

ISIS Treasury Limited (formerly Friends Ivory & Sime Treasury Limited)

Report & Accounts
for the period ended
31 December 2002

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ISIS Asset Management plc is regulated by
the Financial Services Authority

4425921



ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

DIRECTORS AND ADVISERS

REGISTERED NUMBER: 4425921

DIRECTORS:
H Carter
P A K Arthur
K J Back
N Criticos
I J Paterson Brown
R E Talbut

SECRETARIES: ISIS Asset Management plc
80 George Street
Edinburgh
EH2 3BU

REGISTERED OFFICE: ISIS Asset Management plc
100 Wood Street
London
EC2V 7AN

SOLICITORS: Shepherd+ Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

AUDITORS: Ernst & Young LLP
Registered Auditor
Ten George Street
Edinburgh
EH2 2DZ

ISIS TREASURY LIMITED **(formerly FRIENDS IVORY & SIME TREASURY LIMITED)**

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements for the period ended 31 December 2002.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company was incorporated as Friends Ivory & Sime Treasury Limited on 26 April 2002.

The company changed its name to ISIS Treasury Limited on 30 September 2002.

The principal activity of the company is to act as a treasury management company of the ISIS Asset Management plc group (formerly Friends Ivory & Sime plc). The company is also an investment holding company.

The company is in a net liability position at 31 December 2002 due mainly to the exceptional costs incurred by its subsidiaries during the fundamental reorganisation of the ISIS Asset Management plc business. The subsidiaries have been unable to pay a dividend to ISIS Treasury Limited at 31 December 2002. The directors consider it appropriate to prepare the accounts on a going concern basis as they believe that the future profitability of the company will be sufficient to return the company to a net asset position in due course.

On 1 July 2002, the company acquired and gained control of RSA Investments, the UK asset management business of Royal & SunAlliance Group plc.

Details of the acquisition are shown in note 8 to the financial statements.

RESULTS AND DIVIDEND

The accounts for the period ending 31 December 2002 show a loss after tax of £7,489,562. The directors do not recommend the payment of an ordinary dividend, leaving a loss of £7,489,562 to be transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period ended 31 December 2002 were as follows:

H Carter	(appointed 26 April 2002)
P A K Arthur	(appointed 31 December 2002)
K J Back	(appointed 26 April 2002)
N Criticos	(appointed 31 December 2002)
I J Paterson Brown	(appointed 31 December 2002)
R E Talbut	(appointed 31 December 2002)

No director has any beneficial interest in the share capital of the company.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

REPORT OF THE DIRECTORS (continued)

The beneficial interests of the directors in the share capital of ISIS Asset Management plc (formerly Friends Ivory & Sime plc), the parent undertaking, are:

	At 31 December 2002		At 26 April 2002 (or subsequent date of appointment)	
	Ord Shares	Options	Ord shares	Options
H Carter	42,461	363,553	42,461	363,553
P A K Arthur	9,000	284,112	9,000	284,112
K J Back	5,919	271,098	5,919	271,098
N Criticos	10,000	-	10,000	-
I J Paterson Brown	194,171	239,256	194,171	239,256
R E Talbut	20,000	-	20,000	-

The beneficial interests of the directors in the share capital of the ultimate parent undertaking, Friends Provident plc, are:

	Ord shares	
	At 31 December 2002	At 26 April 2002 (or subsequent date of appointment)
H Carter	24,560	23,391
P A K Arthur	5,110	5,110
K J Back	1,180	1,180
N Criticos	-	-
I J Paterson Brown	-	-
R E Talbut	-	-

AUDITORS

Ernst & Young LLP were appointed as the company's first auditors in July 2002.

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

BY THE ORDER OF THE BOARD



For ISIS Asset Management plc
 Secretaries
 17 September 2003

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Independent Auditors' Report "Respective responsibilities of directors and auditors", set out on page 5, is made with a view to distinguishing for members the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 6 to 20, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed (subject to any explanations and any material departures disclosed in the notes to the financial statements).

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company at that time and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ISIS TREASURY LIMITED

(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISIS TREASURY LIMITED

We have audited the company's financial statements for the period ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. We also report to you if, in our opinion, the Report of the Directors 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 with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh
17 September 2003

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 26 APRIL TO 31 DECEMBER 2002

	Notes	Period ending 31 December 2002 £
Administrative expenses		<u>(3,796,482)</u>
OPERATING LOSS	2	(3,796,482)
Interest payable	4	(7,011,349)
Interest receivable	5	<u>123,885</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(10,683,946)
Tax on Loss on Ordinary Activities	6	<u>3,194,384</u>
LOSS AFTER TAXATION AND TRANSFERRED FROM RESERVES	14	<u>(7,489,562)</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses for the period ended 31 December 2002 other than the results shown in the profit and loss account above.

