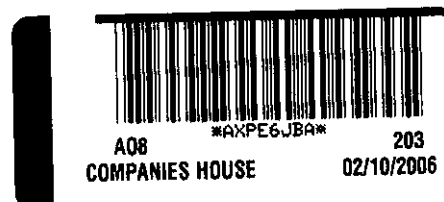


**COFUNDS HOLDINGS LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR TO**  
**31 DECEMBER 2005**

Registered Number: 4022350



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## **Directors' Report**

The Directors present their report and the audited financial statements for the year to 31 December 2005.

### **Principal Activity and Review of Business**

The Company's principal activity is that of a holding company.

During 2005 the Group continued to develop its business as the UK's leading independent platform.

Substantial progress continued to be made during 2005 as assets under administration grew from £3.5bn at the start of the year to over £6bn at the end of the year.

As reported last year the Group signed two major contracts with the Legal & General group that significantly enhance the Cofunds customer proposition and strengthen the Group's position as the leading UK business-to-business platform. Following a successful pilot launch at the end of 2005, the Legal & General Portfolio Bond was officially launched in January 2006. This is to be followed by an open architecture pension product in the Spring of 2006.

The Group's rate of growth continues to accelerate rapidly. However, the cost of acquisition and investment in new products remains high. A further £7m of share capital was invested in the Company on 20 March 2006.

As the Group approaches break-even it will require further funding within the next 12 months. The shareholders view the business as a long-term strategic investment and remain committed to its future. They have assured the Directors of their present intent to continue to provide funding to the Group.

This support will enable the Group to continue to grow and develop its business and these financial statements have therefore been prepared on the basis of a going concern (see note 1 to the financial statements).

### **Results for the Year**

The Group's loss for the year is £19m (2004: £17m). During the year, no interim dividend was paid (2004: Nil) and no final dividend is proposed (2004: Nil).

## Cofunds Holdings Limited

### Directors

The Directors who held office during the year ended 31 December 2005, their beneficial interests and those of their families in the share capital of the company, were as follows:

	Appointed	Resigned	Beneficial interests "A" Common Shares of 1p each (Number)		Beneficial interests "B" Common Shares of 1p each (Number)	
			2005	2004	2005	2004
C Eppinger (Chairman <sup>1</sup> )			-	-	-	-
J Petkovic			-	-	-	-
S Jensen			-	-	-	-
A Ainsworth (Chairman <sup>2</sup> )			-	-	-	-
S Dyer		30 June 2005	-	-	-	350,000
J Hooley ^		15 July 2005	-	-	-	-
J Carey ^			-	-	-	-
B Cooke ^			-	-	-	-
S Davies ^			-	-	-	-
J Shuman			-	-	-	-
T McDonell ^		15 July 2005	-	-	-	-
R Sewell	27 May 2005		-	-	-	-
C Avery ^	27 May 2005		-	-	-	-

^ Alternate Director      <sup>1</sup> – to 29 June 2005      <sup>2</sup> – From 30 June 2005

No Directors were appointed subsequent to 31 December 2005.

### Company Secretary

A Craig was company secretary throughout 2005.

### Share Capital

Movements in share capital are detailed in note 13 to the financial statements.

### Employee Involvement

Employee communication is important to us. We ensure employees are kept well informed of the performance and strategy of the Group through regular open briefing meetings hosted by senior management. Individual departments hold local meetings to disseminate relevant information, and we operate an intranet which is available to all staff and which contains information about the company and its performance.

The Group pursues policies of fairness and equal opportunities for all and considers that people with disabilities should have full and fair consideration for all vacancies. The only criteria in selecting for recruitment, promotion and development are capability and performance.

### **Payments to Suppliers**

The Group agrees payment terms with its suppliers when it enters into contracts for the supply of services. If terms are not specified standard monthly terms are applied. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

### **Donations**

The Group and Company made no charitable or political donations during the year.

### **Statement of Directors' Responsibility**

Company law requires the Directors to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the group for that year.

In preparing those financial statements, the Directors are required to:

- ❑ Select suitable accounting policies and then apply them consistently;
- ❑ Make judgements 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; and
- ❑ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business (see note 1(a)).

