11 October 2004)
I J Paterson Brown	(appointed 11 October 2004)
A F Tomlinson	(resigned 11 October 2004)

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

The beneficial interests of the directors at 31 December 2004 in the share capital of F&C Asset Management plc, the parent undertaking, are:

	At 31 December 2004		At 11 October 2004 (date of acquisition)	
	Ord shares	Options	Ord shares	Options
A L Grisay	-	2,599,607	-	2,391,274
I J Paterson Brown	195,021	472,835	194,915	329,085

A L Grisay's options include participation in the F&C Asset Management plc Re-Investment Plan (Investment Shares and Matching Shares) and the F&C Asset Management plc Long Term Remuneration Plan. The share 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 Accounts.

# **F&C (CI) LIMITED**

## ***REPORT OF THE DIRECTORS (Continued)***

### **DIRECTORS AND THEIR INTERESTS (continued)**

On 24 March 2005, A L Grisay was granted 128,479 options under the F&C Asset Management plc Purchased Equity Plan. This grant formed part of his 2004 remuneration arrangements.


Details of the Purchase Equity Plan arrangements were disclosed in the Listing Particulars issued by F&C Asset Management plc on 2 July 2004.

No director at 31 December 2004 has any beneficial interests in the share capital of the ultimate parent company, Friends Provident plc.

### **AUDITORS**

KPMG resigned as auditors on 11 October 2004. Ernst & Young LLP were appointed as auditors on the same date. 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; accordingly Ernst & Young LLP will remain in office.

**BY ORDER OF THE BOARD**

  
For F&C Asset Management plc  
Secretary  
24 October 2005

## **F&C (CI) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The following statement, which should be read in conjunction with the Independent Auditors' Report: "Respective responsibilities of directors and auditors", set out on page 5, is made with a view to distinguishing for members the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 12, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed (subject to any material departures disclosed and explained in the notes to the financial statements).

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company at that time and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also 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 AUDITORS' REPORT TO THE MEMBERS OF F&C (CI) LIMITED**

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared on the basis of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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 of the state of affairs of the company as at 31 December 2004 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  
24 October 2005

## F&C (CI) LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
Investment income		3,098	192
Administration expenses		<u>(2)</u>	<u>(322)</u>
<b>OPERATING PROFIT/(LOSS)</b>	2	3,096	(130)
Interest receivable		<u>31</u>	<u>8</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,127	(122)
Taxation on profit/(loss) on ordinary activities	4	<u>(934)</u>	<u>(61)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	9	2,193	(183)
Proposed final dividend		<u>(400)</u>	<u>-</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO/(FROM) RESERVES</b>		<u>1,793</u>	<u>(183)</u>

All of the above activities relate to continuing operations.

The company has no recognised gains or losses for the year ended 31 December 2004 or the year ended 31 December 2003 other than those shown in the profit and loss account above.

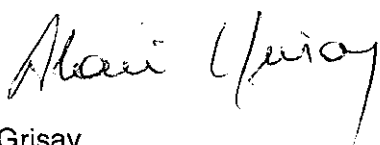
The accounting policies on page 8 and page 9 and the notes on pages 9 to 12 form part of these financial statements.

# F&C (CI) LIMITED

## BALANCE SHEET AT 31 DECEMBER 2004

	Notes	31 December 2004 £000	31 December 2003 £000
<b>FIXED ASSETS</b>			
Unlisted investments	5	<u>1,213</u>	<u>1,320</u>
<b>CURRENT ASSETS</b>			
Debtors	6	1	92
Cash at bank		<u>2,602</u>	<u>201</u>
		2,603	293
<b>CREDITORS</b> (amounts falling due within one year)	7	<u>(1,845)</u>	<u>(1,435)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>758</u>	<u>(1,142)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,971</u>	<u>178</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	-	-
Profit and loss account	9	<u>1,971</u>	<u>178</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>	9	<u>1,971</u>	<u>178</u>

Approved by the Board on 24 October 2005 and signed on its behalf by



A L Grisay  
Director

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



# F&C (CI) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### *Basis of Accounting*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Cash flow statement*

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

#### *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 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.

#### *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.*

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a commitment to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.

