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**FP UK HOLDINGS LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31ST DECEMBER 1999**

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**DIRECTORS**

K. SATCHELL, BSc, FIA (Chairman)  
G.K. ASLET, MA, FIA A.R. BARNES, ACII D.M. JACKSON, BSc, FCA  
B.W. SWEETLAND, LLB, Solicitor, ACol R.M. WHIFFIN, FCA

**SECRETARY**

B.W. SWEETLAND, LLB, Solicitor, ACol

**PRINCIPAL ACTIVITY**

The company is an investment holding company.

**RESULTS AND BUSINESS REVIEW**

The results for the year ended 31st December 1999 are shown in the profit and loss account on page 4.

On 16th December 1999 the company acquired 100,000 ordinary shares in Friends Ivory and Sime plc for a consideration of £232,620.

**DIVIDEND**

The directors do not recommend the payment of a dividend for the year ended 31st December 1999 (1998:£Nil).

**DIRECTORS**

The directors named above held office throughout the year with the exception of D.M. Jackson who was appointed as a director on 4th January 2000. T.A. Pyne resigned as a director on 31st December 1999 having held office throughout the year to this date. No director had any beneficial interest in shares or debentures of any company in the Friends' Provident Life Office Group during the year.

**YEAR 2000**

The programme of work performed by the Friends' Provident Life Office Group to ensure that its computer systems were able to accommodate the Year 2000 was completed successfully.

**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.



**FP UK HOLDINGS 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 suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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.

Pixham End  
Dorking  
Surrey  
RH4 1QA

30th March 2000

Registered Number 2054153

ON BEHALF OF THE BOARD



B.W. SWEETLAND  
SECRETARY

**AUDITORS' REPORT**  
**TO THE MEMBER OF FP UK HOLDINGS LIMITED**

We have audited the financial statements on pages 4 to 10 which have been prepared in accordance with the accounting policies set out on page 6.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

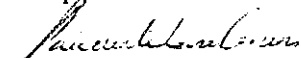
**BASIS OF AUDIT OPINION**

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 31st December 1999 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  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

30th March 2000

**FP UK HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999**

	Notes	1999 £000	1998 £000
<u>Continuing Operations</u>			
Income from other fixed asset investments		176	209
Interest receivable and similar income		-	30
Interest payable and similar charges	3	(656)	(836)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	----- (480)	----- (597)
Tax credit on loss on ordinary activities	6	171	208
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>	11	----- (309) =====	----- (389) =====

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31ST DECEMBER 1999**

	1999 £000	1998 £000
Loss on ordinary activities after taxation	(309)	(389)
Unrealised gains on investments	3,108	1,537
<b>Total recognised gains for the year</b>	----- 2,799 =====	----- 1,148 =====

There is no significant difference between the results disclosed above and the results on a modified historical cost basis.

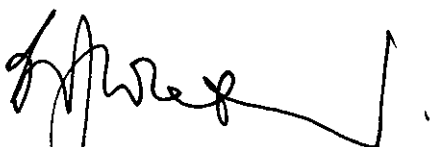
The notes on pages 6 to 10 form an integral part of these financial statements

**FP UK HOLDINGS LIMITED**

**BALANCE SHEET AS AT 31ST DECEMBER 1999**

	Notes	1999 £000	1998 £000
<b>FIXED ASSETS</b>			
Investment in group undertakings		146,355	146,355
Other investments		16,480	13,148
	7	<u>162,835</u>	<u>159,503</u>
<b>CURRENT ASSETS</b>			
Debtors	8	433	243
Cash at bank and in hand		463	1,135
		<u>896</u>	<u>1,378</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	(12,797)	(12,746)
<b>NET CURRENT LIABILITIES</b>		<u>(11,901)</u>	<u>(11,368)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>150,934</u>	<u>148,135</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	111,408	111,408
Profit and loss account	11	32,755	33,065
Revaluation reserve		6,771	3,662
<b>TOTAL SHAREHOLDER'S FUNDS - EQUITY</b>	11	<u>150,934</u>	<u>148,135</u>

Approved by the Board on 30th March 2000 and signed on its behalf by



**B. W. SWEETLAND**  
DIRECTOR

The notes on pages 6 to 10 form an integral part of these financial statements

# FP UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### (a) Basis of preparation

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

(ii) Group accounts are not prepared as the company is a wholly owned subsidiary of its immediate parent undertaking, Friends' Provident Life Office, which is incorporated in the United Kingdom.

#### (b) Deferred taxation

Deferred taxation is provided in full to take account of all differences in the taxation and accounting treatment of certain items, where the asset or liability is expected to crystallise in the foreseeable future.

#### (c) Investments

Investments are stated at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.

Unit trusts are stated at published bid prices and listed investments are stated at middle market prices. Any unrealised gains or losses are transferred to or from the revaluation reserve.

#### (d) Disposals of investments

The surplus or deficit over the carrying value of an investment realised on disposal is recognised through the profit and loss account. Any previous revaluation surplus or deficit is transferred from revaluation reserve to the profit and loss account.