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

### **Risk**

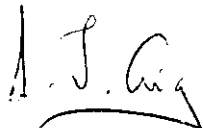
The Group has taken a top down approach to risk assessment clearly defining responsibilities at Senior Management level. The risk and controls framework is supported by a set of systems based tools categorising the risks associated with the Group's business model. These categories of risk include, Regulatory, Financial, Legal, People, Security, Reputational, Credit and Operational Risk. Senior Management has identified key risk indicators that are closely monitored on a regular basis within a defined corporate governance structure.

Cofunds Holdings Limited

**Auditors**

A resolution concerning the reappointment of PricewaterhouseCoopers LLP will be proposed at the Annual General Meeting.

**By Order of the Board,**

A handwritten signature in black ink, appearing to read 'A. Craig', with a horizontal line underneath.

A Craig  
Secretary

29 March 2006

1<sup>st</sup> Floor  
1 Minster Court  
Mincing Lane  
London EC3R 7AA

## **Independent auditors' report to the members of Cofunds Holdings Limited**

We have audited the group and parent company financial statements (the "financial statements") of Cofunds Holdings Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' Report 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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 group's and 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.

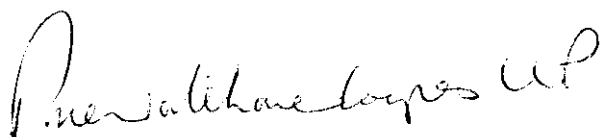
### **Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 to the financial statements that explains that the financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of the company's ultimate shareholders. The financial statements do not include any adjustments that would be necessary if funding was not provided. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

### **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 group's and the parent company's affairs as at 31 December 2005 and of the group's loss and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**PRICEWATERHOUSECOOPERS LLP**  
Chartered Accountants and Registered Auditors  
London

29 March 2006



**Consolidated Profit and Loss Account**  
**For the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
Turnover	2	15,076	8,851
Administrative Expenses		<u>(39,155)</u>	<u>(28,629)</u>
<b>Operating loss</b>		(24,079)	(19,778)
Interest Payable		(49)	(26)
Interest Receivable		<u>1,872</u>	<u>1,254</u>
<b>Loss on Ordinary Activities Before Taxation</b>	5	(22,256)	(18,550)
Taxation on Loss on Ordinary Activities	1, 6	<u>3,028</u>	<u>1,909</u>
<b>Loss on Ordinary Activities After Taxation</b>		(19,228)	(16,641)
Dividends		<u>-</u>	<u>-</u>
<b>Retained Loss for the Financial Year</b>	14	<u>(19,228)</u>	<u>(16,641)</u>

Other than the retained loss for the financial year, there were no other recognised gains or losses.

All amounts relate to continuing operations.

There is no difference between the loss on ordinary activities before taxation and after taxation for the year stated above and their historical cost equivalents.

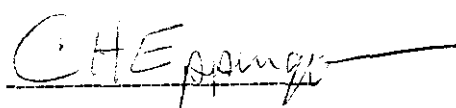
The notes on pages 12 to 25 form part of these financial statements.

**Consolidated Balance Sheet**  
As at 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Fixed Assets</b>			
Tangible Fixed Assets	7	4,536	5,388
<b>Current Assets</b>			
Debtors	9	53,447	29,364
Cash at Bank		<u>12,594</u>	<u>11,735</u>
		66,041	41,099
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	10	<u>(49,797)</u>	<u>(25,071)</u>
<b>Net Current Assets</b>		<u>16,244</u>	<u>16,028</u>
Creditors: Amounts falling due after more than one year	11	-	(4,000)
<b>Net Assets</b>		<u>20,780</u>	<u>17,416</u>
<b>Capital and Reserves</b>			
Share Capital	13	3,523	2,453
Equity Reserve Account	14	2,039	2,039
Share Premium Account	14	120,874	99,278
Profit and Loss Account	14	<u>(105,656)</u>	<u>(86,354)</u>
<b>Equity Shareholders' Funds</b>		<u>20,780</u>	<u>17,416</u>

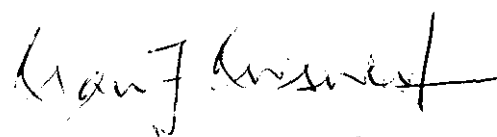
The notes on pages 12 to 25 form part of these financial statements.

