

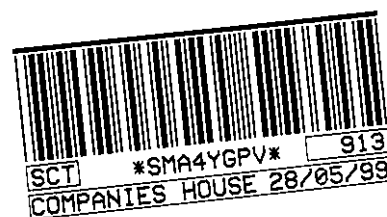
SCOTTISH PRUDENTIAL HOLDINGS LIMITED
REPORT AND ACCOUNTS
YEAR ENDED 31 JANUARY 1999

HORWATH
CLARK WHITEHILL

Chartered Accountants

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SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CHAIRMAN'S STATEMENT
31 JANUARY 1999

PROFITS

In the year ended 31 January 1999, the Company made pre-tax profits, based on historical costs, of £1,137,000. This compares to £1,149,000 in the previous year.

SHAREHOLDERS FUNDS

The Shareholders' Funds increased by about £1.4 million to just under £11 million. This increase, as last year, arose from two sources; retained profits and increases in the valuations of properties.

TEN YEAR RECORD

Had Scottish Prudential Holdings been in existence for the past ten years, the results would have been as follows:

Year	Profit from Group Activities £'000	Shareholders' Funds at Year End £'000
1988/89	455	5,604
1989/90	224	5,788
1990/91	224	6,744
1991/92	618	6,659
*1992/94	916	7,261
1994/95	908	7,930
1995/96	862	8,204
1996/97	1,034	8,571
1997/98	1,149	9,583
1998/99	1,137	10,990

* Fifteen month period ended 31 January 1994.

DIVIDENDS

Your directors recommend the payment of a Final Dividend of 1.41p per share. If this is approved, the total dividend will be 1.85p per share, an increase of 7.5% in the year.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CHAIRMAN'S STATEMENT (CONTINUED)
31 JANUARY 1999

LOCATION OF PROPERTIES

The following table shows the location of the properties.

	1997 £'000	1998 £'000	1999 £'000
In England			
- Forelle Estates	6,980	8,351	10,879
- Forelle Estates (Developments)	-	-	125
- Residential Home Reversions	<u>700</u>	<u>593</u>	<u>617</u>
	7,680	8,944	11,621
In Scotland	<u>4,772</u>	<u>4,227</u>	<u>3,652</u>
Total	<u>12,452</u>	<u>13,171</u>	<u>15,273</u>

It will be noted that, over the past two years, the value of the total portfolio has increased by just under £3 million.

It will also be observed that whereas in January 1997 the English properties comprised 62% of the total portfolio, they now comprise 76%.

FORELLE ESTATES

Forelle Estates has had a very active and successful year with profits up by 36% to £625,000 against last year's level of £460,000.

A number of well made investment purchases, totalling £2.4 million, and a proactive asset management approach saw the value of the investment portfolio grow by 30% to just under £11 million producing a rent roll of over £1.1 million per annum. The portfolio is managed almost entirely in-house.

Profits were also boosted by certain opportunistic sales including a property swap deal and a successful lease surrender and re-letting transaction.

The Company is benefiting from an increased profile and network of contacts in the property market. It will continue to target a growth in the investment portfolio as well as special situations capable of improving the overall returns. Such an example is presently in negotiation which involves Forelle Estates partially financing a prestigious business park office development in return for an attractive profit share.

A document providing a separate and more detailed account of the activities of the Company is enclosed with these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CHAIRMAN'S STATEMENT (Continued)
31 JANUARY 1999

FORELLE ESTATES (DEVELOPMENTS) LIMITED (formerly CAPEGROVE PROPERTIES LIMITED)

On 25 March 1999 Capegrove Properties Limited changed its name to Forelle Estates (Developments) Limited.

After several years being dormant, this Company has been reactivated as the Group's development subsidiary. The Company has purchased a redundant petrol filling station site for redevelopment as a retail store for which a pre-let is in place and planning consent has been secured.

We aim to increase the activities of this Company where suitable development opportunities can be assembled, preferably through occupier-led projects but also considering speculative schemes where the potential returns warrant.

SCOTTISH PRUDENTIAL INVESTMENT ASSOCIATION

The profits, on a historical cost, basis were £516,000 compared with £691,000 in the previous year.

