

**ISIS Equity
Partners plc**
(Registered number 01659209)

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

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ISIS EQUITY PARTNERS PLC

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

01659209

DIRECTORS:

H Carter
S Egan
O O Kolade
A Carnwath (Non-executive director)
I J Paterson Brown

SECRETARY:

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

REGISTERED OFFICE:

Exchange House
Primrose Street
London
EC2A 2NY

SOLICITORS:

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

AUDITORS:

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

ISIS EQUITY PARTNERS PLC

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the management of funds investing in unquoted companies. The company is authorised and regulated by the Financial Services Authority.

During 2004 the company has continued to develop its management of private equity investments. The turnover of the company has increased to £7,374,000 (2003: £7,138,000).

RESULTS AND DIVIDEND

The accounts show a profit after tax of £3,467,000 (2003: £2,483,000). The directors propose a final dividend of £3,450,000 (2003: £2,475,000) and the retained profit of £17,000 (2003: £8,000) is to be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

H Carter	
P A K Arthur	(resigned 11 October 2004)
A Carnwath	(non-executive)
S Egan	
O O Kolade	
I J Paterson Brown	(appointed 11 October 2004)
D Thorp	(resigned 11 October 2004)

No director has any beneficial interest in the shares of the company.

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

	At 31 December 2004		At 31 December 2003 (or subsequent date of appointment)	
	Ord shares	Options	Ord shares	Options
H Carter	43,364	949,005	42,850	532,338
IJ Paterson Brown	195,021	472,835	194,915	329,085
A Carnwath (Non-executive)	-	-	-	-
S Egan	-	13,500	-	13,500
OO Kolade	10,588	96,456	10,126	96,456

ISIS EQUITY PARTNERS PLC

REPORT OF THE DIRECTORS (Continued)

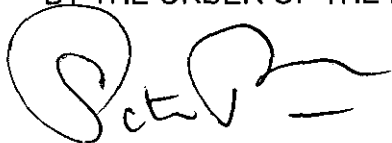
The beneficial interests of the directors at 31 December 2004 in the share capital of the ultimate parent undertaking, Friends Provident plc, are:

	Ord shares	
	At 31 December 2004	At 31 December 2003 (or subsequent date of appointment)
H Carter	24,560	24,560
I J Paterson Brown	-	-
A Carnwath (Non-executive)	-	-
S Egan	231	231
OO Kolade	208	208

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

BY THE ORDER OF THE BOARD



IJ Paterson Brown
Director
27 April 2005

ISIS EQUITY PARTNERS PLC

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 18, 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.

ISIS EQUITY PARTNERS PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISIS EQUITY PARTNERS PLC

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 20. 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

Ernst & Young LLP
Registered Auditor
Edinburgh
27 April 2005

ISIS EQUITY PARTNERS PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
TURNOVER	2	7,374	7,138
Administrative expenses		(4,289)	(5,143)
OPERATING PROFIT	3, 4	3,085	1,995
Dividends receivable		1,024	1,008
Interest receivable	6	421	136
Interest payable	7	(1)	(2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,529	3,137
Taxation on profit on ordinary activities	8	(1,062)	(654)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	3,467	2,483
Proposed final dividend	15	(3,450)	(2,475)
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES		17	8

All amounts relate to continuing operations.

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

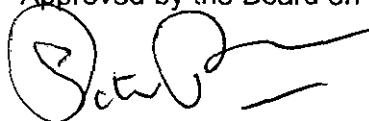
The accounting policies on pages 8 and 9 and the notes on pages 9 to 18 form part of these financial statements.

ISIS EQUITY PARTNERS PLC

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	31 December 2004 £000	31 December 2003 £000
FIXED ASSETS			
Tangible fixed assets	9	56	64
Investments	10	1	1
		<u>57</u>	<u>65</u>
CURRENT ASSETS			
Debtors	11	10,817	7,804
Cash at bank and in hand		1,447	874
		<u>12,264</u>	<u>8,678</u>
CREDITORS (Amounts falling due within one year)	12	(8,618)	(5,057)
		<u>3,646</u>	<u>3,621</u>
NET CURRENT ASSETS			
		<u>3,703</u>	<u>3,686</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	14	94	94
Capital redemption reserve	15	151	151
Revaluation reserve	15	(56)	(56)
Profit and loss account	15	3,514	3,497
		<u>3,703</u>	<u>3,686</u>
TOTAL SHAREHOLDER'S FUNDS	15	<u>3,703</u>	<u>3,686</u>

Approved by the Board on 27 April 2005 and signed on its behalf by



I J Paterson Brown
Director

The accounting policies on pages 8 and 9 and the notes on pages 9 to 18 form a part of these financial statements.

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

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

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Leasehold improvements	– over 10 years
Office furniture and equipment	– over 3-5 years
Computer equipment	– over 3 years

The carrying value of tangible fixed assets is reviewed where it is believed that impairment may have occurred. Any impairment arising from such a review would be charged as depreciation in the period in which it arose.

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.
- ❑ 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.

