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**FP GROUP LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

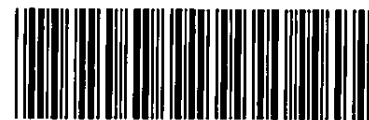
**DIRECTORS**

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

**SECRETARY**

R.G. ELLIS, MA, APMI, Solicitor

WEDNESDAY



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COMPANIES HOUSE

**PRINCIPAL ACTIVITY**

FP Group Limited (the Company) is a wholly owned subsidiary of Friends Provident Life and Pensions Limited (FPLP) and operates as part of the UK Life and Pensions segment of the Friends Provident Group (the Group).

The Company is an investment holding company. No significant change in this activity is envisaged in the future. The directors are satisfied that the Company has adequate resources to continue to operate as a going concern 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 result for the year ended 31 December 2008 is shown in the profit and loss account on page 4.

The Company is an investment holding company. There were no significant transactions during the year.

**DIVIDEND**

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: £nil).

**DIRECTORS**

The directors named above held office throughout the year.

**DIRECTORS AND OFFICERS – INDEMNITY AND INSURANCE**

The ultimate parent company, Friends Provident plc, maintains insurance cover in respect of directors' and officers' liabilities. In addition, qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006 and section 309B of the Companies Act 1985) are in force for the benefit of the directors within the Group and were in force for the benefit of former directors of the Group during 2008. Copies are available for inspection at the Company's registered office.

**STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR**

The directors who held office at the date of approval of this report of the directors 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**

In accordance with section 487 of the Companies Act 2006, the Company has dispensed with the obligation to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

**FP GROUP LIMITED**  
**REPORT OF THE DIRECTORS (continued)**

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

The directors are responsible for preparing the report of the directors 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, the directors 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 judgments 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

30 March 2009

Registered Number 2054153

ON BEHALF OF THE BOARD



R.G. ELLIS  
SECRETARY

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FP GROUP LIMITED**

We have audited the financial statements of FP Group Limited (the Company) for the year ended 31 December 2008 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 2.

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 Report of the Directors 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 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 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 2008 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 Report of the Directors is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
London,  
Registered Auditor

30 March 2009

**FP GROUP LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £000	2007 £000
<b>Continuing operations</b>			
Income from Group undertakings		5,345	5,637
Interest receivable		2,674	2,584
Unrealised gains on Group undertakings	5	55	125
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	8,074	8,346
Tax charge on profit on ordinary activities	4	(2,285)	(2,466)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	10	5,789	5,880

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 6 to 10 form an integral part of these financial statements.

**FP GROUP LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 £000	2007 £000
<b>FIXED ASSETS</b>			
Investment in Group undertakings	5	87,640	87,585
<b>CURRENT ASSETS</b>			
Amounts owed by Group undertakings		-	5,637
Cash at bank and in hand		51,226	43,672
		51,226	49,309
<b>CREDITORS: Amounts falling due within one year</b>			
Amounts owed to Group undertakings		(3,483)	(7,119)
Other creditors	6	(3,201)	(3,382)
		(6,684)	(10,501)
<b>NET CURRENT ASSETS</b>		44,542	38,808
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		132,182	126,393
<b>PROVISIONS FOR LIABILITIES</b>	8	(481)	(481)
<b>NET ASSETS</b>		131,701	125,912
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	9	111,408	111,408
Profit and loss account	10	20,293	14,504
<b>TOTAL SHAREHOLDER'S FUNDS – ALL EQUITY</b>	10	131,701	125,912

Approved by the Board on 30 March 2009 and signed on its behalf by

  
D. MONGER  
DIRECTOR

The notes on pages 6 to 10 form an integral part of these financial statements.

**FP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. PRINCIPAL ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements conform to applicable accounting standards and have been prepared under the historical cost convention.

The Company is a wholly owned subsidiary of Friends Provident Life and Pensions Limited (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 is exempt from the requirement to prepare Group accounts under section 228 of the Company's Act 1985 and the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 Cash Flow Statements (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.