The decline in profits in Scotland reflects the reduction in the size of the portfolio and the fact that no new properties have been acquired. The Scottish economy remains patchy, and the results in Scotland reflect this picture. The orderly disposal of assets in Scotland continues.

The Company continues to manage actively the remaining assets and continues to achieve rent registrations at a satisfactory level.

THE OUTLOOK FOR 1999/2000

Our predictions are that the profits will be similar to the previous year, the total property will increase and this increase will derive from purchases made by Forelle Estates.

The three sources of funds will be the proceeds of the sales of our Scottish properties, retained profits and, if and when they occur, sales of Residential Home Reversions. You may wish to know that over the past three years, the retained profits have provided £1.5 million of additional funds.

MY RETIREMENT AS CHAIRMAN OF THE HOLDING COMPANY

Although, for the time being, I will be continuing as a director of Scottish Prudential Investment Association, I will, at the Annual General Meeting, be retiring as Chairman of the Holding Company. I will then have been Chairman of this Company for 41 years, more than half of my life.

Looking back over these years, I remember the many individuals who have contributed to the growth and success of the Company. It would be invidious to mention names, but I thank them all for their advice and friendship.

Looking forwards, I believe that the prospects for the Company are better than ever before. I have the greatest confidence in the team in whose hands the future of the Company rest.

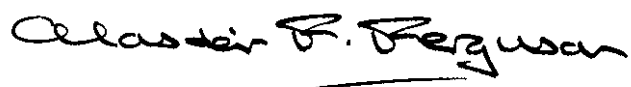
SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CHAIRMAN'S STATEMENT (Continued)
31 JANUARY 1999

APPRECIATION

My thanks are due to John Herd, Roger King and Mike Price. The combination of their energy, skill and commitment is the foundation on which the success of your Company relies.

GOOD WISHES

My daughter, Clare, will be taking over as Chairman. I extend to her my good wishes and hope that she will enjoy the job as much as I have done.



Chairman

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 JANUARY 1999

The directors submit their report and accounts for the year ended 31 January 1999.

ACTIVITIES

Scottish Prudential Holdings Limited is a holding Company co-ordinating the activities of its subsidiary companies. The group's principal activities are the ownership, management and development of property.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £686,000. The directors recommend that a dividend of 1.41p per share be paid on the share capital as a final dividend. With the interim dividend of 0.44p per share already paid, this amounts to 1.85p per share. The final dividend will be paid to shareholders on the register at close of business on 14 May 1999. If approved the dividend will be paid on 7 June 1998.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Scottish Prudential Holdings is a specialist property group with interests in Scotland and in the South of England. Its investments range from residential property to commercial and retail investment property. There is some property development through Forelle Estates (Developments) Limited.

The directors will continue to pursue opportunities for profitable business in the future.

FIXED ASSETS

All properties are included in the accounts at directors' valuation.

Professional advice was received on the value of investment properties as at 31 January 1999 in the West of Scotland from Hacking and Paterson, Surveyors and Valuers, 1 Newton Terrace, Glasgow, G3 7PL and in the East of Scotland from J E Shepherd, Chartered Surveyors, 13 Albert Square, Dundee, DD1 1XA.

Properties in England were valued by the Directors after taking professional advice.

YEAR 2000

The directors have undertaken an assessment of the risk that the Company's business and operations will be adversely affected by what is known as the year 2000 problem. Based on the results of this review a program has been implemented, and completed, to address the issues raised. The costs attributable to this program have been met from the Company's normal operating budgets.

DIRECTORS

The directors who served throughout the year were A F Ferguson, C M Ferguson, R C King M J Price and J D Herd.

The director retiring by rotation is R C King who, being eligible, offers himself for re-election.

Alasdair Ferguson will retire as chairman and director at the AGM on 4 June 1999.

