

**FP GROUP LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004**

DIRECTORS

D. MONGER, B Soc Sc (HONS), FCIS
B.W. SWEETLAND, LLB, Solicitor, ACoI

SECRETARY

R.G. ELLIS, MA, APMI, Solicitor

PRINCIPAL ACTIVITY

The company is an investment holding company. No change in this activity is envisaged in the 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 result for the year ended 31 December 2004 is shown in the profit and loss account on page 6.

In the first quarter of 2004, the company sold its entire holding in Friends Provident Institutional UK Equity Fund Class 4 'Open Ended Investment Company' for a total consideration of £117,641,828, making a total gain of £2,516,401.

On 21 January 2004, an amount of £100,000,000 was advanced to Friends Provident Life and Pensions Limited ("FPLP") under a loan agreement. This loan was further increased by £20,000,000 on 11 May 2004.

On 23 February 2004, the company acquired 1 ordinary share in Friends Provident Investment Holdings plc 'B' shares for a consideration of £1.

On 8 November 2004, the company repaid its loan of £700,000 to FPLP.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: £Nil).

DIRECTORS

The directors named above held office throughout the year. G.K. Aslet resigned as a director on 31 December 2004, having held office throughout the year to this date.



FP GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

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			F&C Asset Management plc Ordinary shares 0.1 pence (iii)		
	At 1 January 2004	At 31 December 2004	Shares acquired after 31 December 2004 (ii)	At 1 January 2004	At 31 December 2004	Shares acquired after 31 December 2004 (ii)
G.K. Aslet (i)	15,137	16,203	80	-	2,163	-
D. Monger	21,527	22,593	377	-	-	-
B.W. Sweetland	94,367	95,433	377	5,000	13,651	-

(i) G.K. Aslet resigned as a director on 31 December 2004.

(ii) Changes to directors' interests during the period 1 January 2005 to 19 May 2005 have been reported to the parent company. They relate to shares acquired through the Share Incentive Plan (SIP).

(iii) Previously named ISIS Asset Management plc.

(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 is contained in the Group Annual Report and Accounts of Friends Provident plc.

	Options at 1 Jan 2004	Granted / (Exercised) during year	Lapsed during year	Options at 31 Dec 2004	Exercise price (pence)	Earliest exercise date	Latest exercise date
G.K. Aslet							
ShareSave 2002	15,358			15,358	107.76	01/01/05	30/06/05
ESOS 2002	82,051			82,051	195.00	01/01/05	31/12/05
ESOS 2003	236,619			236,619	71.00	01/01/05	31/12/05
LTIP 2002	41,025			41,025	10.00	01/01/05	31/12/05
LTIP 2003	118,309			118,309	10.00	01/01/05	31/12/05
Total	493,362			493,362			

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REPORT OF THE DIRECTORS (continued)

	Options at 1 Jan 2004	Granted / (Exercised) during year	Lapsed during year	Options at 31 Dec 2004	Exercise price (pence)	Earliest exercise date	Latest exercise date
D. Monger							
ShareSave 2002	15,358			15,358	107.76	01/10/07	01/04/08
ESOS 2002	11,187			11,187	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
Total	65,984	18,759		84,743			
B.W. Sweetland							
ShareSave 2002	8,815			8,815	107.76	01/10/05	01/04/06
ESOS 2002	112,821			112,821	195.00	14/03/05	14/03/12
ESOS 2003	330,988			330,988	71.00	17/03/06	17/03/13
LTIP 2002	56,410			56,410	10.00	14/03/05	14/03/12
LTIP 2003	165,494			165,494	10.00	17/03/06	17/03/13
Total	674,528			674,528			

AUDITORS

The directors appointed KPMG Audit Plc ("KPMG") to act as auditors of the company. 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, KPMG, have signified their willingness to continue in office.

FP GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

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 for that period. In preparing those 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 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 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 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.


The directors confirm that they have complied with these requirements.

Pixham End
Dorking
Surrey
RH4 1QA

19 May 2005

Registered Number 2054153

ON BEHALF OF THE BOARD



R.G. ELLIS
SECRETARY

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FP GROUP LIMITED**

We have audited the financial statements on pages 6 to 12.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

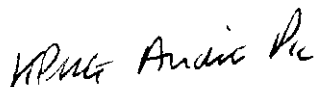
BASIS OF AUDIT OPINION

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

19 May 2005

FP GROUP LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004 £000	2003 £000
	Notes		
Continuing operations			
Administrative expenses		(11)	(11)
OPERATING LOSS		(11)	(11)
<i>Income from other fixed asset investments</i>		1	300
Profit on disposal of shares in subsidiary		-	19,038
Profit on disposal of shares in other investments		2,516	-
Loss on liquidation of subsidiary		-	(1,165)
Interest receivable from group undertakings		10,380	3,502
Amounts written back / (down) - group undertakings	7	141	(3,104)
Interest payable and similar charges	3	(34)	(33)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	12,993	18,527
Tax charge on profit on ordinary activities	6	(2,770)	(1,378)
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	10,223	17,149

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004 £000	2003 £000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10,223	17,149
Unrealised gains on investments	-	3,945
TOTAL RECOGNISED GAINS FOR THE YEAR	10,223	21,094