The financial statements on pages 8 to 25 were approved by the board of Directors on 29 March 2006 and were signed on its behalf by



C Eppinger

Director



A Ainsworth

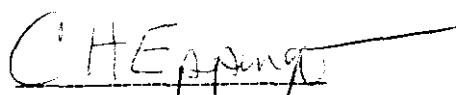
Director


**Company Balance Sheet**  
**At 31 December 2005**

	Note	2005 £'000	2004 £'000
<b>Fixed Assets</b>			
Investment in Subsidiaries	8	9,287	15,836
<b>Current Assets</b>			
Debtors	9	5,613	5,654
Cash at Bank		<u>5,552</u>	<u>13</u>
		11,165	5,667
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	10	<u>(70)</u>	<u>(447)</u>
<b>Net Current Assets</b>		<u>11,095</u>	<u>5,220</u>
Creditors: Amounts falling due after more than one year	11	-	(4,000)
<b>Net Assets</b>		<u>20,382</u>	<u>17,056</u>
<b>Capital and Reserves</b>			
Share Capital	13	3,523	2,453
Equity Reserve Account	14	2,039	2,039
Share Premium Account	14	120,874	99,278
Profit and Loss Account	14	<u>(106,054)</u>	<u>(86,714)</u>
<b>Equity Shareholders' Funds</b>		<u>20,382</u>	<u>17,056</u>

The notes on pages 12 to 25 form part of these financial statements.

The financial statements on pages 8 to 25 were approved by the board of Directors on 29 March 2006 and were signed on its behalf by

  
C Eppinger  
Director

  
A Ainsworth  
Director

**Consolidated Cash Flow**  
**For the year to 31 December 2005**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>Net Cash Outflow from Operating Activities</b>	(20,547)	(21,689)
<b>Returns on Investments and Servicing of Finance</b>		
Interest Received	1,872	1,254
Interest Paid	<u>(49)</u>	<u>(26)</u>
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>	(18,724)	(20,461)
<b>Taxation</b>	2,444	2,883
<b>Capital Expenditure and Financial Investment</b>		
Purchase of Tangible Fixed Assets	(1,457)	(1,437)
Sale of Tangible Fixed Assets	<u>4</u>	<u>-</u>
<b>Cash Outflow Before Financing</b>	(17,733)	(19,015)
<b>Financing</b>		
Issue of Share Capital	22,666	11,500
Purchase of Own Shares	(74)	(9)
(Repayment) / Issue of Shareholder Loans	<u>(4,000)</u>	<u>4,000</u>
<b>Increase / (Decrease) in Cash</b>	<u>859</u>	<u>(3,524)</u>

**Reconciliation of Consolidated Operating Loss to Net Cash Outflow**  
**For the Year to 31 December 2005**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Continuing Operating Activities:		
Operating Loss	(24,079)	(19,778)
Depreciation	2,309	1,464
(Profit) on disposal of Fixed Assets	(4)	-
(Increase) / Decrease in Debtors	(23,499)	13,573
Increase / (Decrease) in Creditors	<u>24,726</u>	<u>(16,948)</u>
<b>Net Cash Outflow From Operating Activities</b>	<u>(20,547)</u>	<u>(21,689)</u>

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

#### (a) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and the applicable accounting standards in the United Kingdom.

#### *Going Concern*

As set out in the Directors' Report, the financial statements have been prepared on a going concern basis. The Directors have produced projections of the working capital requirements of the Group for the next 12 months. In the light of this the Directors have received assurances from shareholders, that it is their present intention to continue to support the Group for a period of at least 12 months from the date of approval of these financial statements. Whilst these assurances are not legally binding the Directors believe that it is the shareholders' intention to provide the necessary additional funding to ensure that the Group satisfies its commitments and ensure that the Group has sufficient funds so that the Group will continue in business as a going concern.

#### (b) Currency Translation

Income and expenses denominated in foreign currency are translated at month end rates during the financial year. Assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

#### (c) Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they are incurred.

#### (d) Depreciation

Tangible assets are depreciated at rates estimated to write down the relevant assets over their useful economic lives, which are estimated to be:

Furniture and fittings	3 years
Furniture and fittings acquired under property lease	5 years
Information Technology	3 years

Payments on account represent payments made by the Group in respect of tangible fixed assets for which it has not taken delivery. No depreciation is charged on these assets until they are received and utilised. Development expenditure will be capitalised where it is proven that an asset has been created.

**(e) Deferred Taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised where, on the basis of all available evidence, it is more likely than not that there will be taxable profits from which it can be recovered. Deferred tax assets and liabilities recognised have not been discounted.