The directors have elected Clare Ferguson as Chairman from 4 June 1999.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
DIRECTORS' REPORT (Continued)
YEAR ENDED 31 JANUARY 1999

DIRECTORS (Continued)

Directors' interests are as follows:

	Ordinary Shares of 10p each held at 31 January	
	1999	1998
A F Ferguson	952,796	923,763
A F Ferguson (As Trustee)	115,112	115,112
C M Ferguson	1,400,000	1,400,000
C M Ferguson (As Trustee)	719,168	719,168
J D Herd	267,179	263,508
R C King	200,311	198,265
M J Price	72,500	67,500

In addition M J Price and R C King have non-beneficial interests as directors of Scottish Prudential (Trustees) Limited in 30,000 (1998 - 27,693) shares owned by that company in respect of an Employee Share Scheme.

SHARE OPTIONS

The Company has two share option schemes. Options granted under these schemes are exercisable between 3 and 7 years after the date of grant. The following options were in existence at the year end:

Inland Revenue Approved Executive Share Option Scheme

Date of Grant	Exercise Price	J D Herd	R C King	M J Price
22 July 1993	25.5p	66,587	66,586	-
29 November 1993	27.0p	24,324	24,324	-
27 June 1994	30.5p	9,089	9,090	-
29 January 1998	50.0p	-	-	60,000

Unapproved Executive Share Option Scheme

Date of Grant				
9 April 1998	45.0p	-	-	40,000

CHARITABLE DONATIONS

During the year the group made charitable donations of £1,250.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Horwath Clark Whitehill as auditors will be put to the Annual General Meeting.

By Order of the Board


 Secretary

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JANUARY 1999

	Notes	1999 £'000	1998 £'000
TURNOVER		1,608	1,388
Materials and consumables		224	225
Staff costs		230	215
Depreciation		31	27
Other operating charges		120	93
OPERATING PROFIT		1,003	828
Other Income	2d	335	486
Interest payable	2e	(381)	(335)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	957	979
Taxation on profit on ordinary activities	3	271	288
PROFIT FOR THE YEAR		686	691
Dividends	4	202	185
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	11	484	506

The notes on pages 11 to 19 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 JANUARY 1999

	1999 £'000	1998 £'000
Profit for the year after tax	686	691
Unrealised surplus on revaluation of properties	1,001	528
Taxation on realised revaluation of property surplus in prior years	(23)	(32)
Deferred taxation on unrealised surplus on revaluation of properties	(55)	10
TOTAL RECOGNISED GAINS AND LOSSES	<u>1,609</u>	<u>1,197</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
YEAR ENDED 31 JANUARY 1999

	1999 £'000	1998 £'000
Reported profit on ordinary activities before tax	957	979
Realisation of revaluation gains from previous years	180	170
PROFIT FOR YEAR ON HISTORICAL COST BASIS BEFORE TAX	<u>1,137</u>	<u>1,149</u>
PROFIT FOR THE YEAR ON HISTORICAL COST BASIS RETAINED AFTER TAX AND DIVIDENDS	<u>641</u>	<u>644</u>

The notes on pages 11 to 19 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
31 JANUARY 1999

	Notes	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	5		
Freehold and heritable property		15,273	13,171
Equipment and vehicles		85	55
		<u>15,358</u>	<u>13,226</u>
CURRENT ASSETS			
Debtors falling due within one year	6	703	291
Debtors falling due in more than one year	7	100	-
Cash		55	351
		<u>858</u>	<u>642</u>
CREDITORS: Amounts falling due within one year	8	<u>2,185</u>	<u>1,592</u>
NET CURRENT LIABILITIES		<u>(1,327)</u>	<u>(950)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,031	12,276
CREDITORS:			
Amounts falling due after more than one year	9	2,980	2,688
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	<u>61</u>	<u>5</u>
NET ASSETS		<u>10,990</u>	<u>9,583</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,095	1,095
Share premium		115	115
Revaluation reserve	11	2,180	1,414
Profit and loss account	11	<u>7,600</u>	<u>6,959</u>
SHAREHOLDERS' FUNDS	12	<u>10,990</u>	<u>9,583</u>

Approved by the Board of directors on 14th April 1999
and signed on their behalf:

Alasdair R. Ferguson
Directors

R. C. [Signature]

The notes on pages 11 to 19 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
BALANCE SHEET
31 JANUARY 1999

