

# ISIS Treasury Limited

Report & Financial Statements  
for the year ended  
31 December 2003

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ISIS Asset Management plc is regulated by  
the Financial Services Authority

# ISIS 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**

## **REPORT OF THE DIRECTORS**

The directors submit their report and audited financial statements for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company is to act as a treasury management company to the ISIS Asset Management plc group. The company is also an investment holding company.

The company is in a net liability position at 31 December 2003 due mainly to the exceptional costs incurred by its subsidiaries during the fundamental reorganisation of the ISIS Asset Management plc business during 2002 and 2003. Certain subsidiaries have been unable to pay a dividend to ISIS Treasury Limited at 31 December 2003. 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.

### **RESULTS AND DIVIDEND**

The accounts for the year ended 31 December 2003 show a profit after tax of £575,967 (2002: loss of £7,489,562). The directors do not recommend the payment of an ordinary dividend (2002: £nil), leaving a profit of £575,967 (2002: loss of £7,489,562) to be transferred to/(from) reserves.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year ended 31 December 2003 were as follows:

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

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

# ISIS TREASURY LIMITED

## REPORT OF THE DIRECTORS (continued)

The beneficial interests of the directors at 31 December 2003 in the share capital of ISIS Asset Management plc, the parent undertaking, are:

|                    | At 31 December 2003 |         | At 31 December 2002 |         |
|--------------------|---------------------|---------|---------------------|---------|
|                    | Ord Shares          | Options | Ord shares          | Options |
| H Carter           | 42,850              | 532,338 | 42,461              | 363,553 |
| P A K Arthur       | 9,389               | 420,523 | 9,000               | 284,112 |
| K J Back           | 6,308               | 383,120 | 5,919               | 271,098 |
| N Criticos         | 10,389              | 327,718 | 10,000              | -       |
| I J Paterson Brown | 194,560             | 329,085 | 194,171             | 239,256 |
| R E Talbut         | 20,000              | 366,626 | 20,000              | -       |

The beneficial interests of the directors at 31 December 2003 in the share capital of the ultimate parent undertaking, Friends Provident plc, are:

|                    | Ord shares          |                     |
|--------------------|---------------------|---------------------|
|                    | At 31 December 2003 | At 31 December 2002 |
| H Carter           | 24,560              | 24,560              |
| 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

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  
29 September 2004

# **ISIS 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 19, 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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISIS TREASURY LIMITED

We have audited the company's financial statements for the period ended 31 December 2003 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Edinburgh  
29 September 2004

# ISIS TREASURY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 DECEMBER 2003

|                                                                        | Notes     | Year ending<br>31 December<br>2003<br>£ | Period ended<br>31 December<br>2002<br>£ |
|------------------------------------------------------------------------|-----------|-----------------------------------------|------------------------------------------|
| Dividend from subsidiary undertaking                                   |           | 10,300,000                              | -                                        |
| Administrative expenses                                                |           | <u>(7,304)</u>                          | <u>(3,796,482)</u>                       |
| <b>OPERATING PROFIT/(LOSS)</b>                                         | <b>2</b>  | <b>10,292,696</b>                       | <b>(3,796,482)</b>                       |
| Interest payable                                                       | 4         | (13,919,525)                            | (7,011,349)                              |
| Interest receivable                                                    | 5         | <u>33,378</u>                           | <u>123,885</u>                           |
| <b>LOSS ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b>                 |           | <b>(3,593,451)</b>                      | <b>(10,683,946)</b>                      |
| Tax on Loss on Ordinary Activities                                     | 6         | <u>4,169,418</u>                        | <u>3,194,384</u>                         |
| <b>PROFIT/(LOSS) AFTER TAXATION<br/>TRANSFERRED TO/(FROM) RESERVES</b> | <b>14</b> | <b><u>575,967</u></b>                   | <b><u>(7,489,562)</u></b>                |

All amounts relate to continuing operations.

The company has no recognised gains or losses for the year ended 31 December 2003 and 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 19 form part of these financial statements.

