

# **FNCB LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR ENDED  
31 DECEMBER 1999**



Company registration number: 383994

**FNCB LIMITED**  
**Directors and Secretary**

Directors : K W Horlock  
T C W Ingram  
D G Milton

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Secretary : Abbey National Secretariat Services Limited

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Registered office : First National House,  
College Road,  
Harrow,  
Middlesex  
HA1 1FB

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Auditors : Deloitte & Touche  
*Chartered Accountants*  
London

**FNCB LIMITED**  
**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

**1. Principal activity and review of business**

The principal activity of the Company was the provision of commercial banking services but this ceased on 31 August 1998.

The results for the year are set out in the profit and loss account and the directors consider these results to be satisfactory. The financial position of the Company is set out in the balance sheet.

**2. Dividends**

The directors do not intend to declare any dividend for the year (1998 : nil)

**3. Directors**

Messrs. M A Bartholomeusz, K W Horlock, T C W Ingram, D G Milton and J S Scott served as directors throughout the year. P A George resigned as a director on 1 February 1999, J S Scott resigned as a director on 1 April 2000 and M A Bartholomeusz resigned as a director on 5 June 2000.

**4. Directors' interests in the shares of group companies**

None of the directors or their families had any interests in the shares of the Company during the year.

The interests of T C W Ingram in the shares of the ultimate parent undertaking, Abbey National plc, are disclosed in the accounts of that company; those of K W Horlock and J S Scott are disclosed in the accounts of First National Finance Corporation p.l.c., an intermediate parent undertaking; those of M A Bartholomeusz and D G Milton are disclosed in the accounts of First National Bank Plc, a further intermediate parent undertaking.

**5. Directors' Responsibilities in respect of the Preparation of Accounts**

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

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 the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**6. Year 2000 and EMU**

Year 2000

Following the provision of management, technology and systems support by the intermediate parent undertaking, First National Bank Plc, and the ultimate parent undertaking, Abbey National plc, no material problems were encountered at the turn of the year. Costs of these plans are detailed in the consolidated accounts of the ultimate parent undertaking.

EMU

The strategic and operational risks posed by Economic and Monetary Union (EMU) are being addressed by the ultimate parent undertaking, Abbey National plc, through a Group-wide steering committee further details of which are given in the consolidated accounts of that ultimate parent undertaking.

**FNCB LIMITED**  
**REPORT OF THE DIRECTORS**

**7. Auditors**

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually.

During the year Coopers & Lybrand resigned as auditors of the Company and the directors resolved to appoint Deloitte & Touche as auditors of the Company in their place, in accordance with the resolution by Abbey National plc to appoint Deloitte & Touche as auditors of Abbey National plc and its subsidiaries.

By order of the Board



.....  
Abbey National Secretariat Services Limited  
Secretary

14 June 2000

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF FNCB LIMITED**

We have audited the accounts on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 3, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
*Chartered Accountants and Registered Auditors*  
Stonecutter Court  
1 Stonecutter Street  
London  
EC4A 4TR

19 June 2000

**FNCB Limited**  
**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December, 1999**

	Note	1999 £000	1998 £000
Interest receivable and similar income	3(b)	-	15,072
Interest payable and similar charges	3(b)	-	(7,160)
<b>Net interest income</b>		-	7,912
Fees and commissions payable		-	(663)
Administrative expenses		-	(2,028)
Depreciation		-	(30)
Other operating income		-	540
<b>Profit on ordinary activities before taxation</b>	3	-	5,731
Tax (charge)/credit on profit from ordinary activities	4	(201)	2,502
<b>Retained (Loss)/profit for the year</b>	10	(201)	8,233

Movements in reserves are shown in note 11.

