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**FRIENDS PROVIDENT THE BLUE LINE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2002**

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 Office 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 31st December 2002 (2001:£Nil).

The directors named above held office throughout the year.

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 | | ISIS Asset Management plc ordinary shares 0.1 pence | |
|----------------|---|------------------------|--|------------------------|
| | At 1 January 2002 | At 31 December 2002 | At 1 January 2002 | At 31 December 2002 |
| D. Monger | 18,177 | 20,178 | - | - |
| B.W. Sweetland | 74,397 | 93,018 | - | 5,000 |



FRIENDS PROVIDENT THE BLUE LINE LIMITED
REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS (continued)

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 Share Incentive Plan (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 Report and Accounts of Friends Provident plc.

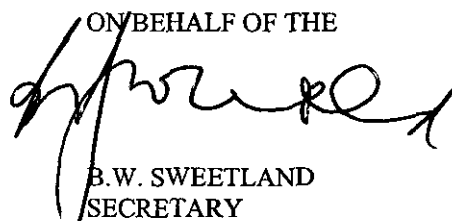
| | Options at 01/01/02 | Granted / (Exercised) during year | Lapsed during year | Options at 31/12/02 | Exercise price (pence) | Earliest exercise date | Latest exercise date |
|-----------------------|---------------------------|---|--------------------------|---------------------------|------------------------------|------------------------------|----------------------------|
| D. Monger | | | | | | | |
| ShareSave 2001 | 9,375 | | 9,375 | | 180.00 | 1 Aug 2006 | 1 Feb 2007 |
| ShareSave 2002 | | 15,358 | | 15,358 | 107.76 | 1 Oct 2007 | 1 Apr 2008 |
| SIP 2001(a) | 666 | (1,113) | | | 134.75 | 9 Jul 2002 | 9 Jul 2002 |
| SIP 2002 | | 1,059 | | 1,059 | 141.65 | 5 Sep 2003 | 5 Sep 2003 |
| ESOS 2002 | | 11,187 | | 11,187 | 195.00 | 14 Mar 2005 | 14 Mar 2012 |
| Total | 10,041 | 26,491 | 9,375 | 27,604 | | | |
| B.W. Sweetland | | | | | | | |
| ShareSave 2001 | 5,381 | | 5,381 | | 180.00 | 1 Aug 2004 | 1 Feb 2005 |
| ShareSave 2002 | | 8,815 | | 8,815 | 107.76 | 1 Oct 2005 | 1 Apr 2006 |
| SIP 2001 (a) | 666 | (1,113) | | | 134.75 | 9 Jul 2002 | 9 Jul 2002 |
| SIP 2002 | | 1,059 | | 1,059 | 141.65 | 5 Sep 2003 | 5 Sep 2003 |
| ESOS 2002 | | 112,821 | | 112,821 | 195.00 | 14 Mar 2005 | 14 Mar 2012 |
| LTIP 2002 | | 56,410 | | 56,410 | 10.00 | 14 Mar 2005 | 14 Mar 2012 |
| Total | 6,047 | 177,992 | 5,381 | 179,105 | | | |

(a) Partnership Shares in respect of the 2001 SIP scheme were purchased on 9 July 2002 at the Market Value of 134.75p and are held in the Share Incentive Plan (SIP) trust. Note that the difference between the 666 options held at 1 January and the 1,113 exercised at 9 July, reflects the difference in share price at the two dates.

Pixham End,
 BOARD
 Dorking,
 Surrey RH4 1QA

22 August 2003

Registered Number 3146254

ON BEHALF OF THE

 B.W. SWEETLAND
 SECRETARY

FRIENDS PROVIDENT THE BLUE LINE LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 2002

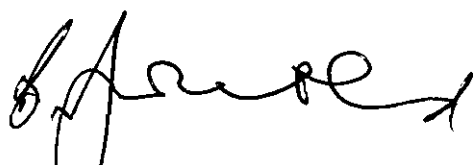
| | Notes | 2002 £ | 2001 £ |
|---|-------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| DEBTORS: Amounts falling due within one year | 4 | 1,334,014 | 1,334,014 |
| | | <u>1,334,014</u> | <u>1,334,014</u> |
| CREDITORS: Amounts falling due within one year | | | |
| Amounts due to group undertakings | | (7,370,426) | (7,370,426) |
| | | <u>(7,370,426)</u> | <u>(7,370,426)</u> |
| NET CURRENT LIABILITIES | | <u>(7,370,426)</u> | <u>(7,370,426)</u> |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 5 | 1 | 1 |
| Profit and loss account | 6 | (6,036,413) | (6,036,413) |
| | | <u>(6,036,413)</u> | <u>(6,036,413)</u> |
| TOTAL SHAREHOLDER'S FUNDS - EQUITY | 6 | <u>(6,036,412)</u> | <u>(6,036,412)</u> |

For the year to 31 December 2002, the company was entitled to exemption from audit under section 249AA(1) of the Companies Act 1985 (the 'Act') and the sole member has not required the company to obtain an audit in accordance with section 249B(2) of the Act in relation to these accounts.

The directors acknowledge their responsibility for:

- i. ensuring the company keeps accounting records which comply with section 221 of the Act; and
- ii. preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226 of the Act, and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the company.

Approved by the Board on 22 August 2003 and signed on its behalf by


B. W. SWEETLAND
DIRECTOR

The notes on pages 4 to 5 form an integral part of these financial statements

FRIENDS PROVIDENT THE BLUE LINE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

(i) The financial statements conform to applicable accounting standards and have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985.

(ii) The company is a wholly owned subsidiary of FP Business Holdings 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).

2. PROFIT AND LOSS ACCOUNT

During the year the company has not received any income or incurred any liabilities and, consequently, has made neither profit nor loss.

3. DIRECTORS AND EMPLOYEES

All directors are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 2002 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.

4. DEBTORS: Amounts falling due within one year

| | 2002 £ | 2001 £ |
|-------------------------------------|-----------------|-----------------|
| Amounts due from group undertakings | | |
| - Group relief | 1,329,759 | 1,329,759 |
| - Other | 4,255 | 4,255 |
| | <hr/> 1,334,014 | <hr/> 1,334,014 |

5. CALLED-UP SHARE CAPITAL

| | 2002 £ | 2001 £ |
|---|------------|------------|
| Authorised: | | |
| 10,000,000 ordinary shares of £1 each | 10,000,000 | 10,000,000 |
| | <hr/> | <hr/> |
| Allotted and called-up, not fully paid: | | |
| 1 ordinary share pf £1 | 1 | 1 |
| | <hr/> | <hr/> |

6. MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

There have been no movements in total shareholder's funds during the year.

FRIENDS PROVIDENT THE BLUE LINE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. 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.

There were no other material related party transactions.

8. ULTIMATE PARENT COMPANY

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