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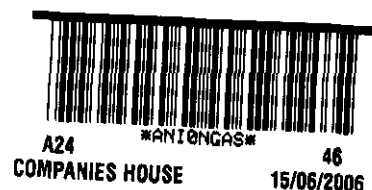
**FRIENDS PROVIDENT PENSIONS SERVICES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2005**

DIRECTORS

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

SECRETARY

D. MONGER, B Soc Sc (Hons), FCIS



PRINCIPAL ACTIVITY

The principal activity of the company is pensions administration services. 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 results of the company for the year ended 31 December 2005 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 2005 (2004: £Nil).

DIRECTORS

The directors named above held office throughout the year with the exception of R.G. Ellis who was appointed as a director on 26 May 2005. B.W. Sweetland retired as a director on 26 May 2005, having held office throughout the year to this date.

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		
	At 1 January 2005 (i)	At 31 December 2005	Shares acquired after 31 December 2005 (ii)	At 1 January 2005 (i)	At 31 December 2005	Shares acquired after 31 December 2005
R.G. Ellis	4,325	5,185	313	-	-	-
D. Monger	22,593	23,453	5,841	-	-	-

(i) Or date of appointment if later.

(ii) Changes to directors' interests during the period 1 January 2006 to 5 June 2006 include shares acquired through the Share Incentive Plan ("SIP") and options exercised under the Employee Share Option Scheme ("ESOS") 2003.

FRIENDS PROVIDENT PENSIONS SERVICES 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.

In 2005, the two share incentive schemes, the ESOS and the Executive Long Term Incentive Plan ("LTIP"), have been replaced by a single revised LTIP for all directors and those members of senior management of director status. ESOS for managers below director level has been replaced with an award of deferred shares linked to their annual bonus performance. The directors continue to participate in the former ESOS and 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 2005	Granted / (Exercised) during year	Lapsed during year	Options at 31 Dec 2005	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			28,461	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
Total	185,865	46,348		232,213			
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
ESOS 2005		17,556		17,556	178.00	29/03/08	29/03/15
Total	84,743	17,556		102,299			

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 ("KPMG"), has indicated its willingness to continue in office.

FRIENDS PROVIDENT PENSIONS SERVICES 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 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. Under applicable law the directors are also responsible for preparing a Directors' report that complies with that law. The directors confirm that they have complied with these requirements.

Pixham End
Dorking
Surrey
RH4 1QA

5 June 2006

Registered Number 2821777

ON BEHALF OF THE BOARD



D. MONGER
SECRETARY

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FRIENDS PROVIDENT PENSIONS SERVICES LIMITED**

We have audited the financial statements of Friends Provident Pensions Services Limited on pages 5 to 8 for the year ended 31 December 2005 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 auditor

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
*Chartered Accountants
Registered Auditor*

5 June 2006

FRIENDS PROVIDENT PENSIONS SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
<u>Continuing operations</u>			
Turnover	1	-	56
Administrative expenses		(17)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(17)	56
Tax on loss/(profit) on ordinary activities	4	5	(17)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	7	(12)	39

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 and 8 form an integral part of these financial statements.

FRIENDS PROVIDENT PENSIONS SERVICES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
CURRENT ASSETS			
Debtors	5	-	18
Taxation receivable		12	-
Cash at bank and in hand		284	351
		296	369
CREDITORS			
Amounts owed to group companies		(22)	(45)
Taxation payable		-	(38)
		(22)	(83)
NET ASSETS		274	286
CAPITAL AND RESERVES			
Called up share capital	6	1	1
Profit and loss account		273	285
		274	286

Approved by the board on 5 June 2006 and signed on its behalf by



R.G. ELLIS
DIRECTOR

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

FRIENDS PROVIDENT PENSIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of preparation

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

The company is a wholly owned subsidiary of FP Group 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) Turnover

Turnover comprises management fees receivable.

2. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditor's remuneration for audit services of £1,000 were borne by Friends Provident Life and Pensions Limited (2004: £1,000).

3. DIRECTORS' EMOLUMENTS

All directors are employed by, and receive their emoluments from, FPMS. The directors holding office during 2005 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 both directors under a defined benefit pension scheme.

4. TAXATION

	2005	2004
	£000	£000
(a) Tax on (loss)/profit on ordinary activities:		
Group relief	(5)	17
(b) Factors affecting charge for the period:		
(Loss)/Profit on ordinary activities before tax	-	56
(Loss)/Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	-	17

5. DEBTORS

	2005	2004
	£000	£000
Trade debtors	-	18

FRIENDS PROVIDENT PENSIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. SHARE CAPITAL

	2005 £000	2004 £000
Authorised:		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	1	1

7. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
Balance at 1 January 2005	1	285	286
Retained loss	-	(12)	(12)
Balance at 31 December 2005	1	273	274

8. RELATED PARTY TRANSACTIONS

The company is a wholly-owned subsidiary undertaking of Friends Provident Pensions Limited. The results of both the company and Friends Provident Pensions Limited 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.

There were no other material related party transactions.

9. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Friends Provident plc which is incorporated in the United Kingdom. Copies of the Group Annual 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