

15637

**THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2001**

DIRECTORS

B.W. SWEETLAND, LLB, Solicitor, ACol

D. MONGER, B Soc Sc (Hons), FCIS

SECRETARY

D. MONGER, B Soc Sc (Hons), FCIS

PRINCIPAL ACTIVITY

During the year, the company's principal activity was that of an investment holding company. No change in this activity is envisaged in the future.

RESULTS AND BUSINESS REVIEW

The company's results for the year are set out on page 4. The directors consider the results for the year to be satisfactory.

DIVIDENDS

Preference share dividends of £832 were paid during the year (2000: £832). The directors do not recommend the payment of a dividend on ordinary shares for the year ended 31 December 2001 (2000: Nil).

DIRECTORS

The directors named above held office throughout the year with the exception of D. Monger who was appointed as a director on 1 October 2001. R.M. Whiffin held office throughout the year until his resignation as a director on 1 October 2001.

DIRECTORS' INTERESTS

The following directors held beneficial interests in the ultimate parent undertaking, Friends Provident plc:

	Number of ordinary shares of 10p each in the capital of Friends' Provident plc		
	On date of Appointment	At 31 December 2001	Options at 31 December 2001
D. Monger	17,977	17,977	10,041
B.W. Sweetland	-	74,397	6,047

The directors participate in two Inland Revenue approved share schemes, the ShareSave Scheme (a savings-related share option scheme) and the Partnership Share element of the Share Incentive Plan (formerly the All-Employee Share Ownership Plan) on the same basis as other eligible UK employees of the Group.

The directors participate in the Executive Share Option Scheme (ESOS) and the Executive Long Term Incentive Plan (LTIP) on the same terms as other eligible UK employees of the Group.

All shares under option at 31 December 2001 were granted during the year ended 31 December 2001.



THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
REPORT OF THE DIRECTORS (Continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select the most appropriate accounting policies and 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 accounts; 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 confirm that they have complied with these requirements.

The directors are responsible for keeping proper accounting records which 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.

AUDITORS

The directors have taken advantage of the Elective Regime, under Section 386 of the Companies Act 1985, for dispensation from the annual appointment of auditors.

The auditors, PricewaterhouseCoopers, have signified their willingness to continue in office.

Pixham End
Dorking
Surrey
RH4 1QA

23rd May 2002

Registered Number 15633

ON BEHALF OF THE BOARD



D. MONGER
SECRETARY

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF THE LAND AND HOUSE PROPERTY CORPORATION LIMITED**

We have audited the financial statements on pages 4 to 9 which have been prepared in accordance with the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

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

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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

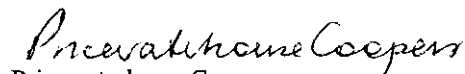
BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 the company's affairs at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London

23 May 2002

THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001

	Notes	2001 £	2000 £
<u>Continuing operations</u>			
Administrative expenses		(1,000)	(1,000)
Bank interest receivable		64	94
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	----- (936)	----- (906)
Taxation credit on loss on ordinary activities	5	281 -----	272 -----
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(655)	(634)
Dividends	9	(832) -----	(832) -----
RETAINED LOSS FOR THE YEAR	10	(1,487) =====	(1,466) =====

Note:

The above profit and loss account includes all recognised gains and losses.

The notes on pages 6 to 9 form an integral part of these accounts.

THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 2001

	Notes	2001 £	2000 £
CURRENT ASSETS			
Debtors	6	7,685,049	7,685,600
Cash at bank and in hand		4,315	4,251
		<u>7,689,364</u>	<u>7,689,851</u>
CREDITORS: Amounts falling due within one year	7	<u>(6,958)</u>	<u>(5,958)</u>
NET CURRENT ASSETS		<u>7,682,406</u>	<u>7,683,893</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,682,406</u>	<u>7,683,893</u>
CAPITAL AND RESERVES			
Called up share capital	8	5,088,880	5,088,880
Share premium account	10	2,588,579	2,588,579
Profit and loss account	10	4,947	6,434
SHAREHOLDER FUNDS	10	<u>7,682,406</u>	<u>7,683,893</u>
ANALYSIS OF SHAREHOLDER FUNDS			
Equity		7,655,991	7,657,478
Non-equity		26,415	26,415
		<u>7,682,406</u>	<u>7,683,893</u>

Approved by the Board on 23 May 2002 and signed on its behalf by


B. W. SWEETLAND
DIRECTOR

The notes on pages 6 to 9 form an integral part of these accounts.

THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) General

The financial statements have been prepared under the historical cost convention, except that investments in subsidiary undertakings are stated at revalued amounts.

In accordance with Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned undertaking of a parent which provides a cash flow statement.