**(h) Investments in Subsidiaries**

Investments are carried at the lower of cost or net realisable value.

**(f) Basis of Consolidation**

All companies over which the Group is able to exercise a dominant influence are consolidated as subsidiary undertakings. Dominant influence is defined as the right to give directions with respect to operating and financial policies. In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account for the Company is not shown.

**(i) Operating Leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**2. Turnover**

Turnover, which is stated net of value added tax, arises from the provision of consolidated fundmarket platform services. Turnover is accounted for on an accruals basis and comprises front end, fundmarket and fund registration fees.

**3. Employee Information**

The average number of persons, (including executive directors) employed by the Group during the year was 426 (2004: 359).

**4. Directors' Emoluments**

The emoluments of Directors of the Company were:

	<b>2005 (£'000)</b>		<b>2004 (£'000)</b>	
	Total	Highest Paid	Total	Highest Paid
Emoluments	962	299	375	375
Pension contributions	32	7	17	17
Benefits	8	3	3	3
Sums paid by third parties for director services	169	-	-	-
Compensation for loss of office	<u>336</u>	<u>-</u>	<u>-</u>	<u>-</u>

S Dyer was provided with an interest free loan in 2001, prior to his appointment as Director, for £39,200 under a share acquisition scheme. It was repaid in full when S Dyer left the Group. No other directors had loans or quasi-loans with the Company or any group subsidiaries during the year. Retirement benefits were accruing to no (2004: one) directors under the pension scheme.

**5. Loss on Ordinary Activities Before Taxation**

The loss on ordinary activities is stated after charging:

		<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Group</b>			
Staff Costs	- Wages and salaries	14,871	11,486
	- Social security costs	1,368	1,168
	- Other pension costs	1,114	1,000
Depreciation		2,309	1,464
Profit on disposal of Fixed Assets		(4)	-
Auditors Remuneration	- Audit fees	176	125
	- Tax Fees	16	12
	- Other	341	520
Premises operating lease rentals		<u>709</u>	<u>659</u>

**6. Taxation****Analysis of Charge in the Period**

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Group</b>		
Current tax		
UK consortium relief on the losses	(3,365)	(2,741)
Adjustment to prior year	19	(434)
	<hr/>	<hr/>
Current year tax (credit)	(3,346)	(3,175)
Origination and reversal of timing differences	274	1,266
Adjustment to prior year	44	-
	<hr/>	<hr/>
Taxation on loss on ordinary activities	<u>(3,028)</u>	<u>(1,909)</u>

**Factors Affecting the Tax Charge for the Period**

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Group</b>		
Loss on ordinary activities before tax	(22,256)	(18,550)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(6,677)	(5,565)
Effects of:		
Expenses not deductible for tax purposes	32	15
Capital allowances in excess of depreciation	(819)	(603)
Items capitalised for corporation tax purposes	106	31
Tax losses not utilised carried forward	3,993	3,381
Adjustment to prior year	19	(434)
	<hr/>	<hr/>
Current tax (credit) for the year	<u>(3,346)</u>	<u>(3,175)</u>

**Factors Affecting the Tax Charge for future periods**

An unrecognised deferred tax asset of £19m (2004: £16m) exists. No deferred tax asset has been recognised in respect of carried forward tax losses of £64m (2004: £49m) and a proportion of the capital allowances in excess of the depreciation of £1m (2004: £3m) at the balance sheet date.



**7. Tangible Fixed Assets**

<b>Group</b>	<b>Furniture &amp; Fittings £'000</b>	<b>Computer Hardware £'000</b>	<b>Computer Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2005	70	1,726	18,183	19,979
Acquisitions	-	227	1,230	1,457
Disposals	-	-	(12,695)	(12,695)
At 31 December 2005	70	1,953	6,718	8,741
<b>Depreciation</b>				
At 1 January 2005	56	1,151	13,384	14,591
Charge for year	11	435	1,863	2,309
Disposals	-	-	(12,695)	(12,695)
At 31 December 2005	67	1,586	2,552	4,205
<b>Net book value</b>				
At 31 December 2005	3	367	4,166	4,536
At 31 December 2004	14	575	4,799	5,388

**8. Investments in Group Undertakings**

The value of the Company's investments in Group undertakings is as follows:

<b>Company</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Cost:</b>		
At 1 January	117,500	100,000
Additional investments	13,000	17,500
At 31 December	130,500	117,500
<b>Write down:</b>		
At 1 January	101,664	85,607
Charge for year	19,549	16,057
At 31 December	121,213	101,664
<b>Net book value as at 31 December</b>	<b>9,287</b>	<b>15,836</b>

## 8. Investments in Group Undertakings (continued)

The following information relates to subsidiary undertakings of the Group.