	Notes	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	5	33	22
Investments in subsidiaries	13	11,551	10,148
		<u>11,584</u>	<u>10,170</u>
CURRENT ASSETS			
Debtors	6	1	24
Cash		<u>20</u>	<u>22</u>
		<u>21</u>	<u>46</u>
CREDITORS: Amounts falling due within one year	8	<u>615</u>	<u>633</u>
NET CURRENT LIABILITIES		<u>(594)</u>	<u>(587)</u>
NET ASSETS		<u>10,990</u>	<u>9,583</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,095	1,095
Share premium		115	115
Capital reserve		3,806	3,806
Revaluation reserve	11	2,235	1,832
Profit and loss account	11	<u>3,739</u>	<u>2,735</u>
SHAREHOLDERS' FUNDS	12	<u>10,990</u>	<u>9,583</u>

Approved by the Board of directors on 14th April 1999
and signed on their behalf:

Alasdair B. Ferguson

Directors

R. L. H.

The notes on pages 11 to 19 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 JANUARY 1999

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with all applicable accounting standards.

b) Basis of Consolidation

The consolidated accounts include the accounts of the Company and all of its subsidiaries for the year ended 31 January 1999. The assets of the ESOP trust (see note 15) have not been consolidated due to immateriality. No profit and loss account is presented for the Company as provided by Section 230 of the Companies Act 1985.

c) Depreciation

No depreciation is provided on freehold and heritable land and buildings as these are revalued annually. Depreciation on other fixed assets is provided by equal instalments calculated to write off the cost at rates varying as follows:

Office equipment	20% - 33 1/3%
Computers	33 1/3%
Furniture and fittings	10% - 20%
Vehicles	20% - 33 1/3%

d) Freehold and Heritable Property

Freehold and heritable properties are valued by the directors annually on an open market basis in accordance with SSAP 19 "Accounting for Investment Properties". This treatment may be a departure from the requirements of the Companies Act 1985, but the directors consider it is necessary for the accounts to give a true and fair view, given the purpose for which the properties are held. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

e) Subsidiary Companies

In the parent Company's balance sheet the investment in subsidiary companies is stated at the total amount invested plus post acquisition profits less losses of the subsidiaries.

f) Turnover

Turnover consists of sales of developed property and rents receivable after eliminating intra-group transactions.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 JANUARY 1999

1. ACCOUNTING POLICIES (CONTINUED)

g) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect on timing differences other than those which are expected to continue in the foreseeable future.

h) Pensions

The Company's pension cost is charged to the profit and loss account on a basis that spreads the cost over the remaining service lives of employees.

2. PROFIT ON ORDINARY ACTIVITIES
Is stated after charging or crediting:

	1999	1998
	£'000	£'000
a) Staff Costs (including directors' remuneration)		
Salaries and wages	191	178
Social security payments	18	17
Other pension costs	21	20
	<u>230</u>	<u>215</u>
 Average monthly number of employees during the year	No.	No.
Office and management (excluding directors)	<u>3</u>	<u>3</u>
	£'000	£'000
Aggregate directors' emoluments as executives including car benefits	193	135
Contribution to money purchase scheme	5	3
	<u>198</u>	<u>138</u>
 Number of directors receiving benefits under:	No.	No.
Defined benefit schemes	2	2
Defined contribution schemes	<u>1</u>	<u>1</u>

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 JANUARY 1999

2. PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

b) Pension Costs

The Company operates a defined benefit pension scheme. The funding of the scheme is assessed in accordance with the advice of the scheme actuary. The latest actuarial valuation was carried out at 1 April 1997 using the projected unit method. The key assumptions adopted were:

Rate of increase in salaries	6.5%
Rate of increase in pensions payment	5.0%
Rate of return of investments	8.5%

The market value of scheme assets at that date was, in the opinion of the actuary, sufficient to cover the liabilities of the scheme.

Annual actuarial checks on the funding position of the scheme are carried out although not in such detail as the valuation. The purpose of these checks is to ensure the scheme's ability to continue to meet its liabilities by maintaining the recommended funding rate.