### 2. TURNOVER

The company has only one class of business being the holding of shares and investments in United Kingdom subsidiary and associated undertakings.

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £000	1998 £000
Interest payable on loan from ultimate parent undertaking	656 ===	836 ===

# FP UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration for audit services for 1999 of £1,000 (1998:£3,000) has been borne by Friends' Provident Life Office.

### 5. DIRECTORS AND EMPLOYEES

All directors (including the Chairman) are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 1999 consider that their services to the company are incidental to their other duties within the Friends' Provident Life Office Group and accordingly no remuneration has been apportioned to this company.

### 6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
The taxation credit for the year comprises:		
Taxation on franked income	(17)	(31)
Group relief	192	243
Prior year adjustment	(4)	(4)
	<u>171</u>	<u>208</u>

### 7. INVESTMENTS

(a)	Subsidiary undertakings Shares £000	Associated undertakings Shares £000	Other Investments £000	Total Investments £000
Balance at 1st January 1999	108,555	37,800	13,148	159,503
Acquisitions	-	-	233	233
Disposals	-	-	(9)	(9)
Revaluation	-	-	3,108	3,108
	<u>108,555</u>	<u>37,800</u>	<u>16,480</u>	<u>162,835</u>

On 16th December 1999 the company acquired 100,000 ordinary shares in Friends Ivory and Sime plc for a consideration of £232,620.

In the opinion of the directors, the aggregate value of the company's investments, including the embedded value of the in-force business, are not less than the amount at which the investments are stated in the balance sheet.

Other investments comprise unit trusts with a market value of £16,251,176 (cost £9,475,310) and listed investments with a market value of £228,500 (cost £232,620).

**FP UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. INVESTMENTS (continued)**

- (b) The principal subsidiary and associated undertakings of the company as at 31st December 1999 are set out below. Unless otherwise stated the share capital of each company comprises ordinary shares, all are incorporated and operate within the United Kingdom and, where denoted as subsidiary undertakings are wholly owned subsidiary undertakings.

<u>Subsidiary undertakings</u>	<u>Activity</u>
FP Financial Management Limited	Not trading
FP Life Assurance Limited	Long-term insurance business
FP Financial Management Group Services Limited	Not trading
Friends Provident First Call Limited	Sales and marketing company
FP Pension Trustees Limited	Pensioneer trustee
SFM Holdings Limited *	Investment holding company

\* Indirectly held

<u>Associated undertakings</u>	<u>Activity</u>
London Capital Holdings Limited (34.5% ordinary shares) (15.7% deferred shares)	Property holding company

**8. DEBTORS**

	1999 £000	1998 £000
Amounts falling due within one year:		
Amounts due from group undertakings - group relief	192	243
- other	233	-
Tax recoverable	8	-
	----- 433 ===	----- 243 ===



**FP UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. CREDITORS**

	<b>1999</b>	<b>1998</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Amounts due to group undertakings		
Loans	10,000	10,000
Other amounts	2,797	2,746
	<u>12,797</u>	<u>12,746</u>

Loans due to a group undertaking are unsecured, repayable on demand and bear interest at a variable rate of 1% above LIBOR.

**10. CALLED-UP SHARE CAPITAL**

	<b>1999</b>	<b>1998</b>
	<b>£000</b>	<b>£000</b>
Authorised		
150,000,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
Allotted, called-up and fully paid		
111,407,905 ordinary shares of £1 each	<u>111,408</u>	<u>111,408</u>

**11. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES**

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Revaluation reserve</b>	<b>Total shareholder's funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1st January 1999	111,408	33,065	3,662	148,135
Loss for the financial year	-	(309)	-	(309)
Revaluation of investments	-	-	3,108	3,108
Transfer of realised losses	-	(1)	1	-
	<u>111,408</u>	<u>32,755</u>	<u>6,771</u>	<u>150,934</u>

## **FP UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **12. RELATED PARTY TRANSACTIONS**

The results of the company are consolidated in the results of Friends' Provident Life Office, the company's immediate and ultimate parent and controlling company, whose financial statements are publicly available. Accordingly, the company is exempt from the requirement to disclose transactions with other companies which qualify as related parties within the Friends' Provident Life Office Group.

There were no other material related party transactions.

#### **13. GUARANTEES, INDEMNITIES AND CONTINGENT LIABILITIES**

The company has given a guarantee to SFM Holdings Limited, a wholly owned subsidiary undertaking, in respect of liabilities which may arise following the sale of NM Life Assurance International Limited, a former wholly owned offshore subsidiary undertaking of SFM Holdings Limited.

The maximum potential liability under the guarantee is £4,500,000 and no claims have been made or are pending.

#### **14. ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent undertaking is Friends' Provident Life Office, which is incorporated by Act of Parliament in the United Kingdom. Copies of the Group Report and Accounts of Friends' Provident Life Office can be obtained from Pixham End, Dorking, Surrey, RH4 1QA.