**(c) Investments in Group undertakings and participating interests**

Shares in and loans to Group undertakings and participating interests are held at current value. Any provision for impairment 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.

**(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. Interest income is recognised as income as it accrues.

**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. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Auditor's remuneration for audit services for 2008 of £2,000 (2007: £2,000) has been borne by FPLP.

All directors are employed by, and receive their emoluments from FPMS, a fellow Group undertaking. The directors holding office during 2008 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.

**FP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. TAXATION**

**(a) Tax charge on profit on ordinary activities**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Analysis of the tax charge for period:		
Current tax on income for the period	2,285	2,466
<b>Tax on profit on ordinary activities</b>	<b>2,285</b>	<b>2,466</b>

**(b) Factors affecting tax charge for period**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	8,074	8,346
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	2,300	2,504
Effects of:		
Amounts written back in respect of investment in Group undertakings	(15)	(38)
<b>Total current tax charge</b>	<b>2,285</b>	<b>2,466</b>

**FP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. INVESTMENTS IN GROUP UNDERTAKINGS**

	Subsidiary undertakings £000	Loan to Group undertakings £000	Total investments £000
Balance at 1 January 2008	6,897	80,688	87,585
Revaluations	55	-	55
<b>Balance at 31 December 2008</b>	<b>6,952</b>	<b>80,688</b>	<b>87,640</b>

In the opinion of the directors, the aggregate value of the Company's investments are not less than the amounts at which the investments are stated in the balance sheet.

The principal subsidiaries of the Company as at 31 December 2008, which are all wholly owned undertakings, are set out below. The share capital of each company comprises ordinary shares and all are incorporated and operate within the United Kingdom.

Subsidiary undertakings	Activity
FP Financial Management Limited	Not trading
Friends Provident First Call Limited	Not trading
Friends Provident Pension Solutions Direct Limited	Stakeholder Pensions
The Asset Hub Nominees Limited	Not trading
Friends Milestones Limited	Not trading
Friends Provident Trustees Limited	Trustees
London and Manchester (Mortgages) (No.7) Limited	Not trading
London and Manchester (Commercial Mortgages) Limited	Not trading

**6. OTHER CREDITORS**

	2008 £000	2007 £000
<b>Amounts falling due within one year</b>		
Loans from Group undertakings	916	916
Taxation payable	2,285	2,466
	<b>3,201</b>	<b>3,382</b>

On 22 February 2006, the subsidiary undertaking Friends Provident First Call Limited, issued an interest free loan of £915,180, repayable on 31 December 2009.



**FP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. DEFERRED TAXATION**

Factors that may affect future tax charges.

The deferred tax assets that have not been recognised due to the uncertainty of the recoverability in the foreseeable future comprise:

	2008 £000	2007 £000
Connected party capital losses	3,442	3,688
	<u>3,442</u>	<u>3,688</u>

**8. PROVISIONS FOR LIABILITIES**

	2008 £000	2007 £000
At 1 January 2008	481	481
Charge for the year	-	-
<b>At 31 December 2008</b>	<u>481</u>	<u>481</u>

This provision is in respect of losses in Friends Milestones Limited, a subsidiary undertaking that is no longer trading and which is in a net liability position.

**9. CALLED-UP SHARE CAPITAL**

	2008 £000	2007 £000
<b>Authorised</b>		
150,000,000 ordinary shares of £1 each	150,000	150,000
<b>Allotted, called-up and fully paid</b>		
111,407,905 ordinary shares of £1 each	111,408	111,408

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

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
Balance at 1 January 2008	111,408	14,504	125,912
Profit for the financial year	-	5,789	5,789
<b>Balance at 31 December 2008</b>	<u>111,408</u>	<u>20,293</u>	<u>131,701</u>

**FP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. RELATED PARTY TRANSACTIONS**

The Company is a wholly owned subsidiary undertaking of FPLP. 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 Related Party Disclosures, 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.

**12. 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](http://www.friendsprovident.com)