

# **CONFEDERATION FINANCIAL SERVICES (UK) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 1998**

### **Directors**

M E Bates (resigned 31 August 1998)  
K J H Malde BA, FCCA  
M T J Sismey-Durrant BSc, MPhil, FCIB

### **Secretary**

P H Green, Solicitor

### **Registered Office**

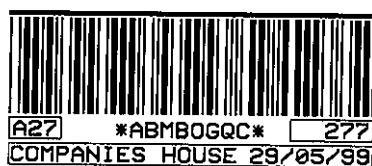
Bank House  
Primett Road  
Stevenage  
Hertfordshire  
SG1 3UQ

### **Registered Number**

2169927 England

### **Auditors**

Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London  
EC4A 4TR



# **CONFEDERATION FINANCIAL SERVICES (UK) LIMITED**

## **Report of the Directors**

The directors have pleasure in submitting their report together with the financial statements for the year ended 31 December 1998.

## **Activity**

The principal activity is that of a parent undertaking providing a range of banking services through its subsidiary undertakings. The group contains an authorised institution under the Banking Act 1987.

## **Results and Dividends**

The results for the year are set out in the profit and loss account on page 5. No interim dividend was paid during the year (1997 - £2,500,000). The directors do not recommend the payment of a final dividend (1997 - £nil).

## **Year 2000**

The directors have considered the impact of year 2000 on the operations of the business. Steps are underway to address the risks associated with this issue, which are not considered to be significant. It is estimated that the cost of any necessary changes to the systems will be small.

## **Directors and Directors' Interests**

The present Board of Directors is shown on page 1. All the directors, with the exception of Mr M E Bates, served office throughout the year. At no time during the year have the directors or their families had any beneficial interest in the shares of the company or any other company within the group. None of the directors had a material interest in any contract significant to the company's business.

## **Statement of 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 result of the company for that year. In preparing these financial statements, the directors are required to:

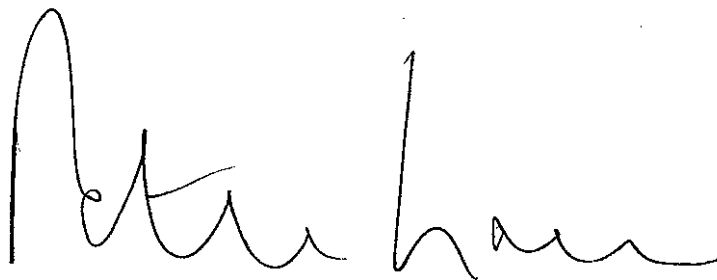
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume 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.

**CONFEDERATION FINANCIAL SERVICES (UK) LIMITED**  
**Auditors**

A resolution for the re-appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'P H Green', is written over the 'By Order of the Board' text.

**P H GREEN**  
Secretary

5 May 1999

# **CONFEDERATION FINANCIAL SERVICES (UK) LIMITED**

## **Report of the Auditors to the Members of Confederation Financial Services (UK) Limited**

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

### **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.

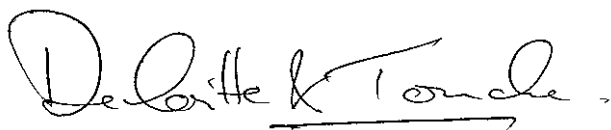
### **Basis of Opinion**

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 give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its result 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

7 May 1999

## CONFEDERATION FINANCIAL SERVICES (UK) LIMITED

### Profit and Loss Account for the year ended 31 December 1998

	Note	<u>1998</u> £000	<u>1997</u> £000
Income from group undertakings	2	-	2,500
Tax on profit on ordinary activities		-	-
Profit on ordinary activities after taxation		<u>-</u>	<u>2,500</u>
Dividend	4	<u>-</u>	<u>(2,500)</u>
Retained profit for the financial year	6	<u>-</u>	<u>-</u>

A statement of total recognised gains and losses has not been included as there were no recognised gains or losses or movements in shareholders' funds for the current or previous financial year other than those already dealt with in the profit and loss account.

All activities arise from continuing operations.

The notes on pages 7 to 9 form part of these accounts

# CONFEDERATION FINANCIAL SERVICES (UK) LIMITED

## Balance Sheet as at 31 December 1998

	Notes	<u>1998</u> £000	<u>1997</u> £000
<b>Fixed Assets</b>			
<b>Investments</b>			
Shares in group undertakings	7	30,100	30,100
Other investments		1	1
		<u>30,101</u>	<u>30,101</u>
<b>Capital and Reserves</b>			
Called up share capital	5	30,001	30,001
Profit and loss account	6	100	100
Total shareholders' funds		<u>30,101</u>	<u>30,101</u>
Attributable to equity shareholders		101	101
Attributable to non-equity shareholders		<u>30,000</u>	<u>30,000</u>
		<u>30,101</u>	<u>30,101</u>