<b>Name of Undertaking</b>	<b>Description of Shares</b>	<b>% Held</b>	<b>Nature of Business</b>
Cofunds Limited	Ordinary £1	100%	Regulated trading company
Cofunds Leasing Limited	Ordinary £1	100%	Fixed asset rental company
Cofunds Nominees Limited*	Ordinary £1	100%	Dormant company

Shares in the above are all held directly by Cofunds Holdings Limited unless marked with an asterix. All subsidiary undertakings have the same year end as Cofunds Holdings Limited and are all incorporated in England and Wales. All the above companies have been included in the Group consolidation.

## 9. Debtors

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Group</b>		
Trade debtors	2,527	1,508
Settlement debtors	46,370	23,985
Deferred tax (note 12)	334	652
Consortium relief receivable	2,229	1,371
Other debtors	347	323
Prepayments and Accrued Income	1,640	1,525
	<u>53,447</u>	<u>29,364</u>

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Company</b>		
Amounts owed by group undertakings	5,473	5,493
Deferred tax (note 12)	1	1
Corporation Tax	-	7
Other debtors	139	153
	<u>5,613</u>	<u>5,654</u>

**10. Creditors: Amounts falling due within one year**

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Group</b>		
Trade creditors	1,729	1,574
Settlement creditors	41,441	17,682
Other creditors	144	499
Accruals and deferred income	<u>6,483</u>	<u>5,316</u>
	<u>49,797</u>	<u>25,071</u>
<b>Company</b>		
Amounts owed to group undertakings	17	-
Trade creditors	-	378
Accruals and deferred income	<u>53</u>	<u>69</u>
	<u>70</u>	<u>447</u>

**11. Creditors: Amounts falling due after more than one year**

	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Group</b>		
Shareholder loans	<u>-</u>	<u>4,000</u>
<b>Company</b>		
Shareholder loans	<u>-</u>	<u>4,000</u>

The shareholder loans were converted into "A" Ordinary shares in May 2005.

## 12. Deferred Tax

Included in debtors is deferred tax of:

	2005 £'000	2004 £'000
<b>Group</b>		
Asset at 1 January	652	1,918
Adjustment to prior year	(44)	
(Credit) / Charge for the year	<u>(274)</u>	<u>(1,266)</u>
Asset at 31 December	<u>334</u>	<u>652</u>

	2005 £'000	2004 £'000
<b>Company</b>		
Asset at 1 January	1	2
Charge for the year	<u>-</u>	<u>(1)</u>
Asset at 31 December	<u>1</u>	<u>1</u>

A deferred tax asset has been recognised where it is anticipated that future tax losses, arising from the underlying timing differences, can be surrendered to consortium partners.

**13. Share Capital**

	<b>2004 £'000</b>	<b>New issues £'000</b>	<b>Restructure £'000</b>	<b>2005 £'000</b>
Authorised				
"A" Ordinary Shares of 1p each	1,787	1,049	658	3,494
"A" Common Shares of 1p each	658	-	(658)	-
"B" Common Shares of 1p each	51	-	-	51
"D" Common Shares of 0.1p each	-	22	-	22
G Shares of 0.1p each	-	22	-	22
Deferred Shares of 99p each	19,800	-	(19,800)	-
	<u>22,296</u>	<u>1,093</u>	<u>(19,800)</u>	<u>3,589</u>

	<b>Number 000s</b>	<b>Number 000s</b>	<b>Number 000s</b>	<b>Number 000s</b>
Authorised				
"A" Ordinary Shares of 1p each	178,721	104,889	65,814	349,424
"A" Common Shares of 1p each	65,814	-	(65,814)	-
"B" Common Shares of 1p each	5,095	-	-	5,095
"D" Common Shares of 0.1p each	-	22,487	-	22,487
G Shares of 0.1p each	-	22,487	-	22,487
Deferred Shares of 99p each	20,000	-	(20,000)	-