For the purpose of Financial Reporting Standard No. 3, all of the company's activities are discontinued.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the year ended 31 December, 1999

	1999 £000	1998 £000
(Loss)/profit for the financial year	(201)	8,233
Deficit on revaluation of property	-	(296)
Revaluation surplus on liquidation of subsidiary company	-	113
<b>Total (losses)/gains recognised since last annual report</b>	(201)	8,050

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

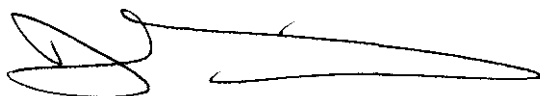
for the year ended 31 December, 1999

	1999 £000	1998 £000
Profit on ordinary activities before taxation	-	5,731
Realisation of property revaluation gains of prior years	-	418
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued asset	-	5
<b>Historical cost profit on ordinary activities before taxation</b>	-	6,154
<b>Historical cost profit retained for the year after taxation</b>	-	7,646

**FNCB Limited**  
**BALANCE SHEET**  
**31 December, 1999**

		1999	1998
	Note	£000	£000
<b>FIXED ASSETS</b>			
Investments in subsidiary undertakings	6	228	228
		<u>228</u>	<u>228</u>
<b>CURRENT ASSETS</b>			
Amounts owed by group undertakings		51,066	48,802
(No final date of repayment, interest-free and unsecured)			
Other assets	7	-	2,502
Cash at bank and in hand		-	34
		<u>51,066</u>	<u>51,338</u>
<b>Creditors - Amounts falling due within</b>			
<b>one year</b>	8	228	299
		<u>228</u>	<u>299</u>
<b>NET CURRENT ASSETS</b>		50,838	51,039
		<u>50,838</u>	<u>51,039</u>
<b>NET ASSETS</b>		51,066	51,267
		<u>51,066</u>	<u>51,267</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	98,965	98,965
Profit and loss account	10	(47,899)	(47,698)
		<u>98,965</u>	<u>98,965</u>
<b>Total equity shareholders' funds</b>	11	51,066	51,267
		<u>51,066</u>	<u>51,267</u>

The accounts on pages 5 to 13 were approved by the Board of Directors on *14 June* 2000 and were signed on its behalf by:



Director  
*D.G. Hilton*

## **1 STATEMENT OF ACCOUNTING POLICIES**

The more important accounting policies adopted are as follows:

### **(a) Basis of accounting**

The accounts have been prepared on the historical cost basis of accounting and in compliance with the Companies Act 1985 and all applicable accounting standards. During the year ended 1998, the Company ceased to be an authorised institution under the Banking Act 1985. Accordingly the accounts have been prepared in accordance with schedule 4 of the Companies Act 1985 and comparative figures adjusted to comply with this format. As the principal activity undertaken by the Company during the year ended 1998 was the provision of commercial banking services, the directors believe that the nature of the company's business is such that certain descriptions in the profit and loss account format prescribed by schedule 4 of the Companies Act 1985 are not appropriate. As required by the Act, the directors have therefore adapted the prescribed format so that the results of the Company are described in a manner appropriate to the Company's principal activity.

### **(b) Loans and advances to customers**

Specific provisions are made against loans and advances (including interest) using formulae based upon the Company's experience of recovery and having regard to any security held. General provisions are made against loans and advances (including interest) to cover bad and doubtful debts which have not been separately identified but which are known from experience to be present in any portfolio of loans and advances. Bad debts are written off when all reasonable steps to recover them have been taken.

### **(c) Investments in subsidiary undertakings**

Shares in the subsidiary undertakings are stated at cost less provision for any permanent diminution in value. In the opinion of the directors, the shares are worth not less than such valuations.

Where applicable, provision is made against investments in, and amounts owing by, subsidiary undertakings to the Company.

### **(d) Tangible fixed assets**

Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives. The following annual rates are used:

Buildings: 1%

Office fixtures, equipment and furniture: 12.5%

Computer equipment: 25% for mainframes and 20% for peripherals

Motor vehicles: 25%

### **(e) Deferred taxation**

Deferred taxation is calculated at the anticipated future rates of corporation tax on timing differences which arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### **(f) Interest receivable**

Interest receivable is recognised on an accruals basis. A bad debt provision is made where recovery is doubtful. No credit is taken for interest receivable when there is no realistic prospect of it being recovered.