Approved by the Board of Directors

  
Director

5 May 1999

  
Director

5 May 1999

The notes on pages 7 to 9 form part of these accounts

# **CONFEDERATION FINANCIAL SERVICES (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998**

### **1. PARENT UNDERTAKING**

The immediate parent undertaking and controlling party is Confederation U.K. Holdings plc, a company incorporated in Great Britain and registered in England and Wales. The accounts of the immediate parent undertaking are available from Bank House, Primett Road, Stevenage, Hertfordshire, SG1 3UQ. The ultimate parent undertaking and ultimate controlling party is Sun Life Assurance Company of Canada, a mutual company incorporated in Canada. The annual report of the ultimate parent undertaking can be obtained from the Company Secretary, Sun Life Assurance Company of Canada, Sun Life Centre, 150 King Street West, Toronto, Ontario, M59 1J9, Canada.

### **2. PRINCIPAL ACCOUNTING POLICIES**

#### **Basis of Preparation**

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

#### **Exemption from preparation of group accounts**

The information presented with the financial statements has been presented on an individual company basis and therefore the financial statements do not present information about the group.

The company is exempt from the obligation to prepare group accounts under S228 Companies Act 1985. Group accounts are prepared by the immediate parent undertaking, Confederation U.K. Holdings plc, a company incorporated in Great Britain and registered in England and Wales.

#### **Income from Group Undertakings**

Income from group undertakings is accounted for on a received basis and no interim dividend was received from any subsidiary undertaking (1997 - £2,500,000).

#### **Investments**

The investments are shown at cost less any permanent diminution in value of the investments.

### **3. DIRECTORS AND ADMINISTRATIVE EXPENSES**

None of the directors received any emoluments in respect of direct services to the company in the current and the previous year.

The administrative expenses for the company are negligible and are borne by a subsidiary undertaking.

### **4. DIVIDENDS**

No interim dividend was paid on the cumulative redeemable preference shares (1997 - 8.33 pence per share).

# CONFEDERATION FINANCIAL SERVICES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

5.	<b>CALLED UP SHARE CAPITAL</b>	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
	<b>Authorised:</b>		
	1,000,000 ordinary shares of £1 each	1,000	1,000
	50,000,000 cumulative redeemable preference shares of £1 each	<u>50,000</u>	<u>50,000</u>
		<u>51,000</u>	<u>51,000</u>
	<b>Called up, allotted and fully paid:</b>		
	1,252 ordinary shares of £1 each	1	1
	30,000,000 cumulative redeemable preference shares of £1 each	<u>30,000</u>	<u>30,000</u>
		<u>30,001</u>	<u>30,001</u>

The company is entitled at any time to redeem, at par, all or any of the cumulative redeemable preference shares.

6.	<b>PROFIT AND LOSS RESERVE</b>	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
	At 1 January	100	100
	Retained profit for the year	-	-
	At 31 December	<u>100</u>	<u>100</u>

## 7. SUBSIDIARY UNDERTAKINGS

The Company's wholly owned subsidiary undertakings with 100% voting rights incorporated in Great Britain and registered in England and Wales unless otherwise stated are:-

<b>Subsidiary Undertaking</b>	<b>Principal Activity</b>
Sun Bank plc	Providers of a range of banking services.
Sun Bank Offshore Limited* (Channel Islands)	Offshore banking.
Confederation Mortgage Services (UK) Limited*	Provision of residential mortgages.
Primett Property Management Limited*	Provision of property management services.



## CONFEDERATION FINANCIAL SERVICES (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

#### 7. SUBSIDIARY UNDERTAKINGS continued

Subsidiary Undertaking	Principal Activity
Confederation Property Services Limited	Franchising estate agency.
Exeter Trust Limited (formerly Exeter Bank Limited)*	Provision of commercial mortgage and asset backed lending
Sunexeter Limited** (formerly Exeter Trust Limited)	Non-trading
Exeter Trust Insurance Services Limited**	Non-trading
Exeter Trust Financial Services Limited***	Provision of asset backed lending

\*wholly owned subsidiary undertaking of Sun Bank plc

\*\*wholly owned subsidiary undertaking of Exeter Trust Limited

\*\*\*wholly owned subsidiary undertaking of Exeter Trust Insurance Services Limited

#### 8. COMMITMENTS

The company undertook a guarantee for two property lease agreements in the name of a subsidiary undertaking. At the balance sheet date, the annual commitments under these operating leases are as follows:-

	<u>1998</u> £	<u>1997</u> £
Operating leases which expire in:		
Over five years	<u>34,176</u>	<u>34,176</u>

These commitments are partially matched by rental income receivable from sub letting arrangements on similar terms and conditions as the head leases and is as follows:-

Over five years	<u>23,500</u>	<u>23,500</u>
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#### 9. RELATED PARTY TRANSACTIONS

The company is exempted from the provisions of FRS8 under paragraph 3 (c) by virtue of the fact that it is a wholly owned subsidiary of a UK parent company.