The accounting policies on pages 8 and 9 and the notes on pages 9 to 20 form part of these financial statements.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

BALANCE SHEET as at 31 DECEMBER 2002

	Notes	31 December 2002 £
FIXED ASSETS		
Tangible fixed assets	7	1
Investments	8	<u>249,115,792</u>
		<u>249,115,793</u>
CURRENT ASSETS		
Debtors	9	6,318,964
Cash at bank		<u>1,966,033</u>
		8,284,997
CREDITORS (amounts falling due within one year)	10	<u>(84,890,351)</u>
NET CURRENT LIABILITIES		<u>(76,605,354)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		172,510,439
CREDITORS (amounts falling due outwith one year)	10	<u>(180,000,000)</u>
NET LIABILITIES		<u>(7,489,561)</u>
CAPITAL AND RESERVES		
Called-up share capital	13	1
Profit & loss account	14	<u>(7,489,562)</u>
TOTAL SHAREHOLDER'S FUNDS	14	<u>(7,489,561)</u>



I J Paterson Brown
 Director
 17 September 2003

The accounting policies on pages 8 and 9 and the notes on pages 9 to 20 form part of these financial statements.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

Investment income

Investment income is accounted for on an accruals basis.

Investments

Investments are held at the lower of cost and directors' valuation.

Subsidiary undertakings

The company has taken exemption under section 228 of the Companies Act 1985 not to prepare group accounts as it is a wholly owned subsidiary of ISIS Asset Management plc (formerly Friends Ivory & Sime plc), a company incorporated in Scotland.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events occurred at that date that will result in an obligation to pay less or receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a commitment to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more than likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

1. ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Tangible fixed assets are stated at net book value.

Fixed assets are depreciated at rates calculated to write off the cost (less estimated residual value) of each asset over its expected useful life in equal annual instalments as follows:

Office furniture and equipment - over 5 years

The carrying value of tangible fixed assets is reviewed where it is believed that impairment may have occurred. Any impairment arising from such a review would be charged as depreciation in the period in which it arose.

Cash flow statement

The company has taken advantage of the exemptions of FRS1 (revised) and has elected not to prepare its own cash flow statement as it is included within the consolidated cash flow statement in the accounts of ISIS Asset Management plc, its parent undertaking.

2. OPERATING LOSS

Operating loss is stated after charging:

	Period ended 31 December 2002 £
Auditors' remuneration – audit fees	3,000
Auditors' remuneration – non-audit fees	2,250
Depreciation of owned fixed assets	<u>35,999</u>

The company had no employees during the period ended 31 December 2002.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

3. DIRECTORS EMOLUMENTS

None of the directors received any remuneration for their services to the company during the period ended 31 December 2002.

The emoluments of the directors are disclosed within the accounts of ISIS Asset Management plc, the parent undertaking.

4. INTEREST PAYABLE

	Period ended 31 December 2002 £
Bank interest and charges	400
Interest on £180m term loan	5,452,458
Interest on £50m revolving credit loan	361,061
Interest on loans from group undertakings	<u>1,197,430</u>
	<u>7,011,349</u>

5. INTEREST RECEIVABLE

	Period ended 31 December 2002 £
Bank interest receivable	<u>123,885</u>

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Period ended 31 December 2002 £
UK Corporation Tax	
UK Corporation Tax on losses for the period	<u>(2,069,384)</u>
Total current tax credit for the period	<u>(2,069,384)</u>
Deferred tax	
Originating and reversal of timing differences (note 12)	<u>(1,125,000)</u>
Total tax credit for the period	<u>(3,194,384)</u>
Factors affecting the tax credit for the period	
The tax assessed for the period is higher than the standard rate of Corporation Tax in the UK.	
The differences are explained below.	
Loss on ordinary activities before tax	<u>(10,683,946)</u>
Loss on ordinary activities multiplied by the tax rate of 30.00%	<u>(3,205,184)</u>
Effect of:	
Disallowed expenses	10,800
Other timing differences	<u>1,125,000</u>
Current tax credit for the period	<u>(2,069,384)</u>

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

7. TANGIBLE FIXED ASSETS

	Office furniture & equipment £
COST:	
Additions on acquisition of subsidiaries	36,000
At 31 December 2002	<u>36,000</u>
DEPRECIATION:	
Provided during the period	35,999
At 31 December 2002	<u>35,999</u>
NET BOOK VALUE:	
At 31 December 2002	<u>1</u>

8. INVESTMENTS

	£
COST:	
Balance on incorporation	-
Additions in the period	249,115,792
At 31 December 2002	<u>249,115,792</u>

In the opinion of the directors, the aggregate valuation of the company's investments is not less than the amount at which the investments are stated in the balance sheet.