### **(g) Pension contributions**

Annual profits are charged with pension contributions at rates calculated by an independent actuary to cover retirement benefits based on projected final salaries. Such contributions are paid to a separate non-contributory pension fund which operates under a trust set up by First National Finance Corporation p.l.c. and administered by trustees. Funds are invested and managed independently. Further details are given in note 13.



## **2 ULTIMATE PARENT COMPANY**

The ultimate parent company is Abbey National plc, which is registered in England and Wales and which is the parent company of the only group for which group accounts are drawn up and of which FNCB Limited (formerly First National Commercial Bank Plc) is a member. Copies of the accounts are available to the public and may be obtained from its registered office at Abbey House, Baker Street, London NW1 6XL. The Company has taken advantage of the exemption from preparing, and delivering to the Registrar of Companies, consolidated accounts. Directors consider Abbey National plc to be the ultimate controlling party.

## **3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

### **(a) Segmental analysis**

In the opinion of the directors there is only one material class of business for the purposes of the Statement of Standard Accounting Practice 25 and this business is conducted in the United Kingdom.

### **(b) Profit on ordinary activities before tax is stated after charging:**

	1999 £000	1998 £000
<b>Interest Receivable</b>		
Loans and advances to customers	-	14,768
Fellow subsidiary undertakings	-	294
Other interest	-	10
	<u>-</u>	<u>15,072</u>

Interest due but not received on loans and advances to customers in arrears has not been recognised in interest receivable where collectability is in doubt. The movements on suspended interest are :

At 1 January	-	31,777
Amounts suspended in the year	-	913
Irrecoverable amounts written off	-	(27,372)
Disposal of loans	-	(5,318)
At 31 December	<u>-</u>	<u>-</u>

### **Interest Payable**

Fellow subsidiary undertakings	-	7,147
Other deposits	-	13
	<u>-</u>	<u>7,160</u>

### **Administrative expenses**

Staff costs (see note 5c)	-	471
Audit fees	-	23

Audit fees for 1999 are being borne by the immediate parent undertaking.

**4 TAX (CHARGE)/CREDIT ON PROFIT FROM ORDINARY ACTIVITIES**

	1999 £000	1998 £000
Group relief (payable)/ receivable at 30.25% (1998 - 31%)		
Current year	-	2,502
Prior years	(201)	-
	<u>(201)</u>	<u>2,502</u>

**5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1999 £000	1998 £000
<b>(a) Emoluments of directors</b>		
<b>All directors</b>		
Aggregate emoluments	-	228
Company pension contributions to money purchase schemes	-	125
	<u>-</u>	<u>353</u>

Retirement benefits are accruing to five directors under the pension scheme referred to in note 13.

**Highest-paid director**

Aggregate emoluments	-	78
Company pension contributions to money purchase scheme	-	46
Defined benefit pension scheme: accrued pension at end of year	-	12

The highest paid director exercised share options during the year and received share options under the executive share option scheme.

**(b) Material Interests**

None of the directors had a material interest in any contract to which the company was a party during the financial year.

<b>(c) Staff costs</b> (including directors)	£000	£000
Wages and salaries	-	737
Social security costs	-	66
Other pension costs	-	38
	<u>-</u>	<u>841</u>

<b>(d) Average number of persons employed</b> (including directors)	No.	No.
	-	9

**6 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	1999 £000	1998 £000
Share at cost or valuation	250	362
Subsidiary liquidated in year	-	(112)
Provision for permanent diminution in value	(22)	(22)
Shares at carrying value	<u>228</u>	<u>228</u>

The principal subsidiary undertakings are as set out below and are wholly owned and registered in England and Wales.

**Nature of business**

B.K. Developments Limited  
TCB Facilities Limited

Property  
Non trading

*Group accounts have not been prepared as the Company is a wholly-owned subsidiary of another company registered in England and Wales (see note 2).*

On the 16 August, 1999 First National Developer Services Limited (Isle of Man registered) was dissolved. The value of the investment had been fully provided.

