

## DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31st December 1998.

### Review of business

The Company's principal activity during the year was Personal Equity Plan management. The Directors believe that the present level of activity will be sustained for the foreseeable future considering that Family Equity Plan Ltd are authorised to operate as a manager of Individual Savings Accounts. The Company is regulated by the Personal Investment Authority and Investment Management Regulatory Organisation.

On 3rd December 1998 a special resolution was passed giving the Company the authority to act as managers of Individual Savings Accounts. The Company plans to manage ISA's from the launch date of 6th April 1999.

### Fixed Assets

The movement in Fixed Assets during the year is set out in note 8 to the financial statements.

### Results and dividends

The profit for the year was £158,529 (1997: £34,903). The Directors do not recommend the payment of a dividend in 1998 (1997: £nil).

### Directors

The Directors of the Company for the financial year ended 31st December 1998 are listed below:

J R Reeve	Chairman
J W Adams	Chief Executive
K Meeres	Company Secretary

No Director had any interest in the shares of the Company at 31st December 1998.

### Elective resolutions

On 25th February 1998 the Company passed the following elective resolutions :-

- a) pursuant to and in accordance with Section 16 of the Companies Act 1989, to dispense with the laying of accounts and reports before the Company in general meeting,
- b) pursuant to and in accordance with Section 366A of the Companies Act 1985, as inserted by Section 115(2) of the Companies Act 1989, to dispense with the holding of Annual General Meetings, and
- c) pursuant to and in accordance with Section 386 of the Companies Act 1985, as inserted by Section 119(1) of the Companies Act 1989, to dispense with the obligation to appoint auditors annually.

**DIRECTORS' REPORT**  
**Continued**

**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 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 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 financial statements; 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.

**Auditors**

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

By order of the Board.

K Meeres  
Secretary



Date: 16th March 1999

16 West Street  
Brighton  
East Sussex  
BN1 2RL

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
FAMILY EQUITY PLAN LIMITED**

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies as set out on page 6.

**Respective Responsibilities of Directors and Auditors**

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established 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 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
LONDON  
WC2N 6NN

Date: 16th March 1999

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 1998**

	Notes	1998 £	1997 £
<b>Continuing operations</b>			
Turnover	2	348,766	351,907
Cost of sales		(27,078)	(82,101)
Gross profit		<u>321,688</u>	<u>269,806</u>
Administrative expenses		(195,101)	(263,700)
<b>Profit on ordinary activities before interest and taxation</b>		<u>126,587</u>	<u>6,106</u>
Interest receivable		54,652	38,189
Interest payable and similar charges	3	(4)	(146)
<b>Profit on ordinary activities before taxation</b>	4	<u>181,235</u>	<u>44,149</u>
Tax on ordinary activities	5	(22,706)	(9,246)
<b>Retained profit for the year</b>	12,13	<u><u>158,529</u></u>	<u><u>34,903</u></u>

The Company has no recognised gains and losses other than those included in the movements on the Profit and Loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

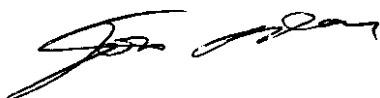
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**BALANCE SHEET**  
**AS AT 31ST DECEMBER 1998**

	Notes	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible assets	8	-	-
<b>CURRENT ASSETS</b>			
Debtors	9	5,297	9,115
Cash at bank		535,966	435,620
		<u>541,263</u>	<u>444,735</u>
<b>CREDITORS:</b>			
Amounts falling due within one year	10	(38,934)	(100,935)
<b>NET CURRENT ASSETS</b>		<u>502,329</u>	<u>343,800</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>502,329</u></u>	<u><u>343,800</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,465,000	1,465,000
Profit and loss account	12	(962,671)	(1,121,200)
Equity shareholders' funds	13	<u>502,329</u>	<u>343,800</u>

The financial statements on pages 4 to 9 were approved by the Board of Directors on 16th March 1999.

J W Adams  
Chief Executive



K Meeres  
Secretary





## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

- a) The financial statements have been prepared in accordance with applicable Accounting Standards issued in the United Kingdom. The financial statements have been prepared under the historical cost convention.
- b) The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Computer hardware	- 25% - 33%
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- c) The Company has taken advantage of the exemption permitted by the FRS 1 (Revised) 'Cash Flow Statements' and has elected not to prepare the cash flow statement.