	1999 £'000	1998 £'000
c) Other Operating Charges Include:		
Auditors' remuneration (Holding Company £2,600)	9	8
Payment to employee share ownership plan	5	4
	<u> </u>	<u> </u>
d) Other Income		
Interest received	8	5
Surplus on disposal of equipment and vehicles	18	3
Surplus on disposal of investment properties	303	463
Service charge	6	15
	<u> </u>	<u> </u>
	335	486
e) Interest Payable		
On bank and building society loans partly and wholly repayable within 5 years	67	22
On loans repayable in more than 5 years	263	254
12½% Unsecured loan stock 2002	51	59
	<u> </u>	<u> </u>
	381	335
f) Turnover		
Includes rent received of	1,608	1,384
	<u> </u>	<u> </u>

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 JANUARY 1999

3. TAXATION	1999 £'000	1998 £'000
Corporation tax at 31% (1998- 31.3%)	295	330
Corporation tax - adjustment for prior years	<u>(1)</u>	<u>(9)</u>
	294	321
Deferred taxation credit	-	(1)
Taxation on realisation of revaluation gains of previous years	<u>(23)</u>	<u>(32)</u>
	<u>271</u>	<u>288</u>

4. DIVIDENDS		
Interim paid	47	47
Final proposed	<u>155</u>	<u>138</u>
	<u>202</u>	<u>185</u>

5. FIXED ASSETS

a) Freehold and Heritable Property at Valuation

	Investment Properties held in		Total £'000
	England £'000	Scotland £'000	
At 1 February 1998	8,869	4,302	13,171
Additions	2,550	-	2,550
Uplift on revaluation	797	204	1,001
Disposals	<u>(671)</u>	<u>(778)</u>	<u>(1,449)</u>
At 31 January 1999	<u>11,545</u>	<u>3,728</u>	<u>15,273</u>

The historic cost of the properties at 31 January 1999 was £12,439,833 (1998 £11,159,553). The properties were valued at 31 January 1999 by the directors on an open market basis.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 JANUARY 1999

5. FIXED ASSETS (Continued)

b) Equipment and Vehicles

	Group Equipment and Vehicles £'000	Company Equipment and Vehicles £'000
Cost		
At 1 February 1998	127	35
Additions	64	24
Disposals	(66)	(18)
At 31 January 1999	125	41
Depreciation		
At 1 February 1998	72	13
Disposals	(63)	(14)
Provision for the year	31	9
At 31 January 1999	40	8
Book value		
At 31 January 1999	85	33
<i>At 31 January 1998</i>	<i>55</i>	<i>22</i>

6. DEBTORS: falling due within one year

The Group

	1999 £'000	1998 £'000
Trade debtors	699	284
Other debtors and prepayments	4	7
VAT	-	-
	703	291

The Company

Taxation	-	1
Amounts due from subsidiary undertakings	-	22
Other debtors and prepayments	1	1
	1	24

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 JANUARY 1999

7. DEBTORS: falling due in more than one year	1999	1998
	£'000	£'000

Loan to property development Company	<u>100</u>	<u>-</u>
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The loan of £100,000 is part of a total loan commitment to a third party property development Company of £500,000. The loan is unsecured and entitles the Company to a share in certain profits and losses of a property development.

8. CREDITORS: Amounts falling due within one year:	1999	1998
The Group	£'000	£'000

12½% Unsecured loan stock 2002	396	470
Current long term loan repayments (secured) - see note 9	406	305
Bank overdrafts (secured)	529	29
VAT	27	26
Corporation tax	306	308
Proposed dividend	155	138
Other creditors	35	42
Accruals	331	274
	<u>2,185</u>	<u>1,592</u>

The Company

12½% Unsecured loan stock 2002	396	470
Corporation tax	1	-
Proposed dividend	154	138
VAT	1	-
Other creditors	3	1
Accruals and deferred income	22	24
Amounts due to subsidiary undertakings	38	-
	<u>615</u>	<u>633</u>