	<b>2004 £'000</b>	<b>New issues £'000</b>	<b>Conversion £'000</b>	<b>2005 £'000</b>
Issued and Fully Paid				
"A" Ordinary Shares of 1p each	1,774	1,070	650	3,494
"A" Common Shares of 1p each	650	-	(650)	-
"B" Common Shares of 1p each	29	-	-	29
"D" Common Shares of 0.1p each	-	-	-	-
G Shares of 0.1p each	-	-	-	-
Deferred Shares of 99p each	-	-	-	-
	<u>2,453</u>	<u>1,070</u>	<u>-</u>	<u>3,523</u>

	<b>Number 000s</b>	<b>Number 000s</b>	<b>Number 000s</b>	<b>Number 000s</b>
Issued and Fully Paid				
"A" Ordinary Shares of 1p each	177,441	106,946	65,037	349,424
"A" Common Shares of 1p each	65,037	-	(65,037)	-
"B" Common Shares of 1p each	2,872	-	-	2,872
"D" Common Shares of 0.1p each	-	-	-	-
G Shares of 0.1p each	-	-	-	-
Deferred Shares of 99p each	-	-	-	-

**13. Share Capital (cont.)**

During the year there were changes to the share capital of the Company, as set out below:

<b>Class</b>	<b>Authorised Number 000s</b>	<b>Issued Number 000s</b>	<b>Date</b>
All the 20,000,000 Deferred Common Shares of 99p each were cancelled	(20,000)	-	27 May 2005
"A" Ordinary Shares of 1p each were created	104,889	-	27 May 2005
All the "A" Common Shares of 1p each were reclassified as "A" Ordinary Shares of 1p each	65,814	65,037	27 May 2005
"A" Ordinary Shares of 1p each were issued and fully paid at a price of 21.19p per share	-	106,946	27 May 2005
"D" Common Shares of 0.1p each were created	22,487	-	31 October 2005
G Shares of 0.1p each were created	22,487	-	31 October 2005

The shares are separate classes and rank pari passu, except only "A" Ordinary Shares carry the right to receive notice of, attend, speak and vote at a general meeting of the Company.

**Share Acquisition Scheme**

The Company operates an Unapproved Share Acquisition Scheme for senior executives. As at 31 December 2005 the number of shares acquired by executives under this scheme was 1,735,417 (2004: 1,735,417) "B" Common shares of 1p each.

During the year, the Cofunds Employee Benefit Trust (the EBT) acquired 350,000 "B" Common shares of 1p each at a price of 21.2p per share. The Company provided £74k (2004: £9k) to the EBT for this purpose. The Company has recorded the consideration paid for these shares as a deduction to the profit and loss account reserves within shareholders' funds in accordance with UITF 38 "Accounting for ESOP trusts". As at 31 December 2005 the EBT held 1,486,810 (2004: 1,136,810) "B" Common Shares.

**Share Options**

The Company operates an Approved Share Options Scheme for all employees. As at 31 December 2005 options granted under this scheme were outstanding over a total of 227,725 (2004: 264,100) "A" Common shares of 1p each. No grants were made during the year.

Under the terms of the scheme the options may only be exercised in accordance with the following table:

## Cofunds Holdings Limited

Elapsed period of time	% of option which may be exercised
After the first anniversary of grant date	25%
After the second anniversary of grant date	50%
After the third anniversary of grant date	75%
After the fourth anniversary of grant date	100%

or at such other times as the Board may determine upon the grant of the option.

### 14. Reserves

Group	Profit and loss account £'000	Share premium account £'000	Equity reserve account £'000
As at 1 January 2005	(86,354)	99,278	2,039
Loss for the financial year	(19,228)	-	-
Cost of own shares purchased by EBT	(74)	-	-
Premium on shares issued	-	21,596	-
As at 31 December 2005	<u>(105,656)</u>	<u>120,874</u>	<u>2,039</u>

Company	Profit and loss account £'000	Share premium account £'000	Equity reserve account £'000
As at 1 January 2005	(86,714)	99,278	2,039
Loss for the financial year	(19,266)	-	-
Cost of own shares purchased by EBT	(74)	-	-
Premium on shares issued	-	21,596	-
As at 31 December 2005	<u>(106,054)</u>	<u>120,874</u>	<u>2,039</u>

The Equity Reserve arose on the issue of A and B Common shares at a discount to the price paid by other shareholders. The reserve is non-distributable.