Acquisition of Royal & SunAlliance Investments ("RSA Investments")

On 1 July 2002 ISIS Treasury Limited acquired and gained control of RSA Investments, the UK asset management business of Royal & SunAlliance Group plc. ISIS Treasury Limited acquired 100% of the issued share capital of the following companies:

- (i) 1,000,000 ordinary shares of 10p each in WAM Holdings Limited
- (ii) 500,000 ordinary shares of £1 each in Royal & SunAlliance Investment Management Limited (renamed ISIS Investment Management Limited)*
- (iii) 13,200,000 ordinary shares of £1 each in Royal & SunAlliance Unit Trust Management Limited (renamed ISIS Fund Management Limited)*
- (iv) 1,000,000 ordinary shares of 25p each in Royal & SunAlliance Property Investments Limited (renamed ISIS Property Investments Limited)*

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

8. INVESTMENTS (continued)

(v) 2,600,000 ordinary shares of £1 each and 1,000,000 redeemable shares of £1 each in Royal & SunAlliance Savings & Investments Limited**

(vi) 2 ordinary shares of £1 each in SunAlliance Investment Management Limited***

* subsidiary of WAM Holdings Limited

** subsidiary of Royal & SunAlliance Unit Trust Management Limited

*** subsidiary of Royal & SunAlliance Investment Management Limited

The six companies were acquired from Royal & SunAlliance Insurance Group plc for an initial consideration of £239,879,000. Under the terms of the Sale and Purchase Agreement ISIS Treasury Limited is entitled to receive net assets of £28,232,000. Following agreement of the Completion Accounts, a £ for £ adjustment will be made to the initial consideration to reflect the agreed net asset position at completion (1 July 2002). An estimated further consideration of £3,737,000 is outstanding on the acquisition as the net assets per the Completion Accounts were greater than £28,232,000.

An initial cash payment of £235,688,000 was paid to the Royal & SunAlliance Insurance Group plc reflecting the initial consideration of £239,879,000 less £4,191,000, being an estimate of the net inter-company balance due to the WAM Holdings Limited group by the Royal & SunAlliance Insurance Group plc. The final settlement will be paid following agreement of the Completion Accounts.

Expenses of £5,500,000 were incurred in connection with the acquisition.

The analysis of the transaction is as follows:

	£
Cash payment	235,688,000
Settlement of inter-company balances	<u>4,191,000</u>
Initial consideration	239,879,000
Estimated further consideration *	3,737,000
Estimated expenses of acquisition (of which £1,038,000 is accrued)	<u>5,500,000</u>
	<u>249,116,000</u>

* Subject to agreement of the Completion Accounts.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

8. INVESTMENTS (continued)

Two loan facilities have been put in place to fund the acquisition:

- (i) A loan of £180,000,000 from Friends Provident Life and Pensions Limited. Interest on the loan is payable every six months at the 4 ½ year SWAP Rate plus 0.575% per annum. The loan is due to be repaid in full on 1 November 2006.
- (ii) A revolving credit facility of £50,000,000 with Friends Provident plc. The loan may be drawn down in tranches of £5,000,000. Interest on the loan is payable quarterly at 3 month LIBOR plus 0.6% per annum. The daily undrawn and uncanceled amount of the facility has a commitment fee payable at the rate of 0.3% per annum. The facility will terminate on 30 May 2007, or earlier if notice of termination is given by ISIS Treasury Limited and the outstanding element of the loan is reduced to nil.

The full £180,000,000 fixed rate loan plus £20,000,000 of the £50,000,000 revolving credit facility were utilised, along with existing cash resources, to fund the initial consideration of £239,879,000.

Disclosure of the amounts of loans outstanding at 31 December 2002 are included within note 11.

The summarised profit and loss account and statement of total recognised gains and losses of the acquired companies for the period 1 January 2002 to 30 June 2002 can be summarised as follows:

	Period 1 Jan 2002 to 30 June 2002 £
Turnover	27,905,000
Operating expenses	<u>(24,870,000)</u>
Operating profit	3,035,000
Exceptional costs	<u>(2,494,000)</u>
Profit before taxation	541,000
Taxation	<u>(321,000)</u>
Profit after taxation	<u>220,000</u>
Statement of Total Recognised Gains and Losses	
Profit available for dividends	<u>220,000</u>
Total recognised gains and losses relating to the period	<u>220,000</u>

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

8. INVESTMENTS (continued)

The profit after tax of the three trading companies acquired for the year ended 31 December 2001 were as follows:

	Profit after tax for the year ended 31 Dec 2001 £
Royal & SunAlliance Investment Management Limited (renamed ISIS Investment Management Limited)	4,387,000
Royal & SunAlliance Unit Trust Management Limited (renamed ISIS Fund Management Limited)	1,888,000
Royal & SunAlliance Property Investments Limited (renamed ISIS Property Investments Limited)	693,000

Full details of the acquisition of RSA Investments can be found in the accounts of ISIS Asset Management plc, the parent undertaking.

