



FP UK HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS

31ST DECEMBER 1995



Company registered number: 2054153

**FP UK HOLDINGS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

DIRECTORS

M.F. DOERR, FIA (Chairman)
G.K. ASLET, MA, FIA, A.R. BARNES, ACII A.J. GRIFFITHS, BSc
R.C. HALLETT BSc, FFA K. SATCHELL, BSc, FIA, ASA B.W. SWEETLAND, LLB

SECRETARY

B.W. SWEETLAND, LLB

PRINCIPAL ACTIVITY

The company is an investment holding company.

RESULTS AND BUSINESS REVIEW

The results for the year ended 31st December 1995 are shown in the profit and loss account on page 4. The profit for the year of £223,000 (1994:£7,010,000) has been transferred to reserves.

There have been no movements in the value of fixed asset investments.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31st December 1995 (1994:£Nil).

DIRECTORS

The directors named above held office throughout the year. P. Silvester resigned as a director of the company on 31st December 1995 having held office throughout the year to this date. No director held shares beneficially in any company of the Friends' Provident Life Office Group during the year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Such insurance has been effected.

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, Price Waterhouse, 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 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.

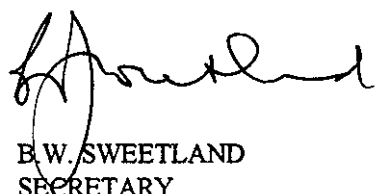
The directors confirm that they have complied with the above requirements.

Pixham End
Dorking
Surrey
RH4 1QA

26th March 1996

Registered Number 2054153

BY ORDER OF THE DIRECTORS



B.W. SWEETLAND
SECRETARY

AUDITORS' REPORT
TO THE MEMBERS OF FP UK HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, 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.

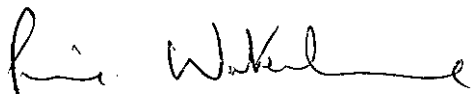
BASIS OF OPINION

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 of the company give a true and fair view of the state of the company's affairs at 31st December 1995 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

26th March 1996

FP UK HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1995

| | Notes | 1995 £000 | 15 months to 31st December 1994 £000 |
|--|-------|--------------|---|
| <u>Continuing Operations</u> | | | |
| Administrative expenses | | (71) | (151) |
| Income from shares in group undertakings | 2 | - | 3,750 |
| | | ---- | ---- |
| OPERATING (LOSS)/PROFIT | | (71) | 3,599 |
| Profit on disposal of shares in group undertakings | 3 | - | 4,005 |
| Interest receivable and similar income | 4 | 404 | 147 |
| Interest payable and similar charges | 5 | - | (55) |
| | | ---- | ---- |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 333 | 7,696 |
| Tax on profit on ordinary activities | 8 | (110) | (686) |
| | | ----- | ----- |
| PROFIT FOR THE FINANCIAL YEAR | 13 | <u>223</u> | <u>7,010</u> |

Note

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

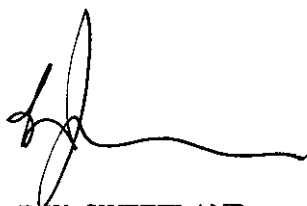
**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1995**

| | 1995 £000 | 15 months to 31st December 1994 £000 |
|---|--------------|---|
| Profit on ordinary activities before taxation | 333 | 7,696 |
| Adjustment to value of investment in subsidiary undertakings | - | (3,070) |
| | ----- | ----- |
| Historical cost profit on ordinary activities before taxation | <u>333</u> | <u>4,626</u> |
| | ===== | ===== |
| Historical cost profit for the financial year retained after taxation | <u>223</u> | <u>3,940</u> |

The notes on pages 7 to 13 form an integral part of these financial statements

FP UK HOLDINGS LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1995

| | Notes | 1995 £000 | 1994 £000 |
|---|-------|--------------|--------------|
| FIXED ASSETS | | | |
| Investment in group undertakings | | 106,770 | 106,770 |
| Other investments | | 10 | 10 |
| | 9 | 106,780 | 106,780 |
| CURRENT ASSETS | | | |
| Debtors | 10 | 1 | 67 |
| Cash at bank and in hand | | 5,975 | 5,552 |
| | | 5,976 | 5,619 |
| CREDITORS: Amounts falling due within one year | 11 | (2,140) | (2,006) |
| NET CURRENT ASSETS/(LIABILITIES) | | 3,836 | 3,613 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 110,616 | 110,393 |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 12 | 111,408 | 111,408 |
| Profit and loss account | 13 | (792) | (1,015) |
| TOTAL SHAREHOLDERS' FUNDS | 13 | 110,616 | 110,393 |