# ISIS TREASURY LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2003

|                                                        | Notes | 31 December<br>2003<br>£ | 31 December<br>2002<br>£ |
|--------------------------------------------------------|-------|--------------------------|--------------------------|
| <b>FIXED ASSETS</b>                                    |       |                          |                          |
| Tangible fixed assets                                  | 7     | 1                        | 1                        |
| Investments                                            | 8     | <u>240,692,278</u>       | <u>249,115,792</u>       |
|                                                        |       | <u>240,692,279</u>       | <u>249,115,793</u>       |
| <b>CURRENT ASSETS</b>                                  |       |                          |                          |
| Debtors                                                | 9     | 39,717,517               | 6,318,964                |
| Cash at bank                                           |       | <u>132,869</u>           | <u>1,966,033</u>         |
|                                                        |       | 39,850,386               | 8,284,997                |
| <b>CREDITORS: Amounts falling due within one year</b>  | 10    | <u>(107,456,259)</u>     | <u>(84,890,351)</u>      |
| <b>NET CURRENT LIABILITIES</b>                         |       | <u>(67,605,873)</u>      | <u>(76,605,354)</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |       | 173,086,406              | 172,510,439              |
| <b>CREDITORS: Amounts falling due outwith one year</b> | 10    | <u>(180,000,000)</u>     | <u>(180,000,000)</u>     |
| <b>NET LIABILITIES</b>                                 |       | <u>(6,913,594)</u>       | <u>(7,489,561)</u>       |
| <b>CAPITAL AND RESERVES</b>                            |       |                          |                          |
| Called up share capital                                | 13    | 1                        | 1                        |
| Profit and loss account                                | 14    | <u>(6,913,595)</u>       | <u>(7,489,562)</u>       |
| <b>TOTAL SHAREHOLDER'S FUNDS</b>                       | 14    | <u>(6,913,594)</u>       | <u>(7,489,561)</u>       |



I J Paterson Brown  
Director  
29 September 2004

The accounting policies on pages 8 and 9 and the notes on pages 9 to 19 form part of these financial statements.

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 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, 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

## NOTES TO THE FINANCIAL STATEMENTS (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 PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

|                                         | Year ended<br>31 December<br>2003<br>£ | Period ended<br>31 December<br>2002<br>£ |
|-----------------------------------------|----------------------------------------|------------------------------------------|
| Auditors' remuneration - audit fees     | 5,000                                  | 3,000                                    |
| Auditors' remuneration - non-audit fees | 1,250                                  | 2,250                                    |
| Depreciation of owned fixed assets      | —                                      | <u>35,999</u>                            |

The company had no employees during the year ended 31 December 2003 (2002: Nil).

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. DIRECTORS EMOLUMENTS

None of the directors received any emoluments for their services to the company during the year ended 31 December 2003 (2002: £nil).

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

### 4. INTEREST PAYABLE

|                                           | Year ended<br>31 December<br>2003<br>£ | Period ended<br>31 December<br>2002<br>£ |
|-------------------------------------------|----------------------------------------|------------------------------------------|
| Bank interest and charges                 | 4,402                                  | 400                                      |
| Interest on £180m term loan               | 10,619,450                             | 5,452,458                                |
| Interest on £50m revolving credit loan    | 621,260                                | 361,061                                  |
| Interest on loans from group undertakings | <u>2,674,413</u>                       | <u>1,197,430</u>                         |
|                                           | <u>13,919,525</u>                      | <u>7,011,349</u>                         |

### 5. INTEREST RECEIVABLE

|                          | Year ended<br>31 December<br>2003<br>£ | Period ended<br>31 December<br>2002<br>£ |
|--------------------------|----------------------------------------|------------------------------------------|
| Bank interest receivable | <u>33,378</u>                          | <u>123,885</u>                           |

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

|                                                                                                                   | Year ended<br>31 December<br>2003<br>£ | Period ended<br>31 December<br>2002<br>£ |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------|
| <b>UK Corporation Tax</b>                                                                                         |                                        |                                          |
| UK Corporation Tax on losses for the year                                                                         | (4,168,035)                            | (2,069,384)                              |
| Adjustments in respect of previous period                                                                         | <u>(1,383)</u>                         | <u>-</u>                                 |
| <b>Total current tax credit for the year</b>                                                                      | <u>(4,169,418)</u>                     | <u>(2,069,384)</u>                       |
| <b>Deferred tax</b>                                                                                               |                                        |                                          |
| Originating and reversal of timing differences (note 12)                                                          | <u>-</u>                               | <u>(1,125,000)</u>                       |
| <b>Total tax credit for the year</b>                                                                              | <u>(4,169,418)</u>                     | <u>(3,194,384)</u>                       |
| <b>Factors affecting the tax credit for the year</b>                                                              |                                        |                                          |
| The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK.                       |                                        |                                          |
| The differences are explained below.                                                                              |                                        |                                          |
| Loss on ordinary activities before tax                                                                            | <u>(3,593,451)</u>                     | <u>(10,683,946)</u>                      |
| Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30.00% (2002: 30.00%) | <u>(1,078,035)</u>                     | <u>(3,205,184)</u>                       |
| Effect of:                                                                                                        |                                        |                                          |
| Non-taxable income                                                                                                | (3,090,000)                            | -                                        |
| Disallowed expenses                                                                                               | -                                      | 10,800                                   |
| Other timing differences                                                                                          | -                                      | 1,125,000                                |
| Adjustments in respect of previous period                                                                         | <u>(1,383)</u>                         | <u>-</u>                                 |
| <b>Current tax credit for the year</b>                                                                            | <u>(4,169,418)</u>                     | <u>(2,069,384)</u>                       |