9. DEBTORS

	31 December 2002 £
Amounts falling due within one year:	
Loan to subsidiary undertaking	20,000
Loans to fellow subsidiary undertakings	2,540,000
Amounts due from fellow subsidiary undertaking	564,580
Group relief receivable	<u>2,069,384</u>
	5,193,964
Amounts falling due outwith one year:	
Deferred tax (note 12)	<u>1,125,000</u>
	<u>6,318,964</u>

The loans are repayable on demand.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

10. CREDITORS

	31 December 2002 £
Amounts falling due within one year:	
Loan from parent undertaking	8,600,000
Loans from fellow subsidiary undertakings	32,535,000
Loans from subsidiary undertakings	20,175,000
Revolving credit loan facility	5,000,000
Amounts due to parent undertakings	3,421,872
Amounts due to fellow subsidiary undertakings	2,226,833
Amounts due to subsidiary undertakings	4,603,537
Accruals	4,793,214
Other creditors	<u>3,534,895</u>
	<u>84,890,351</u>
Amounts falling due outwith one year:	
Loan from fellow subsidiary undertaking	<u>180,000,000</u>
	<u>180,000,000</u>

The details of the loans are disclosed within note 11.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

11. LOANS

31 December
2002
£

Wholly repayable within five years:

£180,000,000 term loan at a fixed rate of 5.9125%, wholly repayable on 1 November 2006	180,000,000
£50,000,000 revolving credit facility, £5,000,000 drawn down, at 3 month Sterling LIBOR plus 0.6% margin; 3 month terms ending 30 May 2007	5,000,000
Loans with members of the ISIS Asset Management plc group at 3 month LIBOR plus 1% margin; repayable on demand	<u>61,310,000</u>
	<u>246,310,000</u>

The £180,000,000 term loan is with Friends Provident Life and Pensions Limited, a subsidiary of Friends Provident plc.

The £50,000,000 revolving credit facility is with Friends Provident plc, the ultimate parent undertaking. Any drawdown under this facility is repayable within 3 months but can be rolled over by the borrower into a subsequent drawdown. This option remains open until 30 May 2007.

31 December
2002
£

Amounts repayable:

In one year or less, or on demand	66,310,000
In more than one year but not more than two years	-
In more than two years but not more than five years	180,000,000
In more than five years	<u>-</u>
	<u>246,310,000</u>

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

12. DEFERRED TAXATION

	£
Recognised during the period (note 6)	<u>1,125,000</u>
Balance at 31 December 2002	<u>1,125,000</u>
	31 December 2002 £
Short-term timing differences	<u>1,125,000</u>
Disclosed as:	
Debtors (note 9)	<u>1,125,000</u>
Non-discounted net deferred tax asset	<u>1,125,000</u>

The directors believe it is appropriate to recognise a deferred tax asset because it is considered that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

13. SHARE CAPITAL

	Authorised £
At 31 December 2002 and at 26 April 2002	<u>1,000</u>
	Allotted, called up and fully paid
	No £
At 31 December 2002 and at 26 April 2002:	
Ordinary shares of £1 each	<u>1</u> <u>1</u>

1 Ordinary share of £1 was issued on incorporation.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 (continued)

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	Share capital	Profit & loss account	Total Shareholder's funds
	£	£	£
Shares issued on incorporation	1	-	1
Retained loss for the period	<u>-</u>	<u>(7,489,562)</u>	<u>(7,489,562)</u>
At 31 December 2002	<u>1</u>	<u>(7,489,562)</u>	<u>(7,489,561)</u>

15. RELATED PARTY TRANSACTIONS

Subordinated Loans

The following loans were due to the Friends Provident group at 31 December 2002 (note 11):

	£	
Friends Provident Life and Pensions Limited	180,000,000	
Friends Provident plc	<u>5,000,000</u>	
	<u>185,000,000</u>	
	Interest paid during the period ended 31 December 2002	Outstanding at 31 December 2002
	£	£
Friends Provident Life and Pensions Limited	5,452,459	1,341,247
Friends Provident plc	<u>361,061</u>	<u>91,555</u>
	<u>5,813,520</u>	<u>1,432,802</u>

The company has taken exemption from the requirement to disclose related party transactions with other members of the ISIS Asset Management group on the basis that it is a wholly owned subsidiary.

ISIS TREASURY LIMITED
(formerly FRIENDS IVORY & SIME TREASURY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002 *(continued)*

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is ISIS Asset Management plc. ISIS Asset Management plc has included ISIS Treasury Limited in its group accounts, copies of which are available from its registered office: 80 George Street, Edinburgh, EH2 3BU.

The company's ultimate parent undertaking and controlling party is Friends Provident plc, which is incorporated in England and Wales. Copies of the group report and accounts can be obtained from Pixham End, Dorking, Surrey, RH4 1QA.