B.W. SWEETLAND
DIRECTOR

26th March 1996

The notes on pages 7 to 13 form an integral part of these financial statements

FP UK HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1995

| | Notes | 1995 £000 | 15 months to 31st December 1994 £000 |
|---|-------|--------------|---|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 14(a) | (45) | (150) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 335 | 49 |
| Loan interest received from group undertaking | | 69 | 98 |
| Dividend received from group undertaking | | - | 3,750 |
| Loan interest paid to group undertaking | | - | (55) |
| Net cash inflow from returns on investments and servicing of finance | | 404 | 3,842 |
| TAXATION | | | |
| UK corporation tax paid | | - | (750) |
| UK corporation tax received | | 64 | 148 |
| Net cash inflow/(outflow) from taxation | | 64 | (602) |
| INVESTING ACTIVITIES | | | |
| Proceeds from disposals of group undertakings | | - | 4,605 |
| Proceeds from repayment of subordinated loan from group undertaking | | - | 615 |
| Net cash inflow from investing activities | | - | 5,220 |
| NET CASH INFLOW BEFORE FINANCING | | 423 | 8,310 |
| FINANCING | | | |
| Repayment of loan to group undertaking | | - | (3,000) |
| Net cash outflow from financing | | - | (3,000) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 14(b) | 423 | 5,310 |

The notes on pages 7 to 13 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, including those in group undertakings, are stated at cost less provision where, in the opinion of the directors, there has been a permanent diminution in value.

2. TURNOVER

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

3. PROFIT ON DISPOSAL OF SUBSIDIARY UNDERTAKINGS

| | 1995 £000 | 15 months to 31st December 1994 £000 |
|---|--------------|---|
| Financial Administration Systems Limited: | | |
| - Loss on disposal | - | (3,065) |
| - Adjustment to value of investment | - | 3,070 |
| FP Unit Trust Managers Limited: | | |
| - Profit on disposal | - | 4,000 |
| | ----- | ----- |
| | - | 4,005 |
| | ----- | ===== |

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | | |
|--|-------|-------|
| Interest receivable on loans to group undertakings | 69 | 98 |
| Other interest receivable | 335 | 49 |
| | ----- | ----- |
| | 404 | 147 |
| | ===== | ===== |

FP UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1995 £000 | 15 months to 31st December 1994 £000 |
|---|-------------------|---|
| Interest payable on subordinated loan from subsidiary undertaking | - | 55 |
| | <u> </u> | <u> </u> |

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging auditors' remuneration for audit services of £3,000 (1994:£3,000).

7. DIRECTORS AND EMPLOYEES

All executive directors (including the Chairman) are employed by, and receive their emoluments from, another group undertaking. Where appropriate, directors' emoluments have been apportioned to group undertakings in which the directors hold directorships.

The directors holding office during 1995 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.

- (a) Particulars of directors' total emoluments, including those received from other group companies, were as follows:

| | 1995 £ | 15 months to 31st December 1994 £ |
|---|-------------------|--|
| Fees | Nil | 113,376 |
| Compensation payments to former directors | Nil | 111,250 |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |
| | Nil | 224,626 |
| | <u> </u> | <u> </u> |

FP UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. DIRECTORS AND EMPLOYEES (continued)

(a) Emoluments (excluding pension contributions) of:

| | 1995 £ | 15 months to 31st December 1994 £ |
|---------------------------|-----------|--|
| The highest paid director | Nil | 40,950 |
| The Chairman | Nil | Nil |
| The former Chairman | Nil | 27,907 |

Directors' emoluments (excluding pension contributions) were within the following ranges:

| | | Number | Number |
|---------|-----------|--------|--------|
| £Nil | - £5,000 | 8 | 14 |
| £10,001 | - £15,000 | - | 1 |
| £25,001 | - £30,000 | - | 1 |
| £30,001 | - £35,000 | - | 1 |
| £40,001 | - £45,000 | - | 1 |

