

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

3917594

DIRECTORS

D. MONGER, B Soc Sc (Hons), FCIS
 B.W. SWEETLAND, LLB, Solicitor, ACol

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 2003 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 2003 (2002:£Nil).

DIRECTORS

The directors named above held office throughout the year.

DIRECTORS' INTERESTS

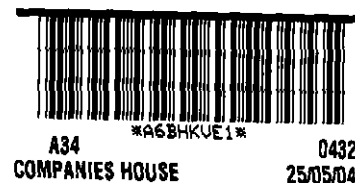
No directors had interests in any other company within the Friends Provident Group other than as disclosed below.

a. Shares

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 2003	At 31 December 2003	At 1 January 2003	At 31 December 2003
D. Monger	20,178	21,527	-	-
B. W. Sweetland	93,018	94,367	5,000	5,000

Since 31 December 2003, D. Monger and G. K. Aslet have acquired a total of 351 shares through monthly subscriptions into the company's Share Incentive Plan (SIP).



FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT 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 tables below provide 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 1 Jan 2002	Granted / (Exercised) during year	Lapsed during year	Options at 31 Dec 2002	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
SIP 2002 (a)	1,059	(1,073)					
ESOS 2002	11,187			11,187	195	14/03/05	14/03/12
ESOS 2003		39,439		39,439	71	17/03/06	17/03/13
Total	27,604	38,366		65,984			
B.W. Sweetland							
ShareSave 2002	8,815			8,815	107.76	01/10/05	01/04/06
SIP 2002 (a)	1,059	(1,073)					
ESOS 2002	112,821			112,821	195	14/03/05	14/03/12
ESOS 2003		330,988		330,988	71	17/03/06	17/03/13
LTIP 2002	56,410			56,410	10	14/03/05	14/03/12
LTIP 2003		165,494		165,494	10	17/03/06	17/03/13
Total	179,105	495,409		674,528			

(a) Partnership Shares in respect of the 2002 SIP scheme were purchased on 5 October 2003 at the Market Value of 139.80p and are held in the Share Incentive Plan (SIP) trust. The difference between the options held at 1 January and the options exercised at 5 October reflects the difference in share price at the two dates.

From October 2003 SIP partnership shares are purchased monthly and there is no option granted in relation to these shares.

AUDITORS

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

The Board is to recommend that on 20 May 2004 the shareholders approve the appointment of KPMG Audit Plc as the company's auditors in place of PricewaterhouseCoopers LLP. KPMG Audit Plc has indicated its willingness to be appointed from 20 May 2004.

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
REPORT OF THE DIRECTORS (continued)

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 of the company for that period.

In preparing those financial statements the directors are required to:

- select the most appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed with any material departures being 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 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pixham End
Dorking
Surrey
RH4 1QA

16 April 2004

ON BEHALF OF THE BOARD


B. W. SWEETLAND
DIRECTOR

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 which have been prepared in accordance with the accounting policies set out on page 7.

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 3.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 the company's affairs as at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


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

27 April 2004

FRIENDS PROVIDENT PENSION SOLUTIONS DIRECT LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
<u>Continuing operations</u>			
Turnover	2	2,271	2,137
Administrative expenses	3	(2,271)	(2,137)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on profit on ordinary activities		-	-
RESULT FOR THE FINANCIAL YEAR		-	-

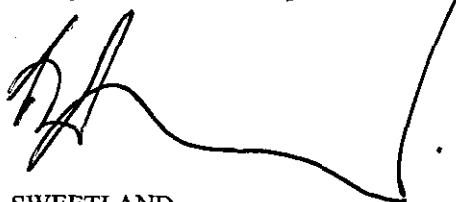
The above profit and loss account includes all recognised gains and losses. There is no difference between the results disclosed above and the results on a historical cost basis.

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 2003

	Notes	2003 £	2002 £
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 16 April 2004 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 (2002:£1,000).

4. DIRECTORS' EMOLUMENTS

All directors are employed by, and receive their emoluments from, another group undertaking. The directors holding office during 2003 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

	2003	2002
	£	£
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.

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