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FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT 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

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

PRINCIPAL ACTIVITY

The company provides stakeholder pension services.

RESULTS AND BUSINESS REVIEW

The results for the year ended 31 December 2004 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 2004 (2003:£Nil).

DIRECTORS

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

	Friends Provident plc Ordinary shares 10 pence			F&C Asset Management plc Ordinary shares 0.1 pence (ii)		
	At 1	At 31	Shares	At 1	At 31	Shares
	January	December	acquired	January	December	acquired after
	2004	2004	after 31	2004	2004	31 December
			December			2004 (i)
			2004 (i)			
D. Monger	21,527	22,593	301	-	-	-
B.W. Sweetland	94,367	95,433	301	5,000	13,651	-

(i) Changes to directors' interests during the period 1 January 2005 to 22 March 2005 have been reported to the parent company. They relate to shares acquired through the Share Incentive Plan (SIP).

(ii) Previously named ISIS Asset Management plc.



FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED

REPORT OF THE DIRECTORS (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 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 are 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
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 indicated their willingness to continue in office.

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT OF 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 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.

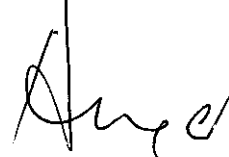
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such 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

22 April 2005

ON BEHALF OF THE BOARD



D. MONGER
SECRETARY

Registered Number 3917594

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED**

We have audited the financial statements on pages 5 to 8.

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 3 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 result 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
London

22 April 2005

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
<u>Continuing operations</u>			
Turnover	2	2,008	2,271
Administrative expenses	3	(2,008)	(2,271)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			-
Tax on profit on ordinary activities		-	-
RESULT FOR THE FINANCIAL YEAR		-	-

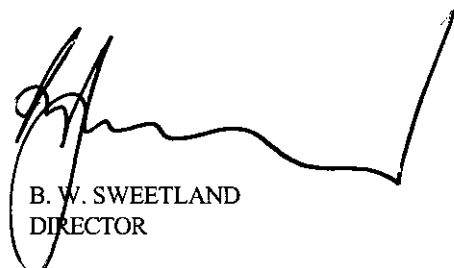
The above profit and loss account includes all recognised gains and losses. There is no difference between the results disclosed above and the results on a historical cost basis.

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

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
CURRENT ASSETS			
Debtors: amounts falling due within one year			
Amounts owed by group undertaking/called-up share capital not paid		1	1
CAPITAL AND RESERVES			
Called-up share capital	5	1	1
TOTAL SHAREHOLDER'S FUNDS – EQUITY	6	1	1

Approved by the Board on 22 April 2005 and signed on its behalf by



B. W. SWEETLAND
DIRECTOR

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

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT 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 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).

2. TURNOVER

Turnover, wholly generated in the United Kingdom, comprises fees for sales and support services provided to companies within the Friends Provident Group.

3. ADMINISTRATION EXPENSES

Administration expenses comprise of fees for management services provided by another company within the Friends Provident Group. Audit fees of £1,000 incurred for audit services to this company were borne by Friends Provident Life and Pensions Limited (2003:£1,000).

4. DIRECTORS' EMOLUMENTS

All directors 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 Friends Provident Management Services Limited.

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

5. CALLED-UP SHARE CAPITAL

	2004	2003
	£	£
Authorised:		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
Allotted and called up, not fully paid:		
1 ordinary share of £1	1	1

6. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

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

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of FP Group Limited. The results of both the company and FP Group 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 are 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