

172756

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2001

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.

RESULTS AND BUSINESS REVIEW

The company's results for the year are shown in the profit and loss account on page 4.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2001 (2000: £Nil).

DIRECTORS

The directors named above held office throughout the year with the exception of D. Monger who was appointed as a director on 1 October 2001. K. Satchell and G.T. Mairs resigned as directors on 19 June 2001 having held office throughout the year to this date.

The following directors held beneficial interests in the ultimate parent undertaking, Friends Provident plc:

	On date of appointment	Number of ordinary shares of 10p each in the capital of Friends Provident plc	
		At 31 December 2001	Options at 31 December 2001
G.K. Aslet	-	12,325	6,047
D. Monger	17,977	17,977	10,041
B.W. Sweetland	-	74,397	6,047

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 Share Incentive Plan (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.

All shares under option at 31st December 2001 were granted during the year ended 31 December 2001.



FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

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 auditors, PricewaterhouseCoopers, have signified their willingness to continue in office.

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; 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.

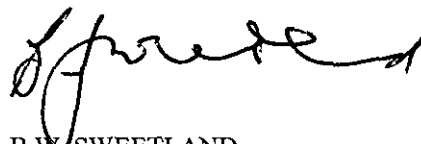
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pixham End
Dorking
Surrey
RH4 1QA

1 July 2002

Registered Number 172756

ON BEHALF OF THE BOARD



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 4 to 9 which have been prepared in accordance with the accounting policies set out on page 6.

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 2.

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.

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.


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 31st December 2001 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
Chartered Accountants
and Registered Auditors
London

1 July 2002

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001

		2001	As restated
	Notes	£000	2000
			£000
<u>Discontinued operations</u>			
Other operating income	3	202	-
Income from fixed asset investments	2	38	37
		---	---
Profit on ordinary activities before tax		240	37
Tax on profit on ordinary activities	6	8	11
		----	---
Profit on ordinary activities after taxation	10	232	26
		==	==

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2001

	2001	2000
	£000	£000
Profit for the financial year	232	26
Unrealised (losses)/gains on investments	(1)	34
	----	---
Total recognised gains for the year	231	60
	----	---

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

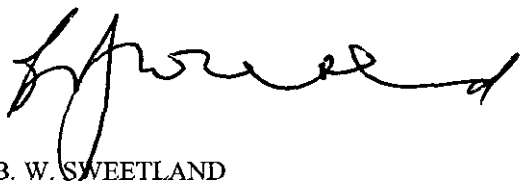
The notes on pages 6 to 9 form an integral part of these financial statements

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2001

	Notes	2001 £000	As restated 2000 £000
FIXED ASSETS			
Investments	7	991 -----	962 -----
CURRENT ASSETS			
Cash at bank and in hand		416 -----	412 -----
		1,407	1,374
CREDITORS: Amounts falling due within one year	10	(15)	(213)
TOTAL ASSETS LESS CURRENT LIABILITIES		----- 1,392 =====	----- 1,161 =====
CAPITAL AND RESERVES			
Called up share capital	8	500	500
Share premium account	9	25	25
Revaluation reserve	9	31	32
Profit and loss account	9	836 -----	604 -----
TOTAL SHAREHOLDER'S FUNDS - EQUITY	9	1,392 =====	1,161 =====

Approved by the Board on 1 July 2002 and signed on its behalf by



B. W. SWEETLAND
DIRECTOR

The notes on pages 6 to 9 form an integral part of these financial statements

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. IMPACT OF ACCOUNTING POLICY CHANGES

The impact of the change in accounting policy from preparation of the accounts in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985, to that of Schedule 4 is to remove unrealised gains in 2000 of £34,000 from the profit and loss account to the statement of total recognised gains and losses.

2. ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of investments (see note 2(b)).

In accordance with Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned undertaking of a parent which provides a cash flow statement.

(b) Investments

Investments in unit trusts are stated at market value, being bid market prices. 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 unit trust. Distributions are included in the profit and loss account when declared.

3. OTHER OPERATING INCOME

Other operating income comprises the write back of a historical creditor.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditor's remuneration for audit services of £2,000 (2000: £2,000) are borne by Friends Provident Life and Pensions Limited.

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. DIRECTORS AND EMPLOYEES

The directors are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 2001 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.

6. TAXATION

	2001 £000	2000 £000
UK Corporation tax	11	11
Adjustment in respect of prior periods	(3)	-
	--	--
	8	11
	=	=
Factors affecting tax charge for period		
Profit on ordinary activities before taxation	240	37
	=	=
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 per cent	72	11
Effects of:		
- Non taxable income	(61)	-
- Adjustment in respect of prior periods	(3)	-
	--	--
	8	11
	=	=

7. FIXED ASSET INVESTMENTS

Units in unit trusts

Current Value	£000
At 1 January 2001	962
Reinvestment of income on accumulation units	30
Revaluation	(1)

At 31 December 2001	991
	=====
Cost	
At 1 January 2001	930
Additions	30

At 31 December 2001	960
	=====

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CALLED-UP SHARE CAPITAL	2001	2000
	£000	£000

Authorised:

1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
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Allotted and fully paid:

500,000 Ordinary shares of £1 each	<u>500</u>	<u>500</u>
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9. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £000	Share premium account £000	Profit and loss account £000	Revaluation reserve £000	Total shareholder's funds £000
Balance as at 1 January 2001 as previously stated	500	25	636	-	1,161
Reclassification to schedule 4 format	-		(32)	32	-
Profit for the year	-	-	232	-	232
Loss on revaluation of investments	-	-	-	(1)	(1)
	----	----	----	--	-----
Balance at 31 December 2001	<u>500</u>	<u>25</u>	<u>836</u>	<u>31</u>	<u>1,392</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£000	£000
Amount due to group undertakings	-	202
Taxation and social security	15	11
	----	-----
	<u>15</u>	<u>213</u>

FRIENDS' PROVIDENT MANAGED PENSION FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. 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.

12. 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.co.uk.