

172756

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS
G.K. ASLET, MA, FIA
D. MONGER, B Soc Sc (Hons), FCIS
B.W. SWEETLAND, LLB, Solicitor, ACol
SECRETARY
B.W. SWEETLAND, LLB, Solicitor, ACol



PRINCIPAL ACTIVITY

The principal activity of the company was previously the transaction of long-term insurance business in connection with approved pension arrangements on a managed fund basis. The company has ceased to trade as a life company, and this situation is expected to continue for the foreseeable future.

A fellow subsidiary undertaking, Friends Provident Management Services Limited (FPMS), provides the company's services and administration and employs all staff. Accordingly, the company has no direct employees.

RESULTS AND BUSINESS REVIEW

The company's results for the year are shown in the profit and loss account on page 5.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2003 (2002: £Nil).

DIRECTORS

The directors named above held office throughout the year.

DIRECTORS' INTERESTS

No directors had interests in any other company within the Friends Provident Group other than as disclosed below.

a. Shares

The interests of directors, their spouses and children under the age of eighteen in the shares of companies within the Friends Provident Group are shown in the table below:

	Friends Provident plc Ordinary shares 10 pence		ISIS Asset Management plc Ordinary shares 0.1 pence	
	At 1 January 2003	At 31 December 2003	At 1 January 2003	At 31 December 2003
G.K. Aslet	13,788	15,137	-	-
D. Monger	20,178	21,527	-	-
B.W. Sweetland	93,018	94,367	5,000	5,000

Since 31 December 2003, G.K. Aslet, D. Monger and B.W. Sweetland have each acquired a total of 351 shares through monthly subscriptions into the company's Share Incentive Plan (SIP).

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS (continued)

b. Options over Friends Provident plc ordinary shares of 10 pence

The directors participate in two Inland Revenue approved share schemes, the ShareSave Scheme (a savings-related share option scheme) and the Partnership Share element of the SIP (formerly the All-Employee Share Ownership Plan) on the same basis as other eligible UK employees of the Group.

The directors participate in the Executive Share Option Scheme (ESOS) and the Executive Long Term Incentive Plan (LTIP) on the same terms as other eligible UK employees of the Group.

The table below provides an analysis of options under each scheme. Further details of the operation of these schemes are contained in the Group Annual Report and Accounts of Friends Provident plc.

	Options at 1 Jan 2003	Granted/ (Exercised) during year	Lapsed during year	Options at 31 Dec 2003	Exercise price (pence)	Earliest exercise date	Latest exercise date
G.K. Aslet							
ShareSave 2002	15,358			15,358	107.76	01/10/07	01/04/08
SIP 2002 (a)	1,059	(1,073)					
ESOS 2002	82,051			82,051	195	14/03/05	14/03/12
ESOS 2003		236,619		236,619	71	17/03/06	17/03/13
LTIP 2002	41,025			41,025	10	14/03/05	14/03/12
LTIP 2003		118,309		118,309	10	17/03/06	17/03/13
Total	139,493	353,855		493,362			
D. Monger							
ShareSave 2002	15,358			15,358	107.76	01/10/07	01/04/08
SIP 2002 (a)	1,059	(1,073)					
ESOS 2002	11,187			11,187	195	14/03/05	14/03/12
ESOS 2003		39,439		39,439	71	17/03/06	17/03/13
Total	27,604	38,366		65,984			
B.W. Sweetland							
ShareSave 2002	8,815			8,815	107.76	01/10/05	01/04/06
SIP 2002 (a)	1,059	(1,073)					
ESOS 2002	112,821			112,821	195	14/03/05	14/03/12
ESOS 2003		330,988		330,988	71	17/03/06	17/03/13
LTIP 2002	56,410			56,410	10	14/03/05	14/03/12
LTIP 2003		165,494		165,494	10	17/03/06	17/03/13
Total	179,105	495,409		674,528			

(a) Partnership Shares in respect of the 2002 SIP scheme were purchased on 5 October 2003 at the Market Value of 139.80p and are held in the SIP trust. The difference between the options held at 1 January and the options exercised at 5 October reflects the difference in share price at the two dates.

From October 2003 SIP partnership shares are purchased monthly and there is no option granted in relation to these shares.

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

The Board is to recommend that on 20 May 2004 the shareholders approve the appointment of KPMG Audit Plc as the company's auditors in place of PricewaterhouseCoopers LLP. KPMG Audit Plc has indicated its willingness to be appointed from 20 May 2004.

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 the most appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed with any material departures being 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 confirm that they have complied with these requirements.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pixham End
Dorking
Surrey
RH4 1QA

16 April 2004

Registered Number 172756

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'B.W. Sweetland', written over a horizontal line.