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. TANGIBLE FIXED ASSETS

|                              | Office furniture<br>& equipment<br>£ |
|------------------------------|--------------------------------------|
| <b>Cost:</b>                 |                                      |
| At 31 December 2002 and 2003 | <u>36,000</u>                        |
| <b>Depreciation:</b>         |                                      |
| At 31 December 2002 and 2003 | <u>35,999</u>                        |
| <b>Net Book Value:</b>       |                                      |
| At 31 December 2002 and 2003 | <u>1</u>                             |

### 8. INVESTMENTS

|                                              | £              | £                  |
|----------------------------------------------|----------------|--------------------|
| <b>COST:</b>                                 |                |                    |
| At 31 December 2002                          |                | 249,115,792        |
| Rebate on consideration                      | 3,892,705      |                    |
| Estimated further consideration released     | 3,736,442      |                    |
| Further settlement of inter-company balances | (201,547)      |                    |
| Release of acquisition expense accrual       | <u>995,914</u> |                    |
| Total adjustments in the year                |                | <u>(8,423,514)</u> |
| At 31 December 2003                          |                | <u>240,692,278</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')*

Full details of the acquisition of RSA Investments were disclosed in 2002's Report and Financial Statements. Amendments to the initial Consideration for the purchase of RSA Investments have been made in accordance with The Sale and Purchase Agreement ('SPA').

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. INVESTMENTS (continued)

The revised consideration can be summarised as follows:

|                                              | £                  |
|----------------------------------------------|--------------------|
| Cash payment                                 | 235,688,739        |
| Initial settlement of inter-company balances | <u>4,190,611</u>   |
| Initial consideration at 31 December 2002    | 239,879,350        |
| Further settlement of inter-company balances | 201,547            |
| Expenses of acquisition                      | 4,504,086          |
| Rebate on consideration                      | <u>(3,892,705)</u> |
| Revised consideration at 31 December 2003    | <u>240,692,278</u> |

Under the terms of the SPA, the provisional consideration has been finalised, following agreement of the Completion Accounts. The £3,736,442 estimated further consideration (less £201,547 settled in respect of additional inter-company balances) accrued in the 2002 Financial Statements is no longer payable and has been released.

In addition, ISIS Treasury Limited is entitled to a consideration rebate which is directly linked to the extent of certain assets under management which are lost in the five year period following the date of the acquisition of RSA Investments. The rebate of £3,892,705 represents the rebate in respect of the assets under management lost during the year ended 30 June 2003. Further reviews to the consideration price (as detailed in the SPA) will be made for assets under management lost during the remainder of the five year period from the date of the acquisition.

Acquisitions expenses of £1,037,964 were accrued at 31 December 2002. Of this accrual £995,914 has been released in 2003. The final total from acquisition expenses was £4,504,086

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. DEBTORS

|                                                 | 31 December<br>2003<br>£ | 31 December<br>2002<br>£ |
|-------------------------------------------------|--------------------------|--------------------------|
| Amounts falling due within one year:            |                          |                          |
| Loan to subsidiary undertaking                  | -                        | 20,000                   |
| Loans to fellow subsidiary undertakings         | 7,946,543                | 2,540,000                |
| Loan to parent undertaking                      | 8,775,132                | -                        |
| Amounts due from fellow subsidiary undertakings | 228,078                  | 564,580                  |
| Amounts due from parent undertaking             | 261,213                  | -                        |
| Amounts due from subsidiary undertaking         | 10,300,000               | -                        |
| Consideration rebate (note 8)                   | 3,892,705                | -                        |
| Other debtors                                   | 44                       | -                        |
| Group relief receivable                         | <u>7,188,802</u>         | <u>2,069,384</u>         |
|                                                 | 38,592,517               | 5,193,964                |
| Amounts falling due outwith one year:           |                          |                          |
| Deferred tax (note 12)                          | <u>1,125,000</u>         | <u>1,125,000</u>         |
|                                                 | <u>39,717,517</u>        | <u>6,318,964</u>         |

The loans are to FP Asset Management Holdings Limited, ISIS Asset Management Services Limited, FP Fund Managers Limited, London & Manchester Property Asset Management Limited, and ISIS Asset Management plc. They are repayable on demand and subject to interest at 3 month LIBOR plus 1% margin.

