

2054153

**FP GROUP PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2000**

DIRECTORS

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

SECRETARY

B.W. SWEETLAND, LLB, Solicitor, ACoI

PRINCIPAL ACTIVITY

The company is an investment holding company.

CHANGE OF STATUS

On 18th May 2000 the company re-registered as a public company.

RESULTS AND BUSINESS REVIEW

The results for the year ended 31st December 2000 are shown in the profit and loss account on page 4.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31st December 2000 (1999:£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, and A.R Gunn who was appointed as a director on 30th November 2000. A.R Barnes resigned as a Director on 30th November 2000, 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. D.M Jackson held, at 31st December 2000, beneficial interests in £49,826 (1999: £74,826) loan notes issued by FP Business Holdings Limited, an associate company.

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 GROUP PLC

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.

STATEMENT OF GOING CONCERN

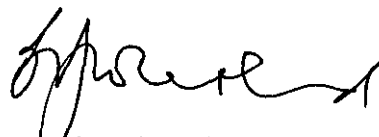
After making enquiries, the directors are satisfied that the company has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

Pixham End
Dorking
Surrey
RH4 1QA

28th March 2001

Registered Number 2054153

ON BEHALF OF THE BOARD



B.W. SWEETLAND
SECRETARY

AUDITORS' REPORT
TO THE MEMBER OF FP GROUP PLC

We have audited the financial statements on pages 4 to 11 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 2000 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

28th March 2001

FP GROUP PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2000

	Notes	2000 £000	1999 £000 Restated
<u>Continuing Operations</u>			
Income from other fixed asset investments		141	159
Interest payable and similar charges	4	(726)	(656)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(585)	(497)
Tax credit on loss on ordinary activities	7	206	188
RETAINED LOSS FOR THE FINANCIAL YEAR	12	(379)	(309)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2000**

	2000 £000	1999 £000
Loss on ordinary activities after taxation	(379)	(309)
Unrealised (losses)/gains on investments	(1,182)	3,108
Total recognised (losses)/gains for the year	(1,561)	2,799

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

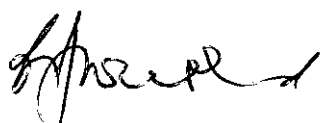
The notes on pages 6 to 11 form an integral part of these financial statements

FP GROUP PLC

BALANCE SHEET AS AT 31ST DECEMBER 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Investment in group undertakings		147,555	146,355
Other investments		15,298	16,480
	8	<u>162,853</u>	<u>162,835</u>
CURRENT ASSETS			
Debtors	9	412	433
Cash at bank and in hand		333	463
		<u>745</u>	<u>896</u>
CREDITORS: Amounts falling due within one year	10	<u>(13,525)</u>	<u>(12,797)</u>
NET CURRENT LIABILITIES		<u>(12,780)</u>	<u>(11,901)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		150,073	150,934
CREDITORS: Amounts falling due after more than one year	10	<u>(700)</u>	<u>-</u>
		<u>149,373</u>	<u>150,934</u>
CAPITAL AND RESERVES			
Called-up share capital	11	111,408	111,408
Profit and loss account	12	32,376	32,755
Revaluation reserve		5,589	6,771
TOTAL SHAREHOLDER'S FUNDS - EQUITY	12	<u>149,373</u>	<u>150,934</u>

Approved by the Board on 28th March 2001 and signed on its behalf by



B. W. SWEETLAND
DIRECTOR

The notes on pages 6 to 11 form an integral part of these financial statements

FP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

1. PRIOR YEAR ADJUSTMENT ON PROFIT AND LOSS ACCOUNT FROM ACCOUNTING POLICY CHANGES

The impact of the change in accounting policy arising from the adoption of Financial Reporting Standard 16 "Current Tax" is to reduce the comparative figures for investment income and the profit on ordinary activities before tax by £17,000.

2. 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.

(iii) The company is a wholly owned subsidiary of Friends' Provident Life Office and is included in the consolidated financial statements of Friends' Provident Life Office which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

(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.

(e) Investment Income

The Group has adopted the requirements of Financial Reporting Standard 16 "Current Tax" in 2000. Dividends, interest or other income receivable includes any withholding tax but excludes any other taxes, such as attributable credits, not payable wholly on behalf of the Group. Previously attributable tax credits were included in investment income. The tax on ordinary activities is reduced by an equal amount. The financial impact of this change is considered in note 1 on page 6 and comparatives have been restated.

3. TURNOVER

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

FP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£000	£000
Interest payable on loan from ultimate parent undertaking	726	656
	<u> </u>	<u> </u>

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration for audit services for 2000 of £1,000 (1999: £1,000) has been borne by Friends' Provident Life Office.

6. DIRECTORS AND EMPLOYEES

All directors (including the Chairman) are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 2000 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.

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2000	1999
	£000	£000
		Restated
The taxation credit for the year comprises:		
Group relief	211	192
Income Tax	(5)	(4)
	<u> </u>	<u> </u>
	206	188
	<u> </u>	<u> </u>

8. INVESTMENTS

(a)	Subsidiary undertakings	Associated undertakings	Other	Total
	Shares	Shares	Investments	Investments
	£000	£000	£000	£000
Balance at 1st January 2000	108,555	37,800	16,480	162,835
Acquisitions	1,200	-	-	1,200
Revaluation	-	-	(1,182)	(1,182)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31st December 2000	109,755	37,800	15,298	162,853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 £14,849,142 (cost £9,475,310) and listed investments with a market value of £449,000 (cost £232,620).

FP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

- (b) The principal subsidiary and associated undertakings of the company as at 31st December 2000 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
Friends Provident Administration Services Limited	Management Services

* Indirectly held

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

FP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

(c) Associated undertakings

The aggregate of the company's share of net assets in associates is as follows:-

	2000	2000
	£000	£000
Share of Turnover		3,851

Share of profit before tax	2,421	
Share of tax	2,937	

		5,358
		=====
Share of fixed assets	90,978	
Share of current assets	42,745	

		133,723

Share of liabilities due within one year	(1,456)	
Share of liabilities due after one year	(51,134)	

		(52,590)

Share of net assets		81,133
		=====

9. DEBTORS

	2000	1999
	£000	£000
Amounts falling due within one year:		
Amounts due from group undertakings - group relief (Current)	211	192
- group relief (Prior Year)	192	233
- other	1	-
Tax recoverable	8	8
	-----	-----
	412	433
	=====	=====

FP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CREDITORS

	2000	1999
	£000	£000
Amounts falling due within one year:		
Amounts due to group undertakings		
Loans	10,000	10,000
Other amounts	3,525	2,797
	<u>13,525</u>	<u>12,797</u>
Amounts falling due after more than one year:		
Loans from group undertaking	<u>700</u>	<u>-</u>

Loans due to a group undertaking are unsecured, the loans totalling £10,000,000 are repayable on demand and bear interest at a variable rate of 1% above LIBOR. The other loan of £700,000 bears interest at a variable rate of 1% above LIBOR, and has no set repayment date, but at least 12 months' notice must be given.

11. CALLED-UP SHARE CAPITAL

	2000	1999
	£000	£000
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>

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

	Share capital	Profit and loss account	Revaluation reserve	Total shareholder's funds
	£000	£000	£000	£000
Balance at 1st January 2000	111,408	32,755	6,771	150,934
Loss for the financial year	-	(379)	-	(379)
Revaluation of investments	-	-	(1,182)	(1,182)
Balance at 31st December 2000	<u>111,408</u>	<u>32,376</u>	<u>5,589</u>	<u>149,373</u>

FP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. 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.

14. 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.

15. 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.