The 12½% Unsecured loan stock is repayable in full by the year 2002. Repayments are made on demand at 30 April and 31 October each year by stockholders giving at least 3 months notice in writing.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

YEAR ENDED 31 JANUARY 1999

9. CREDITORS: Amounts falling due after more than one year:	1999	1998
	£'000	£'000
Building society loans	279	405
Bank loan fixed rate	258	280
Bank loans variable rate	<u>2,849</u>	<u>2,308</u>
	3,386	2,993
Less: Current payments due on long term loans	<u>406</u>	<u>305</u>
	<u>2,980</u>	<u>2,688</u>

Repayable as follows:

In one to two years

Building society loans	25	28
Bank loan - fixed rate	26	24
Bank loans - variable rate	<u>368</u>	<u>266</u>

In two to five years

Building society loans	88	138
Bank loan - fixed rate	86	117
Bank loans - variable rate	<u>1,166</u>	<u>1,097</u>

After five years

Building society loans	143	113
Bank loan - fixed rate	122	213
Bank loans - variable rate	<u>956</u>	<u>692</u>
	<u>2,980</u>	<u>2,688</u>

The building society loan carries interest at 1% above MLR and is repayable by instalments with the final payment due in 2009.

The fixed rate loan interest rate is 9.76% ending in 2006.

The interest on variable rate loans are at 1½% and 1¼% above base rate, ending at varying dates between 2004 and 2008. All the loans are secured on properties of the Company.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED ·
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 JANUARY 1999

10. SHARE CAPITAL	1999	1998
	£'000	£'000
Authorised 200,000,000 Ordinary shares of 10p each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid 10,950,000 Ordinary shares of 10p each	<u>1,095</u>	<u>1,095</u>
11. RESERVES	Revaluation Reserve	Profit and Loss Account
	£'000	£'000
The Group		
At beginning of year	1,414	6,959
Retained profit for the year	-	484
Surplus on revaluation of property	1,001	-
Realisation of revaluation gains of previous years (net of taxation)	(157)	157
Deferred taxation	(55)	-
Taxation on realisation of revaluation gains of previous years	<u>(23)</u>	<u>-</u>
At end of year	<u>2,180</u>	<u>7,600</u>
The Company		
At beginning of year	1,832	2,735
Surplus on revaluation of subsidiary companies	403	-
Retained profit for the year	<u>-</u>	<u>1,004</u>
At end of year	<u>2,235</u>	<u>3,739</u>
12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1999	1998
	£'000	£'000
Profit for the year	686	691
Dividends	<u>(202)</u>	<u>(185)</u>
	484	506
Taxation on realisation of revaluation gains of previous years	(23)	(32)
Surplus on revaluation of property	1,001	528
Deferred taxation	<u>(55)</u>	<u>10</u>
	1,407	1,012
Opening shareholders' funds	<u>9,583</u>	<u>8,571</u>
Closing shareholders' funds:	<u>10,990</u>	<u>9,583</u>

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 JANUARY 1999

13. INVESTMENTS IN SUBSIDIARIES	1999	1998
	£'000	£'000
Particulars of subsidiaries are given on page 21		
Opening valuation at 31 January 1998	10,148	9,133
Additional capital subscribed	1,000	1,000
Surplus on revaluation of subsidiary companies	403	15
	<u>11,551</u>	<u>10,148</u>
Closing valuation at 31 January 1999		

14. DEFERRED TAXATION	1999	1998
	£'000	£'000
Amounts provided at 31%		
Taxation on accelerated capital allowances	-	-
Taxation on unrealised surpluses on revaluation of properties	61	5
	<u>61</u>	<u>5</u>
The potential liability to deferred tax not provided		
Timing differences due to accelerated capital allowances	104	114
	<u>104</u>	<u>114</u>

15. EMPLOYEE SHARE OWNERSHIP PLAN

The Company operates an ESOP trust. £5,217 has been made available to the trustees during the year by a subsidiary Company for the purchase of shares in the Company. These shares are purchased on the open market and are immediately allocated by the trustees to qualifying employees. In addition the ESOP trust owns 200,000 shares in the Company which are valued at £90,000. Certain directors of the Company have an option to purchase these shares at an average of about 26p per share which is exercisable before 2007.