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. CREDITORS

|                                               | 31 December<br>2003<br>£ | 31 December<br>2002<br>£ |
|-----------------------------------------------|--------------------------|--------------------------|
| Amounts falling due within one year:          |                          |                          |
| Loan from parent undertaking                  | -                        | 8,600,000                |
| Loans from fellow subsidiary undertakings     | 44,106,869               | 32,535,000               |
| Loans from subsidiary undertakings            | 41,820,536               | 20,175,000               |
| Revolving credit loan facility                | 15,000,000               | 5,000,000                |
| Amounts due to ultimate parent undertaking    | 190,112                  | 3,421,872                |
| Amounts due to fellow subsidiary undertakings | 2,000,098                | 2,226,833                |
| Amounts due to subsidiary undertakings        | 582,394                  | 4,603,537                |
| Accruals                                      | 3,756,250                | 4,793,214                |
| Other creditors                               | -                        | 3,534,895                |
|                                               | <u>107,456,259</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>       |
|                                               | <u>180,000,000</u>       | <u>180,000,000</u>       |

The details of the loans are disclosed within note 11.

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. LOANS

|                                                                                                                                                      | 31 December<br>2003<br>£ | 31 December<br>2002<br>£ |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Wholly repayable within five years:                                                                                                                  |                          |                          |
| £180,000,000 term loan at a fixed rate of 5.9125%,<br>wholly repayable on 1 November 2006                                                            | 180,000,000              | 180,000,000              |
| £50,000,000 revolving credit facility, £15,000,000<br>drawn down, at 3 month Sterling LIBOR plus<br>0.6% margin; 3 month terms ending 30 May<br>2007 | 15,000,000               | 5,000,000                |
| Loans with members of the ISIS Asset<br>Management plc group at 3 month LIBOR plus<br>1% margin; repayable on demand                                 | <u>85,927,405</u>        | <u>61,310,000</u>        |
|                                                                                                                                                      | <u>280,927,405</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<br>2003<br>£ | 31 December<br>2002<br>£ |
|-----------------------------------------------------|--------------------------|--------------------------|
| Amounts repayable:                                  |                          |                          |
| In one year or less, or on demand                   | 100,927,405              | 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              | 180,000,000              |
| In more than five years                             | <u>-</u>                 | <u>-</u>                 |
|                                                     | <u>280,927,405</u>       | <u>246,310,000</u>       |

# ISIS TREASURY LIMITED

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

### 12. DEFERRED TAXATION

|                                       |                          |                          |
|---------------------------------------|--------------------------|--------------------------|
|                                       | £                        |                          |
| Balance at 31 December 2002 and 2003  |                          | <u>1,125,000</u>         |
|                                       | 31 December<br>2003<br>£ | 31 December<br>2002<br>£ |
| Short-term timing differences         | <u>1,125,000</u>         | <u>1,125,000</u>         |
| Disclosed as:                         |                          |                          |
| Debtors (note 9)                      | <u>1,125,000</u>         | <u>1,125,000</u>         |
| Non-discounted net deferred tax asset | <u>1,125,000</u>         | <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

|                                    |                          |                          |
|------------------------------------|--------------------------|--------------------------|
|                                    | 31 December<br>2003<br>£ | 31 December<br>2002<br>£ |
| Authorised:                        |                          |                          |
| 1,000 ordinary shares at £1 each   | <u>1,000</u>             | <u>1,000</u>             |
| Allotted, called up and fully paid |                          |                          |
| 1 ordinary share of £1             | <u>1</u>                 | <u>1</u>                 |

# ISIS TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

|                                | Share<br>Capital | Profit and<br>loss account | Total<br>Shareholder's<br>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            | 1                | (7,489,562)                | (7,489,561)                     |
| Retained profit for the year   | <u>-</u>         | <u>575,967</u>             | <u>575,967</u>                  |
| At 31 December 2003            | <u>1</u>         | <u>(6,913,595)</u>         | <u>(6,913,594)</u>              |

### 15. RELATED PARTY TRANSACTIONS

#### *Subordinated Loans*

The following loans were due to the Friends Provident (note 11):

|                                             | 31 December 2003   | 31 December 2002   |
|---------------------------------------------|--------------------|--------------------|
|                                             | £                  | £                  |
| Friends Provident Life and Pensions Limited | 180,000,000        | 180,000,000        |
| Friends Provident plc                       | <u>15,000,000</u>  | <u>5,000,000</u>   |
|                                             | <u>195,000,000</u> | <u>185,000,000</u> |

|                                                | Interest paid<br>during the<br>year ended<br>31 December<br>2003<br>£ | Outstanding<br>at 31 December<br>2003<br>£ | Interest paid<br>during the<br>period ended<br>31 December<br>2002<br>£ | Outstanding<br>at 31 December<br>2002<br>£ |
|------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------|
| Friends Provident Life<br>and Pensions Limited | 10,619,450                                                            | 1,318,197                                  | 5,452,459                                                               | 1,341,247                                  |
| Friends Provident plc                          | <u>621,260</u>                                                        | <u>190,112</u>                             | <u>361,061</u>                                                          | <u>91,555</u>                              |
|                                                | <u>11,240,710</u>                                                     | <u>1,508,309</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

## NOTES TO THE FINANCIAL STATEMENTS *(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 the group report and accounts 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.