As permitted by Section 230 of the Companies Act 1985 the parent company's profit and loss account has not been included in these financial statements, its loss for the year amounted to £19m.

**15. Reconciliation of Movements in Shareholders' Funds**

<b>Group</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Opening shareholders' funds	17,416	22,566
Loss attributable to shareholders	(19,228)	(16,641)
Cost of own shares purchased by EBT	(74)	(9)
New share capital issued	<u>22,666</u>	<u>11,500</u>
Net increase (decrease) in shareholders' funds	<u>3,364</u>	<u>(5,150)</u>
Closing shareholders' funds	<u>20,780</u>	<u>17,416</u>
 <b>Company</b>	 <b>2005 £'000</b>	 <b>2004 £'000</b>
Opening shareholders' funds	17,056	21,670
Loss attributable to shareholders	(19,266)	(16,105)
Cost of own shares purchased by EBT	(74)	(9)
New share capital issued	<u>22,666</u>	<u>11,500</u>
Net increase (decrease) in shareholders' funds	<u>3,326</u>	<u>(4,614)</u>
Closing shareholders' funds	<u>20,382</u>	<u>17,056</u>

**16. Pension Fund**

The Group operates a defined contribution pension scheme and, under the terms of the Group's flexible benefit policy, the Group made contributions at a rate of up to 10% of pensionable salary. There were no outstanding or prepaid contributions at the balance sheet date (2004: Nil).

**17. Financial Commitments**

At 31 December 2005 the Group had a commitment to pay rentals during the following year under premises operating leases as follows:

<b>Commitments under operating leases</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Leases which expire between two and five years	920	-
Leases which expire after five years	526	1,446



## 18. Related Party Transactions

Newhouse Capital Partners LLC, Threadneedle Asset Management Holdings Limited, Jupiter International Group plc, International Financial Data Services Limited, Boston Financial Data Services, Inc. and Legal and General Partnership Holdings Limited were regarded as the controlling parties by virtue of having the ability to act in concert as shareholders in respect of the operations of the Group. Legal and General Partnership Holdings Limited are deemed related party by virtue of their share ownership percentage.

Related party transactions with the Threadneedle group during the year consisted of fees payable by the Group of £22k (2004: £47k), fees receivable by the Group of £279k (2004: £230k), consortium relief surrendered of £3,940k (2004: £2,107k), debtors outstanding of £677k (2004: nil), and creditors outstanding of £1k (2004: £2k). In addition, the Threadneedle group provided the services of a Communications Officer at no charge (estimated market value £20k (2004: nil)).

Related party transactions with the Newhouse group during the year consisted of fees payable by the Group of £52k (2004: £79k), fees receivable by the Group of £352k (2004: £269k), debtors outstanding of nil (2004: £3k), and creditors outstanding of £60k (2004: £66k).

Related party transactions with the Jupiter group during the year consisted of fees payable by the Group of £378k (2004: £469k), fees receivable by the Group of £1,147k (2004: £668k), consortium relief surrendered of £3,930k (2004: £6,745k), debtors outstanding of £674k (2004: nil), and creditors outstanding of £61k (2004: £23k).

Related party transactions with the International Financial Data Services group during the year consisted of expenses payable by the Group of £5,233k (2004: £2,335k) principally for the provision of the FAST record keeping system, and creditors outstanding of £523k (2004: £84k). In addition, the International Financial Data Services group provided the services of a Chief Executive Officer at no charge (estimated market value £203k (2004: nil)).

Related party transactions with the Legal & General group during the year consisted of fees payable by the Group of £13k (2004: nil), fees receivable by the Group of £189k (2004: nil), consortium relief surrendered of £3,349k (2004: nil), debtors outstanding of £1,157k (2004: nil) and creditors outstanding of £19k (2004: nil). Legal & General provide the Portfolio Bond product that went live late in 2005 as mentioned in the Directors' Report.

There were no related party transactions with the Boston Financial Data Services group during the year (2004: nil).

All related party transactions have been conducted at arm's length unless otherwise stated.

**19. Post Balance Sheet Events**

A further £7m of equity subscription was invested in the company on 20 March 2006.

At the end of February 2006, the Company established a Long Term Incentive scheme for senior executives. Under this scheme 6% of the share capital of the Company was made available that would vest between 2008 and 2010.