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FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS

R.G. ELLIS, MA, APMI, Solicitor
D. MONGER, B Soc Sc (Hons), FCIS

SECRETARY

R.G. ELLIS, MA, APMI, Solicitor

PRINCIPAL ACTIVITY

Friends Provident Managed Pension Funds Limited (the company) is a non-trading wholly owned subsidiary of Friends Provident Investment Holdings plc; it operates as part of the UK Life and Pensions segment of the Friends Provident plc group.

The company ceased to transact long-term insurance business in connection with approved pension arrangements on a managed fund basis trade as a life company in 2002. This situation is expected to continue for the foreseeable future. The directors are satisfied that the company has adequate resources to continue to operate as a going concern for the foreseeable future.

RESULTS AND BUSINESS REVIEW

The result for the year ended 31 December 2006 is set out 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 2006 (2005: £Nil).

DIRECTORS

The directors named above held office throughout the year.

DIRECTORS' INTERESTS

No directors, who held office at 31 December 2006, 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			F&C Asset Management plc Ordinary shares 0.1 pence		
	At 1 January 2006 (i)	At 31 December 2006	Shares acquired after 31 December 2006 (ii)	At 1 January 2006 (i)	At 31 December 2006	Shares acquired after 31 December 2006
R.G. Ellis	5,185	5,958	175	-	-	-
D. Monger	23,453	29,754	175	-	-	-

(i) Or date of appointment if later.

(ii) Changes to directors' interests during the period 1 January 2007 to 19 March 2007 include shares acquired through the Share Incentive Plan (SIP) and options exercised under the Employee Share Option Scheme (ESOS) 2003.



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 may 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), Deferred Share Plan (DSP) 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 2006	Granted / (Exercised) during year	Lapsed during year	Options at 31 Dec 2006	Exercise price (pence)	Earliest exercise date	Latest exercise date
R.G. Ellis							
ShareSave 2002	15,358			15,358	107.76	01/10/07	01/04/08
ESOS 2002	28,461		(13,092)	15,369	195.00	14/03/05	14/03/12
ESOS 2003	89,790	(89,790)			71.00	17/03/06	17/03/13
ESOS 2004	52,256			52,256	127.00	12/08/07	12/08/14
LTIP 2005	46,348			46,348	10.00	29/03/08	29/03/15
LTIP 2006		50,000		50,000	10.00	24/03/09	24/03/16
Total	232,213	(39,790)	(13,092)	179,331			
D. Monger							
ShareSave 2002	15,358			15,358	107.76	01/10/07	01/04/08
ESOS 2002	11,187		(5,146)	6,041	195.00	14/03/05	14/03/12
ESOS 2003	39,439	(39,439)			71.00	17/03/06	17/03/13
ESOS 2004	18,759			18,759	153.00	15/03/07	15/03/14
ESOS 2005	17,556			17,556	178.00	29/03/08	29/03/15
DSP 2006		3,842		3,842	0.00	24/03/09	24/03/16
Total	102,299	(35,597)	(5,146)	61,556			

DIRECTORS AND OFFICERS – INSURANCE

The ultimate parent company, Friends Provident plc, maintains insurance cover in respect to directors' and officers' liabilities and has granted indemnity in favour of directors and officers of companies within the Group in accordance with Article 140 and the provisions of section 309A of the Companies Act 1985 against financial exposure that they may incur in the course of their professional duties. Copies of the indemnity are available for inspection at the company's registered office.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

The directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for dispensation from the annual appointment of auditors. The auditor, KPMG Audit Plc, has indicated its willingness to continue in office.

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They 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

Pixham End
Dorking
Surrey
RH4 1QA

ON BEHALF OF THE BOARD



19 March 2007

R.G. ELLIS
SECRETARY

Registered Number 172756

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED**

We have audited the financial statements of Friends' Provident Managed Pension Funds Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
Registered Auditor
19 March 2007

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

		2006	2005
	Notes	£000	£000
Discontinued operations			
Interest receivable		2	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2	-
Tax on profit on ordinary activities	3	(1)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1	-

The above profit and loss account includes all recognised gains and losses.

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

The notes on pages 7 to 8 form an integral part of these financial statements

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
CURRENT ASSETS			
Debtors: Amounts due from group undertakings		1,307	1,307
Other debtors	4	1	2
		1,308	1,309
Cash at bank and in hand		114	112
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,422	1,421
CAPITAL AND RESERVES			
Called up share capital	5	500	500
Share premium account	6	25	25
Profit and loss account	6	897	896
TOTAL SHAREHOLDER'S FUNDS – EQUITY	6	1,422	1,421

Approved by the Board on 19 March 2007 and signed on its behalf by



D. MONGER
DIRECTOR

The notes on pages 7 to 8 form an integral part of these financial statements

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

1. ACCOUNTING POLICIES

Basis of presentation

(i) The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(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).

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditor's remuneration for audit services of £1,000 (2005: £1,000) is borne by Friends Provident Life and Pensions Limited.

The directors are employed by, and receive their emoluments from, FPMS. The directors holding office during the year 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 FPMS.

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

3. TAXATION

	2006	2005
	£000	£000
UK Corporation tax	1	-
	<u>1</u>	<u>-</u>
Factors affecting tax charge for year		
Profit on ordinary activities before taxation	2	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	1	-
Tax charge for the year	<u>1</u>	<u>-</u>

4. OTHER DEBTORS

	2006	2005
	£000	£000
Corporation tax due	1	2
	<u>1</u>	<u>2</u>

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

5. CALLED-UP SHARE CAPITAL

	2006	2005
	£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

6. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

	Share capital	Share premium account	Profit and loss account	Total shareholder's funds
	£000	£000	£000	£000
As at 1 January 2006	500	25	896	1,421
Profit for the financial year	-	-	1	1
As at 31 December 2006	500	25	897	1,422

7. RELATED PARTY TRANSACTIONS

The company is a non-trading wholly-owned subsidiary undertaking of Friends Provident Investment Holdings plc. The results of both the company and Friends Provident Investment Holdings plc are consolidated in the results of Friends Provident plc, the company's ultimate parent and controlling undertaking, 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.

8. 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