**7 OTHER ASSETS**

	1999 £000	1998 £000
Group relief receivable from fellow group undertakings	-	2,502
	<u>-</u>	<u>2,502</u>

**8 CREDITORS - AMOUNTS FALLING DUE  
WITHIN ONE YEAR**

	1999 £,000	1998 £,000
Trade creditors	-	1
Accruals and deferred income	-	70
Due to subsidiary undertakings	228	228
	<u>228</u>	<u>299</u>

All amounts fall due within one year. Amounts due to subsidiary companies are unsecured, interest-free and have no final repayment date.

**FNCB Limited**  
**NOTES TO THE ACCOUNTS Continued**  
**Year ended 31 December 1999**

**9 SHARE CAPITAL**

	No. of Shares	1999 £000	1998 £000
<b>Authorised :</b>			
Ordinary shares of 25p each	300,000,000	75,000	75,000
Preferred ordinary shares of 25p each	200,000,000	50,000	50,000
	<u>500,000,000</u>	<u>125,000</u>	<u>125,000</u>
<b>Allotted and fully paid:</b>			
Ordinary shares of 25p each			
At 1 January and 31 December	<u>255,860,000</u>	<u>63,965</u>	<u>63,965</u>
Issued at 31 December	255,860,000	63,965	63,965
Preferred ordinary shares of 25p each			
At 1 January and 31 December	<u>140,000,000</u>	<u>35,000</u>	<u>35,000</u>
Called up share capital	<u>395,860,000</u>	<u>98,965</u>	<u>98,965</u>

Shares in the company rank pari passu in all respects except with regard to the preferred ordinary shares priority to payment in the event of a winding up or other return of capital.

**10 RESERVES**

	Profit and loss account £000
At 1 January, 1999	(47,698)
Retained loss for the year	(201)
At 31 December, 1999	<u>(47,899)</u>

# **11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1999 £000	1998 £000
(Loss)/ profit for the year	(201)	8,233
Adjustment to revaluation reserve	-	(296)
(Decrease)/increase in shareholders' funds	(201)	7,937
Shareholders' funds at 1 January	51,267	43,330
Shareholders' funds at 31 December	51,066	51,267

# **12 PENSIONS**

A non-contributory pension scheme operates under a trust established by First National Finance Corporation p.l.c. The scheme is a funded defined benefit scheme.

Actuarial valuations are carried out regularly and the latest assessment of the scheme was at 1 May, 1996. The valuations are prepared by an independent qualified actuary using the projected unit method and are based on the following assumed percentage rates of increase per annum compound:

Return on investments	9.0%
General increases in pensionable salaries	6.5%

At the date of the latest valuation, the market value of the assets of the scheme was £50,610,800 and the actuarial value of the assets was sufficient to cover 122.5% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Alternative measures for reducing the surplus are under consideration.

The total pension cost for 1999 was £nil (1998 - £96,844 credit).

# **13 CONTINGENT LIABILITIES AND COMMITTED ITEMS**

	1999 £'000	1998 £'000
Guarantees and assets pledged as collateral security	845	526
Other contingent liabilities	483	475
	1,328	1,001

# **14 CASH FLOW STATEMENT**

A cash flow statement has not been prepared as the Company is a member of a group which prepares a consolidated cash flow statement.

**15 RELATED PARTY TRANSACTIONS**

Certain transactions with other group companies which are 90% or more owned within the same group have not been disclosed as the Company is a wholly-owned subsidiary of a group for which consolidated accounts are publicly available. Banks are obliged by law to observe a strict duty of confidentiality in respect of their customers' affairs. This is recognised by Financial Reporting Standard 8 and advantage has been taken of this exemption by not disclosing deposits by directors with the Company. Subsequent to the surrender of the banking licence at 31 August 1998 no deposits were held.