16. DIRECTORS' MATERIAL INTERESTS

Mr J D Herd is also a Non-Executive Director of a Building Society from which a mortgage currently standing at £279,000 was obtained in October 1989 on an arms length basis at normal commercial terms.

17. CONTINGENT LIABILITY

The Company has guaranteed the indebtedness of certain subsidiary companies to their bankers.

REPORT OF THE AUDITORS TO THE MEMBERS OF SCOTTISH PRUDENTIAL HOLDINGS LIMITED

We have audited the accounts on pages 7 to 19 which have been prepared under the accounting policies set out on pages 11 and 12

Responsibilities Of Directors

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the Company's state of affairs at the end of the year and of its profit or loss for the period. In preparing those accounts 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, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume 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 accounts 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 or other irregularities.

Responsibilities of Auditors

As described above the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 the information in the accounts.

Unqualified Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the group at 31 January 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

19/4/99

Howard Clark Smith

Chartered Accountants
and Registered Auditors

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

GENERAL INFORMATION

DIRECTORS	A F Ferguson, MBE, DSC, DL, MA (Chairman) C M Ferguson, B.Sc J D Herd, BL , NP R C King FCCA M J Price ASVA	
SECRETARY	R C King FCCA Strand House, Strand Street Poole, Dorset BH15 1SB	
HEAD OFFICE	Strand House, Strand Street, Poole, Dorset, BH15 1SB	
REGISTERED OFFICE	6 New Street, Paisley Renfrewshire, Scotland, PA1 1XY Registered Number 135692 Scotland	
SOLICITORS	Humphries Kirk Glebe House North Street, Wareham Dorset BH20 4AN Maclay, Murray and Spens 151 St Vincent Street Glasgow, G2 5NJ	
AUDITORS	Horwath Clark Whitehill 25 New Street Square London EC4A 3LN	
BANKERS	Lloyds Bank plc 101 High Street, Poole Dorset BH15 1AJ	The Royal Bank of Scotland plc P O Box 29, 1 Moncrieff Street Paisley, Renfrewshire PA3 2AW
SUBSIDIARY COMPANIES	Forelle Estates Limited - Property Holding and Ownership of Property - (100%) Forelle Estates (Developments) Limited - Property development (100%) Greenhead Property Services Limited - Property Management (100%) Scottish Prudential Investment Association Limited - Ownership of Property (100%) Corner Property Company Limited - Ownership of Property (100%) Strabismus Limited - Property Holding (100%) Scottish Prudential Trustees Limited - Trustee Company (100%)	

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JANUARY 1999

	1999 £	1998 £
Dividends from subsidiaries	1,201,695	1,184,900
Inter-group interest	114,091	58,959
Fees	6,000	-
Management charge	15,000	15,000
Interest	1,140	1,319
Profit on sale of fixed assets	8,136	2,590
	<u>1,346,062</u>	<u>1,262,768</u>
EXPENSES		
Key Man Insurance	288	288
Travelling and expenses	6,202	5,590
Legal and professional charges	4,420	3,474
Miscellaneous expenses	178	738
Bank charges	41	30
Auditors' remuneration	2,550	2,200
Repairs	-	128
Stationery, postage and telephone	1,521	986
Depreciation	9,423	9,611
Donations to charity	750	200
	<u>25,373</u>	<u>23,245</u>
	<u>114,091</u>	<u>58,958</u>
Loan interest	<u>139,464</u>	<u>82,203</u>
	<u>1,206,598</u>	<u>1,180,565</u>
Net profit before taxation	<u>(540)</u>	<u>1,200</u>
Taxation	<u>1,206,058</u>	<u>1,181,765</u>
Net profit after taxation	<u>201,695</u>	<u>184,900</u>
Dividend	<u>1,004,363</u>	<u>996,865</u>
RETAINED PROFIT FOR THE YEAR		

Approved by the Board of Directors on
and signed on its behalf:

14th April 1999

Charles R. Ferguson

} Directors

R. C. Ke...