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

Investments

Listed investments are included at market value. Unlisted investments are carried at the lower of cost and directors' valuation.

Turnover

Turnover represents financial consultancy and investment management fees receivable at invoiced amounts excluding Value Added Tax. These fees all relate to the provision of private equity investment services, being one class of business.

Subsidiary undertakings

The company has taken exemption under section 228 of the Companies Act not to prepare group accounts as it is a wholly owned subsidiary of F&C Asset Management plc (formerly ISIS Asset Management plc), a company incorporated in Scotland.

Income from shares in subsidiary undertakings

Income from shares in subsidiary undertakings is accounted for in the period in which it accrues.

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.

2. TURNOVER

Turnover comprises investment management fees and financial consultancy fees from clients in:

	2004 £000	2003 £000
United Kingdom	<u>7,374</u>	<u>7,138</u>

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OPERATING PROFIT

	2004 £000	2003 £000
This is stated after charging:		
Depreciation of owned fixed assets	28	51
Auditors' remuneration – audit services	8	8
Auditors' remuneration – non audit services	18	7
Operating lease payments – land & buildings	72	72

4. STAFF COSTS

	2004 £000	2003 £000
Wages and salaries	88	1,315
Social Security costs	-	176
Other pension costs	-	58
	88	1,549

The monthly average number of employees during the year ended 31 December 2004 was nil (2003: 7). During 2003 the company's employment contracts were transferred to F&C Asset Management Services Limited, the group's employee company.

Staff costs totalling £3,459,000 were recharged to the company during 2004 (2003: £2,242,000).

5. DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors, who received emoluments for services to the company, were as follows:

	2004 £000	2003 £000
Emoluments	1,255	1,100
Company contributions paid to money purchase pension schemes	60	60

The emoluments of H Carter, I J Paterson Brown and P A K Arthur are shown in the accounts of F&C Asset Management plc, the parent undertaking.

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. DIRECTORS' EMOLUMENTS (Continued)

The number of directors, who held office during the year, to whom retirement benefits are accruing is set out below:

	2004 No	2003 No
Members of money purchase pension schemes	4	4
Members of defined benefit schemes	2	1

The emoluments in respect of the highest paid director are as follows:

	2004 £000	2003 £000
Emoluments	591	481
Company contributions paid to money purchase pension schemes	12	15

The directors' emoluments above are included in the staff costs recharge referred to in note 4.

6. INTEREST RECEIVABLE

	2004 £000	2003 £000
Interest from fellow subsidiary undertakings	403	111
Bank interest	18	25
	421	136

7. INTEREST PAYABLE

	2004 £000	2003 £000
Bank interest and charges	1	2

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
UK Corporation Tax		
UK Corporation Tax on profits for the year	1,060	655
Total current tax charge for the year	1,060	655
Deferred tax		
Originating and reversal of timing differences (note 13)	2	(1)
Total tax charge for the year	1,062	654
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK. The differences are explained below.		
Profit on ordinary activities before tax	4,529	3,137
Profit on ordinary activities multiplied by the tax rate of 30.00% (2003: 30.00%)	1,359	941
Effects of:		
Non-taxable income	(295)	(288)
(Decelerated)/accelerated capital allowances	(2)	1
Current tax charge for the year	1,062	654

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £000	Office furniture and equipment £000	Computer equipment £000	Total £000
COST:				
At 31 December 2003	42	43	209	294
Additions	7	5	8	20
At 31 December 2004	49	48	217	314
DEPRECIATION:				
At 31 December 2003	21	38	171	230
Provided during the year	3	3	22	28
At 31 December 2004	24	41	193	258
NET BOOK VALUE:				
At 31 December 2004	25	7	24	56
At 31 December 2003	21	5	38	64

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. FIXED ASSET INVESTMENTS

	31 December 2004 £000	31 December 2003 £000
Investments in subsidiaries	1	1

Subsidiary undertakings

The following are wholly owned subsidiaries of the company, all of which are registered in England and Wales.

Subsidiary undertaking	Holding	Proportion of voting rights and shares held	Nature of business
Baronsmead (Carry) Limited	Ordinary Shares	100%	Dormant
Baronsmead (LP) Limited	Ordinary Shares	100%	Private equity investment management
BAL Nominees Limited	Ordinary Shares	100%	Private equity nominee
Baronsmead Fund Nominees Limited	Ordinary Shares	100%	Dormant
Baronsmead Nominees Limited	Ordinary Shares	100%	Dormant
Baronsmead (BRF) Nominees Limited	Ordinary Shares	100%	Private equity nominee
Baronsmead (BBF) Nominees Limited	Ordinary Shares	100%	Private equity nominee
Baronsmead Trustee Limited	Ordinary Shares	100%	Dormant
Tovil (GP) Limited	Ordinary Shares	100%	Dormant
ISIS Equity Partners GP Limited	Ordinary Shares	100%	Private equity general partner
FIS Nominee Limited	Ordinary Shares	100%	Private equity nominee
ISIS Equity Partners Founder Partner Limited	Ordinary Shares	100%	Private equity founder partner
Baronsmead Fund Management Limited (a)	'A' Ordinary Shares	100%	Private equity investment management
Baronsmead Fund Management 2 Limited (b)	'A' Ordinary Shares	100%	Private equity investment management
ISIS III Carry GP Limited	Ordinary Shares	100%	Private equity general partner

(a) This subsidiary has an accounting date of 30 September, necessitated by alignment to the underlying client's year-end.

