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**FRIENDS PROVIDENT THE BLUE LINE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2001**

DIRECTORS

B.W. SWEETLAND, LLB, Solicitor, Acol

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

SECRETARY

B.W. SWEETLAND, LLB, Solicitor, Acol

PRINCIPAL ACTIVITY

The principal activity of the company was the provision of management and administrative services to Friends Provident Life and Pensions Limited in respect of direct marketing and telephone sales service activities.

DIVIDEND

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

DIRECTORS

B.W. Sweetland held office throughout the year. D. Monger was appointed as a director on 1 October 2001. R.M. Whiffin resigned as a director on 1 October 2001, having held office throughout the year to this date.

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

Number of ordinary shares of 10p each in the
capital of Friends Provident plc

| | At Date of Appointment | At 31 December 2001 | Options at 31 December 2001 |
|----------------|------------------------|---------------------|--------------------------------|
| B.W. Sweetland | - | 74,397 | 6,047 |
| D. Monger | 17,977 | 17,977 | 10,041 |

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 31 December 2001 were granted during the year ended 31 December 2001.



FRIENDS PROVIDENT THE BLUE LINE LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 suitable 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.

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.

STATEMENT OF GOING CONCERN

After making enquiries and in view of the support formally provided by the company's immediate parent undertaking until 31 December 2003 the directors are satisfied that the company has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

Pixham End
Dorking
Surrey
RH4 1QA

23rd May 2002

Registered Number 2020400

ON BEHALF OF THE BOARD



D. MONGER
SECRETARY

AUDITORS' REPORT

TO THE MEMBER OF FRIENDS PROVIDENT THE BLUE LINE LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared in accordance with the accounting policies set out on page 5.

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. The other information comprises only the Directors' Report.

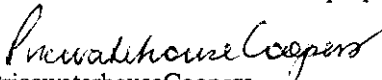
BASIS OF AUDIT OPINION

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 affairs of the company at 31st December 2001 and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

23rd May 2002

FRIENDS PROVIDENT THE BLUE LINE LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2001

| | Notes | 2001 £ | 2000 £ |
|---|-------|-------------|-------------|
| CURRENT ASSETS | | | |
| DEBTORS: Amounts falling due within one year | 5 | 1,334,014 | 1,334,014 |
| | | ----- | ----- |
| | | 1,334,014 | 1,334,014 |
| CREDITORS: Amounts falling due within one year | | | |
| Amounts due to group undertakings | | (7,370,426) | (7,370,426) |
| | | ----- | ----- |
| NET CURRENT LIABILITIES | | (6,036,412) | (6,036,412) |
| | | ===== | ===== |
| | | £ | £ |
| CAPITAL & RESERVES | | | |
| Called-up share capital | 6 | 1 | 1 |
| Profit and loss account | 7 | (6,036,413) | (6,036,413) |
| | | ----- | ----- |
| TOTAL SHAREHOLDER'S FUNDS - EQUITY | | (6,036,412) | (6,036,412) |
| | | ===== | ===== |

Approved by the Board on 23rd May 2002 and signed on its behalf by



B. W. SWEETLAND
DIRECTOR

The notes on pages 4 to 6 form an integral part of these financial statements

FRIENDS PROVIDENT THE BLUE LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

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.

2. PROFIT AND LOSS ACCOUNT

During the financial year, the company did not trade and received no income and incurred no expenditure. Consequently, it made neither a profit or a loss.

3. ADMINISTRATIVE EXPENSES

Audit fees of £1,000 (2000: £1,000) incurred for audit services to this company were borne by Friends Provident Life and Pensions Limited.

4. DIRECTORS AND EMPLOYEES

All 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 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 Friends Provident Management Services Limited.

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

FRIENDS PROVIDENT THE BLUE LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. DEBTORS: Amounts falling due within one year

| | 2001 | 2000 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Group relief | | |
| Amounts due from group undertakings | | |
| - Group relief | 1,329,759 | 1,329,759 |
| - Other | 4,255 | 4,255 |
| | <u>1,334,014</u> | <u>1,334,014</u> |

6. CALLED-UP SHARE CAPITAL

| | 2001 | 2000 |
|---|-------------------|-------------------|
| | £ | £ |
| Authorised: | | |
| 10,000,000 ordinary shares of £1 each | <u>10,000,000</u> | <u>10,000,000</u> |
| Allotted and called-up, not fully paid: | | |
| 1 ordinary share of £1 | <u>1</u> | <u>1</u> |

7. MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

| | Share capital | Profit and loss account | Total shareholder's funds |
|--|--------------------------|--|--|
| | £ | £ | £ |
| Balance as at 1 January and 31 December 2001 | <u>1</u> | <u>(6,036,412)</u> | <u>(6,036,412)</u> |

FRIENDS PROVIDENT THE BLUE LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. 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 No. 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.

FP Business Holdings Limited, the company's immediate parent undertaking, has agreed to provide support to the company until 31 December 2003.

9. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Friends Provident plc which is incorporated by Act of Parliament 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.