

**FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007**

DIRECTORS

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

SECRETARY

D MONGER, B Soc Sc (Hons), FCIS

PRINCIPAL ACTIVITY

Friends Provident Pension Solutions Direct Limited (the Company) is a wholly owned subsidiary of FP Group Limited, it operates as part of the UK Life and Pensions segment of the Friends Provident Group (the Group)

The Company provides stakeholder pension services. No 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 2007 is set out in the profit and loss account on page 4.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: £nil).

DIRECTORS

The directors named above held office throughout the year.

DIRECTORS AND OFFICERS – INSURANCE

The Company maintains insurance cover with respect to directors' and officers' liabilities. In addition, qualifying third party indemnity provisions (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 directors within the Group and were in force for the benefit of former directors of the Group during 2007. Copies of the indemnity are available for inspection at the registered office of Friends Provident plc.

STATEMENT OF DISCLOSURE OF INFORMATION TO 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.



FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT 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.

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. Under applicable law, the directors are also responsible for preparing a report of the directors that complies with that law.

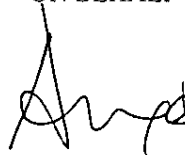
The directors confirm that they have complied with these requirements.

Pixham End
Dorking
Surrey
RH4 1QA

25 June 2008

Registered Number 3917594

ON BEHALF OF THE BOARD



D MONGER
SECRETARY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED

We have audited the financial statements of Friends Provident Pension Solutions Direct Limited (the Company) for the year ended 31 December 2007 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 directors' report 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 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 2007 and of its result 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 directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
Registered Auditor

25 June 2008

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Continuing operations			
Turnover	2	1,561,892	1,477,930
Administrative expenses	3	(1,561,892)	(1,477,930)
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 6 to 7 form an integral part of these financial statements

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £	2006 £
CURRENT ASSETS			
Debtors: amounts falling due within one year			
Called-up share capital not paid		1	1
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CAPITAL AND RESERVES			
Called-up share capital	4	1	1
TOTAL SHAREHOLDER'S FUNDS – EQUITY	5	1	1

Approved by the Board on 25 June 2008 and signed on its behalf by



R G ELLIS
DIRECTOR

The notes on pages 6 to 7 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

- (a) The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards
- (b) 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 Cash Flow Statements (Revised 1996)

2. TURNOVER

Turnover, wholly generated in the United Kingdom, comprises fees for sales and support services provided to companies within the Group and is accounted for when due

3. ADMINISTRATIVE EXPENSES

Administration expenses comprise of fees for management services provided by FPMS. Auditor's fees of £1,000 incurred for audit services were borne by Friends Provident Life and Pensions Limited the parent company of FP Group Limited (2006 £1,000)

All directors are employed by, and receive their emoluments from, FPMS. The directors holding office during the year consider that their services to the Company are incidental to their other duties within the 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. CALLED-UP SHARE CAPITAL

	2007 £	2006 £
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

5. 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)

6. 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 undertaking, 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 that qualify as related parties within the Group.

There are no other material related party transactions.

7. 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.