### 2. TURNOVER

All turnover comprises fees and commissions derived from Personal Equity Plan management in the United Kingdom and is stated exclusive of VAT.

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts and other loans repayable within 5 years	4	146

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration for :		
Audit services	3,716	3,496
Non audit services	4,118	4,318
Depreciation	-	122





# NOTES TO THE ACCOUNTS (Continued)

5. TAXATION	1998 £	1997 £
Corporation tax		
Current year provision	13,660	6,164
Over provision in prior year	(637)	-
Surrenders of tax losses from fellow group companies		
Current year provision	-	3,082
Under provision in prior year	9,683	-
	<u>22,706</u>	<u>9,246</u>

A provision for corporation tax has been made at 31% (1997: 21.75%) less marginal relief.

The company has trading losses carried forward of approximately £943,000. The Directors do not consider it prudent to recognise a deferred tax asset. The amount of unprovided deferred tax asset is estimated to be approximately £292,000.

## 6. DIRECTORS' EMOLUMENTS

The current directors received no emoluments during the year in respect of their services since they are remunerated as members of the Committee of Management of the Company's parent (1997: £nil).

## 7. EMPLOYEES

There are no employees directly employed by the Company (1997: £nil). A service charge payable by the Company to the parent includes a portion for salary and staff related costs.

## 8. FIXED ASSETS

	Tangible £
COST	
As at 1st January	46,249
Disposals	(46,249)
As at 31st December 1998	-
ACCUMULATED DEPRECIATION	
As at 1st January 1998	46,249
Charge for the year	-
Disposals	(46,249)
As at 31st December 1998	-
NET BOOK VALUE AT 31 DECEMBER 1998	-
NET BOOK VALUE AT 31 DECEMBER 1997	-

Tangible fixed assets comprise office equipment and computer hardware.

# NOTES TO THE ACCOUNTS (Continued)

## 9. DEBTORS

	1998	1997
	£	£
Amounts falling due within one year:		
Amounts due from fellow subsidiary	192	-
Other debtors	5,105	9,115
	<u>5,297</u>	<u>9,115</u>

## 10. CREDITORS

	1998	1997
	£	£
Amounts falling due within one year:		
Amounts owed to parent company	11,241	48,446
Corporation tax payable	13,660	6,164
Other creditors	2,655	6,149
Accruals and deferred income	11,378	40,176
	<u>38,934</u>	<u>100,935</u>

## 11. SHARE CAPITAL

	1998	1997
	£	£
Authorised:-		
1,500,000, £1 ordinary shares	1,500,000	1,500,000
Allotted, called up and fully paid		
1,465,000, £1 ordinary shares	<u>1,465,000</u>	<u>1,465,000</u>

## 12. PROFIT AND LOSS ACCOUNT

	1998	1997
	£	£
Balance at 1st January	(1,121,200)	(1,156,103)
Profit for the year	158,529	34,903
	<u>(962,671)</u>	<u>(1,121,200)</u>

**NOTES TO THE ACCOUNTS**  
**(Continued)**

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Opening shareholders' funds	343,800	308,897
Profit for the year	158,529	34,903
	<hr/>	<hr/>
Closing shareholders' funds	<u>502,329</u>	<u>343,800</u>

**14 RELATED PARTY TRANSACTIONS**

The company has taken advantage of an exemption from FRS8 not to disclose transactions with Family Assurance Friendly Society Limited's group undertakings. Balances with Family Assurance Friendly Society Limited's group undertakings are shown in notes 9 and 10.

The Directors of Family Equity Plan Limited and its key management had no material transactions with the Company during 1998 or 1997.

**15 ULTIMATE PARENT**

The immediate and ultimate parent company is Family Assurance Friendly Society Limited, a Friendly Society incorporated in England and Wales in accordance with the Friendly Societies Act 1992. Copies of the ultimate parent's consolidated financial statements may be obtained from:

The Secretary  
Family Assurance Friendly Society Limited  
16-17 West Street  
Brighton  
East Sussex  
BN1 2RL