# F&C (CI) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. ACCOUNTING POLICIES (continued)

#### *Deferred taxation (continued)*

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 2. OPERATING PROFIT/(LOSS)

	2004 £000	2003 £000
Operating profit/(loss) is stated after crediting		
(Gain) on sales of investments	(117)	-

From 1 January 2003 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 (2003: nil).

### 3. DIRECTORS' EMOLUMENTS

No Director received any emoluments in respect of their services to the company during the year ended 31 December 2004 (2003: nil).

The emoluments of the Directors up to the date of acquisition of the company on 11 October 2004 are included within the accounts of F&C Management Limited, a fellow subsidiary undertaking.

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

# F&C (CI) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Notes	2004 £000	2003 £000
<b>UK Corporation Tax</b>			
UK Corporation Tax on profit/(loss) for the year		938	(36)
Adjustments in respect of previous periods		(4)	97
<b>Total current tax charge for the year</b>		<u>934</u>	<u>61</u>
<b>Factors affecting the tax charge for the year</b>			
The tax assessed for the year is lower (2003 : higher) than the standard rate of Corporation Tax in the UK. The differences are explained below.			
Profit/(loss) on ordinary activities before tax		<u>3,127</u>	<u>(122)</u>
Profit/ (loss) on ordinary activities multiplied by the rate of Corporation Tax in the UK of 30.00% (2003: 30.00%)		938	(36)
Adjustment in respect of previous periods		<u>(4)</u>	<u>97</u>
<b>Current tax charge for the year</b>		<u>934</u>	<u>61</u>

### 5. FIXED ASSET INVESTMENTS

	31 December 2004	31 December £000
<b>Unlisted Investments</b>		
<b>Cost</b>		
At 1 January	1,320	1,539
Additions	27	14
Disposals	<u>(134)</u>	<u>(233)</u>
<b>At 31 December</b>	<u>1,213</u>	<u>1,320</u>

The company holds a £2 investment (being 100% of the share capital) in F&C Private Equity Nominee Limited, a nominee 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)

### 6. DEBTORS

	31 December 2004 £000	31 December 2003 £000
Amounts due within one year:		
Amounts due from fellow subsidiary undertakings	-	91
VAT recoverable	1	1
	<u>1</u>	<u>92</u>

### 7. CREDITORS

	31 December 2004 £000	31 December 2003 £000
Amounts falling due within one year :		
Amounts due to parent undertakings	5	-
Amounts due to fellow subsidiary undertakings	842	1,366
Accruals and deferred income	-	5
Taxation payable	998	64
	<u>1,845</u>	<u>1,435</u>

### 8. SHARE CAPITAL

	31 December 2004 £000	31 December 2003 £000
<b>Authorised</b>		
12,000,000 Ordinary shares of £1	<u>12,000</u>	<u>12,000</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1	<u>-</u>	<u>-</u>

## F&C (CI) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS IN RESERVES

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 31 December 2002	-	361	361
Retained loss for the year	-	(183)	(183)
At 31 December 2003	-	178	178
Profit on ordinary activities after taxation	-	2,193	2,193
Proposed final dividend	-	(400)	(400)
At 31 December 2004	-	1,971	1,971

#### 10. RELATED PARTY TRANSACTIONS

Following the acquisition of F&C Group (Holdings) Limited and its subsidiaries by F&C Asset Management plc on 11 October 2004, Eureko holds in excess of 20% of the ordinary shares of F&C Asset Management plc and is entitled to Board representation. Consequently, transactions between the group and Eureko and its subsidiary companies are considered to be related party transactions from 11 October 2004. There were no such related party transactions during the year ended 31 December 2004.

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.

#### 11. 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 accounts are prepared is F&C Asset Management plc. Copies of the Group Report and Accounts 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 Group Report and Accounts for Friends Provident plc are available from Pixham End, Dorking, Surrey RH4 1QA.