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

The notes on pages 8 to 12 form an integral part of these financial statements

FP GROUP LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Investment in group undertakings	7	202,499	82,347
Other investments	8	26	115,152
		202,525	197,499
CURRENT ASSETS			
Amounts owed by group undertakings		11,504	7,918
Cash at bank and in hand		9,691	8,431
		21,195	16,349
CREDITORS: Amounts falling due within one year			
Amounts owed to group undertakings		(3,473)	(4,889)
Other creditors	9	(3,101)	(1,347)
		(6,574)	(6,236)
NET CURRENT ASSETS		14,621	10,113
TOTAL ASSETS LESS CURRENT LIABILITIES		217,146	207,612
CREDITORS: Amounts falling due after more than one Year			
Loans from group undertaking		-	(700)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(446)	(435)
NET ASSETS		216,700	206,477
CAPITAL AND RESERVES			
Called-up share capital	11	111,408	111,408
Revaluation reserve	12	-	3,128
Profit and loss account	12	105,292	91,941
TOTAL SHAREHOLDER'S FUNDS – ALL EQUITY	12	216,700	206,477

Approved by the Board on 19 May 2005 and signed on its behalf by



B.W. SWEETLAND
DIRECTOR

The notes on pages 8 to 12 form an integral part of these financial statements

FP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

(i) The financial statements conform to applicable accounting standards and have been prepared under the historical cost convention, as modified by the revaluation of certain investments as set out in (c) below.

(ii) The company is a wholly owned subsidiary of FPLP and is included in the consolidated financial statements of Friends Provident plc which are publicly available. Both companies are incorporated in the United Kingdom. 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) Deferred taxation

Provision is made for deferred taxation liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account, as the investments are revalued. Deferred taxation is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and pattern of expected realisation of investments. Deferred taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. In this case the attributable deferred taxation is shown separately in the statement of total recognised gains and losses.

(c) Investments

Fixed asset investments are stated at historical cost less any provision for temporary diminution in value. Any movement in these provisions is charged to the profit and loss account.

(d) Disposals of investments

The surplus or deficit over the carrying value of an investment realised on disposal is recognised through the profit and loss account. Any previous revaluation surplus or deficit is transferred from revaluation reserve to the profit and loss account.

(e) Investment Income

Dividends, interest or other income receivable includes any withholding tax but excludes any other taxes, such as attributable credits, not payable wholly on behalf of the Group.

2. TURNOVER

The company has only one class of business being the holding of shares and investments in United Kingdom subsidiary and associated undertakings.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
Interest payable on loan from ultimate parent undertaking	34	33

FP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration for audit services for 2004 of £5,000 (2003: £7,000) has been borne by FPLP.

5. DIRECTORS AND EMPLOYEES

All directors (including the Chairman) are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 2004 consider that their services to the company are 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.

6. TAXATION

(a) Tax charge on profit on ordinary activities

	2004	2003
	£000	£000
Analysis of the tax charge for period:		
Current tax on income for the period	(2,770)	(1,374)
Income tax	-	(4)
Tax on profit on ordinary activities	(2,770)	(1,378)

(b) Factors affecting tax charge for period

	2004	2003
	£000	£000
Profit on ordinary activities before tax	12,993	18,527
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 %	3,898	5,558
Effects of:		
Franked investment income not taxable	-	(83)
Disposal of subsidiary not taxable	-	(5,028)
Disposal of other investments not taxable	(754)	-
Adjustment in respect of prior periods	(331)	-
Amounts written (back)/down in respect of investment in group undertakings	(43)	931
Total current tax charge	2,770	1,378

FP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

(a)

	Subsidiary undertakings £000	Loan to group undertakings £000	Total investments £000
Balance at 1 January 2004	8,659	73,688	82,347
Additions	-	120,000	120,000
Revaluations	141	-	141
Transfer to provisions	11	-	11
Balance at 31 December 2004	8,811	193,688	202,499

In the opinion of the directors, the aggregate value of the company's investments, including the embedded value of the in-force business, are not less than the amounts at which the investments are stated in the balance sheet.

- (b) The principal subsidiary and associated undertakings of the company as at 31 December 2004 are set out below. Unless otherwise stated the share capital of each company comprises ordinary shares, all are incorporated and operate within the United Kingdom and, where denoted as subsidiary undertakings are wholly owned subsidiary undertakings.

<u>Subsidiary undertakings</u>	<u>Activity</u>
FP Financial Management Limited	Not trading
FP Financial Management Group Services Limited	Not trading
Friends Provident First Call Limited	Not trading
FP Pension Trustees Limited	Pensioner trustee
	Friends Provident Pension Solutions
Direct Limited	Stakeholder Pensions
Friends Milestones Limited	E-marketing
Friends Provident Trustees Limited	Trustees
London and Manchester (Mortgages) (No.7) Limited	Not trading
London and Manchester (Commercial Mortgages) Limited	Not trading

8. OTHER FINANCIAL INVESTMENTS

	2004 £000
Balance at 1 January 2004	115,152
Disposals	(115,126)
Balance at 31 December 2004	26

This comprises a listed investment with a market value of £26,174 (cost £24,751).

FP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. OTHER CREDITORS

	2004	2003
	£000	£000
Amounts falling due within one year:		
Taxation payable	3,101	1,347

10. PROVISIONS FOR LIABILITIES AND CHARGES

	2004
	£000
At 1 January 2004	435
Charge for the year	11
At 31 December 2004	446

This provision is in respect of losses in a subsidiary undertaking.

11. CALLED-UP SHARE CAPITAL

	2004	2003
	£000	£000
Authorised		
150,000,000 ordinary shares of £1 each	150,000	150,000
Allotted, called-up and fully paid		
111,407,905 ordinary shares of £1 each	111,408	111,408

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

	Share capital	Revaluation reserve	Profit and loss account	Total shareholder's funds
	£000	£000	£000	£000
Balance at 1 January 2004	111,408	3,128	91,941	206,477
Transfer between reserves	-	(3,128)	3,128	-
Profit for the financial year	-	-	10,223	10,223
Balance at 31 December 2004	111,408	-	105,292	216,700

FP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. RELATED PARTY TRANSACTIONS

The results of the company 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. There are no material external related party transactions.

14. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Friends Provident plc which 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