(b) All staff of the company are employed by another group undertaking. A management charge is levied to cover its services and related expenses.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1995 £000 | 15 months to 31st December 1994 £000 |
|---|--------------|---|
| The taxation charge for the period comprises: | | |
| Taxation on franked income | - | 750 |
| Group relief at 33% | 110 | (64) |
| | <u>110</u> | <u>686</u> |

FP UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS

| (a) | Subsidiary undertaking Shares £000 | Loans £000 | Other investments £000 | Total investments £000 |
|--|--|---------------|------------------------------|------------------------------|
| Balance at 1st January and 31st December 1995 | <u>105,870</u> | <u>900</u> | <u>10</u> | <u>106,780</u> |

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

- (b) The subsidiary undertakings of the company are set out below. The share capital of each company is comprised of ordinary shares. All companies are incorporated and operate within the United Kingdom and are wholly-owned subsidiary undertakings.

| <u>Subsidiary undertaking</u> | <u>Activity</u> |
|--|--|
| FP Financial Management Limited | Financial management services |
| FP Life Assurance Limited | Long-term insurance business |
| FP Financial Management Group Services Limited | Management and administrative services |
| Overstrike Limited | Non-trading company |
| Friends' Provident First Call Limited | Management and administrative services |
| FP Pension Trustees Limited | Pensioner trustee |
| SFM Holdings Limited | Investment holding company |

10. DEBTORS

| | 1995 £000 | 1994 £000 |
|--|--------------|--------------|
| Amounts falling due within one year: | | |
| Group relief due from group undertakings | - | 64 |
| Other debtors | 1 | 3 |
| | <u>1</u> | <u>67</u> |

FP UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CREDITORS

| | 1995 | 1994 |
|--------------------------------------|--------------|--------------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| Amounts due to group undertakings | | |
| - Group relief | 110 | - |
| - Other amounts | 2,030 | 2,006 |
| | <u>2,140</u> | <u>2,006</u> |

12. CALLED-UP SHARE CAPITAL

| | | |
|--|----------------|----------------|
| Authorised | | |
| 150,000,000 ordinary shares of £1 each | <u>150,000</u> | <u>150,000</u> |
| Allotted, called-up and fully paid | | |
| - 111,400,000 ordinary shares of £1 each | <u>111,408</u> | <u>111,408</u> |

13. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

| | Share capital | Profit and loss account | Total shareholders' funds |
|-------------------------------|--------------------------|------------------------------------|--|
| | £000 | £000 | £000 |
| Balance at 1st January 1995 | 111,408 | (1,015) | 110,393 |
| Profit for the financial year | - | 223 | 223 |
| | <u>111,408</u> | <u>(792)</u> | <u>110,616</u> |

FP UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. NOTES TO THE CASHFLOW STATEMENT

- (a) Reconciliation of operating (loss)/profit to net cash outflow from operating activities.

| | 1995 | 15 months to |
|---|-------------|----------------------|
| | £000 | 31st December |
| | | 1994 |
| | | £000 |
| Operating (loss)/profit | (71) | 3,599 |
| Dividend income from shares in group undertakings | - | (3,750) |
| | <u>(71)</u> | <u>(151)</u> |
| Decrease/(increase) in debtors | 2 | (2) |
| Net movement in group balances | 24 | 3 |
| | <u>(45)</u> | <u>(150)</u> |
| Net cash outflow from operating activities | <u>(45)</u> | <u>(150)</u> |

- (b) Analysis of changes in cash and cash equivalents

| | £000 | £000 |
|--|--------------|--------------|
| Balance at 1st January 1995/1st October 1993 | 5,552 | 242 |
| Net cash inflow | 423 | 5,310 |
| | <u>5,975</u> | <u>5,552</u> |
| Balance at 31st December | <u>5,975</u> | <u>5,552</u> |

The analysis of cash and cash equivalents comprise cash at bank

15. GUARANTEES, INDEMNITIES AND CONTINGENT LIABILITIES

- (a) 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 company has given a guarantee to NM Financial Management International Limited, a wholly-owned subsidiary company in liquidation, in respect of liabilities which may arise following the sale of that company's fund management contracts.

The maximum potential liability under these guarantees is £9,500,000 and no claims have been made or are pending.

- (b) The company has given an indemnity to the liquidators of NM Financial Management International Limited, a former wholly-owned offshore subsidiary undertaking, in respect of liabilities which may arise by them acting as liquidators in relation to the winding up of this company. No claims have been made or are pending.

FP UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. ULTIMATE PARENT UNDERTAKING

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