B.W. SWEETLAND
SECRETARY

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements, in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing

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 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. The other information comprises only the Directors' Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

27 April 2004

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
Discontinued operations			
Income from fixed asset investments	1	39	54
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	39	54
Tax charge on profit on ordinary activities	4	(12)	(68)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		27	(14)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003 £000	2002 £000
Profit/(Loss) on ordinary activities after taxation	27	(14)
Unrealised gains on investments	25	32
Tax on unrealised gains	(7)	(9)
Total recognised gains for the year	45	9

There is no difference between the results disclosed above and the results on a historical cost basis.

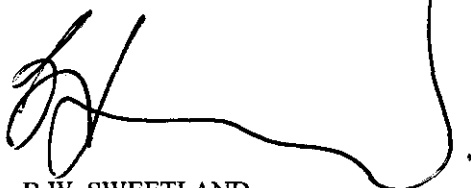
The notes on pages 7 to 9 form an integral part of these financial statements

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Investments	5	1,129	1,067
CURRENT ASSETS			
Cash at bank and in hand		327	416
		<u>1,456</u>	<u>1,483</u>
CREDITORS: Amounts falling due within one year	6	(10)	(82)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,446</u>	<u>1,401</u>
CAPITAL AND RESERVES			
Called up share capital	7	500	500
Share premium account	8	25	25
Revaluation reserve	8	81	63
Profit and loss account	8	840	813
TOTAL SHAREHOLDER'S FUNDS - EQUITY	8	<u>1,446</u>	<u>1,401</u>

The notes on pages 7 to 9 form an integral part of these financial statements

Approved by the Board on 16 April 2004 and signed on its behalf by



B.W. SWEETLAND
DIRECTOR

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of presentation

(i) The financial statements conform to applicable accounting standards and have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985.

(ii) The company is a wholly owned subsidiary of FP Business Holdings Limited and is included in the consolidated financial statements of Friends Provident plc which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

(b) Investments

Investments in OEICs are carried at the market value at the balance sheet date. Any unrealised gains or losses in excess of book cost are transferred to or from the revaluation reserve.

(c) Income from fixed asset investments

Income from fixed asset investments are distributions from the OEIC. Distributions are included in the profit and loss account when declared.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration for audit services of £1,000 (2002: £2,000) is borne by Friends Provident Life and Pensions Limited.

3. DIRECTORS AND EMPLOYEES

The directors are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 2003 consider that their services to the company were incidental to their other duties within the Friends Provident Group and accordingly no remuneration has been apportioned to this company. All staff were employed by Friends Provident Management Services Limited.

Retirement benefits are accruing to all directors under a defined benefit pension scheme.

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. TAXATION

	2003	2002
	£000	£000
UK Corporation tax	12	16
Adjustment in respect of prior periods	-	52
	<u>12</u>	<u>68</u>
Factors affecting tax charge for year		
Profit on ordinary activities before taxation	39	54
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	12	16
Effects of:		
- Adjustment in respect of prior periods	-	52
	<u>12</u>	<u>68</u>

5. FIXED ASSET INVESTMENTS

OEICs	£000
Current Value	
At 1 January 2003	1,067
Reinvestment of income on accumulation units	37
Revaluation	25
At 31 December 2003	<u>1,129</u>
Cost	
At 1 January 2003	1,003
Additions	37
At 31 December 2003	<u>1,040</u>

6. CREDITORS: Amounts falling due within one year

	2003	2002
	£000	£000
Amount due to group undertakings	-	64
Taxation and social security	10	18
	<u>10</u>	<u>82</u>

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. CALLED-UP SHARE CAPITAL

	2003	2002
	£000	£000
Authorised:		
1,000,000 Ordinary shares of £1 each	1,000	1,000
Allotted and fully paid:		
500,000 Ordinary shares of £1 each	500	500

8. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital	Share premium account	Profit and loss account	Revaluation reserve	Total shareholder's funds
	£000	£000	£000	£000	£000
Balance at 1 January 2003	500	25	813	63	1,401
Profit for year	-	-	27	-	27
Profit on revaluation of investments	-	-	-	18	18
Balance at 31 December 2003	500	25	840	81	1,446

9. RELATED PARTY TRANSACTIONS

The company is a wholly-owned subsidiary undertaking of FP Business Holdings Limited. The results of both the company and FP Business Holdings Limited are consolidated in the results of Friends Provident plc, the company's ultimate parent and controlling company, whose financial statements are publicly available. Accordingly, the company is exempt from the requirements of Financial Reporting Standard 8 concerning the disclosure of transactions with other companies which qualify as related parties within the Friends Provident Group.

10. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Friends Provident plc which is the parent of the smallest and largest group to consolidate these financial statements. Friends Provident plc is incorporated in the United Kingdom. Copies of the Group Report and Accounts of Friends Provident plc can be obtained by writing to its Secretary at Pixham End, Dorking, Surrey, RH4 1QA and can be viewed via its website at www.friendsprovident.com