(b) This subsidiary has an accounting date of 31 March, necessitated by alignment to the underlying client's year-end.

Details of the company's parent undertakings are disclosed in note 20.

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. DEBTORS

	31 December 2004 £000	31 December 2003 £000
Amounts due within one year:		
Trade debtors	84	104
Accrued income	2,030	890
Amounts due from parent undertakings	-	274
Amounts due from fellow subsidiary undertakings	312	1,197
Loan to fellow subsidiary undertaking	7,640	4,579
Group relief receivable	473	531
VAT recoverable	-	8
Other debtors	227	152
Prepayments	35	52
	<hr/> 10,801	<hr/> 7,787
Amounts due outwith one year:		
Deferred taxation (note 13)	16	17
	<hr/> 10,817	<hr/> 7,804

The loan is to F&C Treasury Limited (formerly ISIS Treasury Limited). The loan is repayable on demand and is subject to interest at 3 month LIBOR plus 1% margin.

12. CREDITORS

	31 December 2004 £000	31 December 2003 £000
Amounts falling due within one year:		
Trade creditors	91	30
Amounts due to parent undertakings	5,487	2,020
Amounts due to fellow subsidiary undertakings	1,087	1,974
Accruals	166	317
Corporation Tax payable	1,659	655
Other creditors	23	61
VAT payable	105	-
	<hr/> 8,618	<hr/> 5,057

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEFERRED TAXATION

	2004 £000	2003 £000
At 1 January	17	16
Profit and Loss account credit during the year (note 8)	(1)	1
At 31 December	16	17
	31 December 2004 £000	31 December 2003 £000
Deferred taxation provided in the accounts is as follows:		
Accelerated capital allowances	16	17
Disclosed in the accounts as follows:		
Debtors (note 11)	16	17
Non-discounted deferred tax asset	16	17

The directors believe it is appropriate to recognise a deferred tax asset because it is considered that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

14. SHARE CAPITAL

	31 December 2004 £000	31 December 2003 £000
Authorised:		
2,600,000 Ordinary Shares of 10p each	260	260
Allotted, called up and fully paid:		
937,855 Ordinary Shares of 10p each	94	94

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Share Capital £000	Revaluation Reserve £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total Shareholder's Funds £000
At 31 December 2002	94	(56)	151	3,489	3,678
Profit after taxation for the year	-	-	-	2,483	2,483
Final dividend	-	-	-	(2,475)	(2,475)
At 31 December 2003	94	(56)	151	3,497	3,686
Profit after taxation for the year	-	-	-	3,467	3,467
Proposed final dividend	-	-	-	(3,450)	(3,450)
At 31 December 2004	94	(56)	151	3,514	3,703

16. COMMITMENTS UNDER OPERATING LEASES

The company had annual commitments under non-cancellable operating leases set out below.

	31 December 2004 £000	31 December 2003 £000
Leasehold property commitments expiring:		
within one year	-	22
within two to five years	42	-
outwith five years	54	72
	<u>96</u>	<u>94</u>

17. PENSION COMMITMENTS

The group operates a defined contribution pension scheme, the F&C Asset Management plc group personal pension plan, which all employees are eligible to join. The group personal pension plan had no outstanding or prepaid contributions as at 31 December 2004 (2003 - £nil).

Full details of the group's pension arrangements are disclosed in the accounts of its parent undertaking, F&C Asset Management plc.

ISIS EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of F&C Asset Management plc. The results of the company are consolidated in the results of Friends Provident plc, the company's ultimate parent undertaking.

For the year ended 31 December 2004 the company had the following transactions with fellow subsidiaries of Friends Provident plc.

	Total invoiced and accrued during 2004 £000	Total invoiced and accrued during 2003 £000	Total outstanding at 31 December 2004 £000	Total outstanding at 31 December 2003 £000
Management fees	417	450	-	38

The company has taken exemption from the requirement to disclose other related party transactions with members of the F&C Asset Management plc group (formerly ISIS Asset Management plc group) on the basis that it is a wholly owned subsidiary.

19. CAPITAL ADEQUACY DIRECTIVE

The company, as part of the F&C Asset Management plc group, is subject to the regulatory consolidated capital regime imposed by the Financial Services Authority but has applied for a waiver which allows it to forego these requirements.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is ISIS Equity Partners Holdings Limited.

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.

In the opinion of the directors the company's ultimate parent undertaking and controlling party is Friends Provident plc. Copies of the accounts for Friends Provident plc are available from Pixham End, Dorking, Surrey RH4 1QA.