(b) Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated at the value of the company's share of the undertakings' underlying net tangible assets.

(c) Foreign Currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at rates ruling at the balance sheet date with the resultant profits or losses being taken to the Profit and Loss Account, except where they relate to a hedging transaction. Translation differences arising from the application of the closing rates of exchange to the opening net assets and related hedging loans of overseas subsidiary undertakings are taken directly to reserves.

2. DIRECTORS' EMOLUMENTS AND OTHER BENEFITS

The directors consider that their services to the company were incidental to their other duties within the Friends Provident Group and accordingly no remuneration has been apportioned to this company.

3. EMPLOYEES

The company did not employ any staff during the year (2000: None).

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Administrative expenses are paid by way of a management charge to Friends Provident Management Services Limited, a fellow group undertaking. The charge of £1,000 comprises auditors' remuneration (2000: £1,000).

5. TAXATION CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2001	2000
	£	£
Group Relief	281	267
	====	====

The tax credit of £281 (2000: £267) is loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%.

THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
NOTES TO THE ACCOUNTS (Continued)

6. DEBTORS

	2001 £	2000 £
Loan to ultimate parent undertaking	7,684,215	7,685,047
Amounts owed by group undertakings	553	281
Group relief receivable	281	272
	<u>7,685,049</u>	<u>7,685,600</u>

The loan to the ultimate parent undertaking is non-interest bearing and is repayable after more than one year.

7. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertakings	3,044	2,044
Other creditors-dissentient Shareholders	3,914	3,914
	<u>6,958</u>	<u>5,958</u>

8. CALLED-UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
10,124,931 ordinary shares of 50p each	5,062,465	5,062,465
52,830 3.15% cumulative preference shares of 50p each	26,415	26,415
1,822,239 unclassified shares of 50p each	911,120	911,120
	<u>6,000,000</u>	<u>6,000,000</u>

THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
NOTES TO THE ACCOUNTS (Continued)

8. CALLED-UP SHARE CAPITAL (Continued)

Allotted, issued and fully paid:	2001	2000
	£	£
10,124,931 ordinary shares of 50p each	5,062,465	5,062,465
52,830 3.15% cumulative preference shares Of 50p each	26,415	26,415
	<u>5,088,880</u>	<u>5,088,880</u>

The ordinary shares have the following rights:

- Shareholders are entitled to dividends from the balance of profit after payment of cumulative dividends, in proportion to the number of shares paid up or credited as paid;
- Shareholders have the right to receive advice of, attend and vote at any General Meeting of the company;
- Upon any resolution for the winding up of the company, ordinary shareholders shall rank after the cumulative preference shareholders in the distribution of the company's assets.

The cumulative preference shares have the following rights:

- Shareholders have a preferential right to a dividend at 3.15% per annum, before payment of dividend to the ordinary shareholders. Any unpaid dividends are accumulated for payment in future periods;
- Shareholders have the right to receive advice of, attend and vote at any General Meeting of the company;
- Upon any resolution for winding up of the company, the preference shareholders should have priority over the ordinary shareholders in the distribution of assets based on the amounts paid up or credited as paid up on such shares (together with a sum equal to any arrears of dividend to be calculated down to the commencement of the winding up and to be payable irrespective of whether such dividend has been earned or declared or not).

9. DIVIDENDS

The dividend paid of £832 comprises the 3.15% cumulative preference share dividend due for the year ended 31st December 2001 (2000: £832). The directors do not recommend the payment of a dividend on ordinary shares for the year ended 31st December 2001 (2000: Nil).

THE LAND AND HOUSE PROPERTY CORPORATION LIMITED
NOTES TO THE ACCOUNTS (Continued)

10. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share Capital	Share Premium Account	Profit and Loss Account	Total Shareholder Funds
	£	£	£	£
At 1 January 2001	5,088,880	2,588,579	6,434	7,683,893
Retained loss for the financial year			(1,487)	(1,487)
	-----	-----	-----	-----
At 31 December 2001	5,088,880	2,588,579	4,947	7,682,406
	=====	=====	=====	=====

11. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of Friends Provident Life and Pension Limited ("FPLP"). The results of both the Company and FPLP are consolidated in the results of Friends Provident plc, the company's ultimate parent and controlling undertaking, whose financial statements are publicly available. Accordingly, the Company is exempt from the requirements of Financial Reporting Standard 8 concerning the disclosure of transactions with other companies which qualify as related parties within the Friends Provident Group.

There are no other material related party transactions.

12. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Friends Provident plc which is incorporated in the United Kingdom. Copies of the Group Report and Accounts of Friends Provident plc can be obtained by writing to its Secretary at Pixham End, Dorking, Surrey, RH41QA and can be viewed via its website www.friendsprovident.co.uk.