



Friends Provident Reinsurance Services Limited

Annual Return
as at
31st December 2010

Pursuant to the Interim Prudential Sourcebook

Appendices 9.1, 9.3, 9.4 and 9.6

PRINCIPAL AND HEAD OFFICE:
PIXHAM END, DORKING, SURREY, RH4 1QA

Friends Provident Reinsurance Services Limited

Year ended 31st December 2010

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Statement of solvency - long-term insurance businessName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	5165822	GL	31	12	2010	£000
					As at end of this financial year	As at end of the previous year
					1	2

Capital resources

Capital resources arising within the long-term insurance fund	11			14935
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		32757	37015
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13		32757	51950

Guarantee fund

Guarantee fund requirement	21		3040	3128
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22		29717	48822

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31			21
Resilience capital requirement	32			
Base capital resources requirement	33		3040	3128
Individual minimum capital requirement	34		3040	3128
Capital requirements of regulated related undertakings	35			
Minimum capital requirement (34+35)	36		3040	3128
Excess (deficiency) of available capital resources to cover 50% of MCR	37		31237	50386
Excess (deficiency) of available capital resources to cover 75% of MCR	38		30477	49604

Enhanced capital requirement

With-profits insurance capital component	39			
Enhanced capital requirement	40			21

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41		3040	3128
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42		29717	48822

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51			
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Covering Sheet to Form 2

Name of insurer **Friends Provident Reinsurance Services Limited**
Global business
Financial year ended **31 December 2010**

..... **T.J. Matthews** **Director**

..... **A.M. Parsons** **Director**

..... **D. Monger** **Secretary**

22nd March 2011

Components of capital resourcesName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	5165822	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Core tier one capital

Permanent share capital	11		30000	30000	30000
Profit and loss account and other reserves	12		2757	2757	21950
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		32757	32757	51950

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		32757	32757	51950
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		32757	32757	51950

Components of capital resources

Name of insurer

Friends Provident Reinsurance Services Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	5165822	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				

Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resources

Name of insurer

Friends Provident Reinsurance Services Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	5165822	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		32757	32757	51950
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		32757	32757	51950

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		32757	32757	51950
Available capital resources for 50% MCR requirement	82		32757	32757	51950
Available capital resources for 75% MCR requirement	83		32757	32757	51950

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Analysis of admissible assetsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	5165822	GL	31	12	2010	£000	1
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings							11	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	3198	1049
	Other	46		
Variable interest securities	Approved	47		
	Other	48	7269	27750
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	2000	620
	More than one month withdrawal	55	20386	7644
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5165822	GL	31	12	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	
	Intermediaries	72	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	20	17
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	15	7
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	32888	37087
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Analysis of admissible assetsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5165822	GL	31	12	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	32888	37087
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	32888	37087
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	5165822	GL	31	12	2010	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings				11			

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		5946
	Other	46		
Variable interest securities	Approved	47		
	Other	48		18027
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		7320
	More than one month withdrawal	55	2192	114957
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day month year			Units	Category of assets
		R13	5165822	GL		
					As at end of this financial year	As at end of the previous year
					1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		6970
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	17	
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6569	75
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	14	4600
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	8792	157895
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Analysis of admissible assetsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5165822	GL	31	12	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	8792	157895
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	8792	157895
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Total Long Term Insurance Business**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11		517
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13		14935
Long term insurance business fund carried forward (11 to 13)	14		15452
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	122593
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	8725
	Other	38	67
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	8792	142443
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	8792	157895

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	49	11206
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	8792	142960
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		14935
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	8792	157895

Profit and loss account (non-technical account)Name of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	5165822	GL	31	12	2010	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			15584	25000	
Investment income	Income		14			97	143	
	Value re-adjustments on investments		15			94	218	
	Gains on the realisation of investments		16			38		
Investment charges	Investment management charges, including interest		17			13	7	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19				112	
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			15800	25242	
Tax on profit or loss on ordinary activities			31			61	68	
Profit or loss on ordinary activities after tax (29-31)			39			15739	25174	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			15739	25174	
Dividends (paid or foreseeable)			51			20000		
Profit or loss retained for the financial year (49-51)			59			(4261)	25174	

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Reinsurance Services Limited**
 Total business / subfund **Total Long Term Insurance Business**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Income

Earned premiums	11		4473
Investment income receivable before deduction of tax	12	1887	6423
Increase (decrease) in the value of non-linked assets brought into account	13	351	2020
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	2238	12916

Expenditure

Claims incurred	21		
Expenses payable	22	333	487
Interest payable before the deduction of tax	23	1520	6226
Taxation	24	253	8472
Other expenditure	25		122593
Transfer to (from) non technical account	26	15584	25000
Total expenditure	29	17690	162778

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(15452)	(149862)
Fund brought forward	49	15452	165314
Fund carried forward (39+49)	59		15452

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Reinsurance Services Limited**
 Total business / subfund **Total Long Term Insurance Business**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11					4473
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17					4473
Single premiums	18					

Total

Gross	19					4473
Reinsurance	20					
Net	21					4473

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Reinsurance Services Limited**
 Total business / subfund **Total Long Term Insurance Business**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		333	333	487
Management - other	15				
Total	16		333	333	487

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		333	333	487
Management - other	45				
Total	46		333	333	487

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Friends Provident Reinsurance Services Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	8792	8792	49	0.59	
Total	19	8792	8792	49	0.59	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Summary of mathematical reservesName of insurer **Friends Provident Reinsurance Services Limited**Total business / subfund **Total Long Term Insurance Business**Financial year ended **31 December 2010**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12				516
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18				516

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38				

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				516
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48				516

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Reinsurance Services Limited**
 Total business / subfund **Total Long Term Insurance Business**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11		15451
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	15584	25000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	15584	40451
Mathematical reserves	21		516
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	15584	39935

Composition of surplus

Balance brought forward	31	14935	35841
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	649	4094
Total	39	15584	39935

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	15584	25000
Total distributed surplus (46+47)	48	15584	25000
Surplus carried forward	49		14935
Total (48+49)	59	15584	39935

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance capital requirementName of insurer **Friends Provident Reinsurance Services Limited**

Global business

Financial year ended **31 December 2010**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%				5
Classes III, VII and VIII (investment risk)	33	1%				
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
Total	39					5

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%				15
Classes III, VII and VIII (investment risk)	43	3%				
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
Total	49					15

Long term insurance capital requirement	51					21
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Supplementary Notes to the Return
 Friends Provident Reinsurance Services Limited
 Global Business
 Financial year ended 31 December 2010

***0301* Reconciliation of Net Admissible Assets to Total Capital Resources**

	2010	2009
	£000	£000
Total Admissible Assets	41,680	194,982
Less :		
Mathematical Reserves after distribution of surplus	-	517
Other Insurance & non-insurance liabilities	8,923	142,444
Liabilities other than long-term business	-	71
Net Admissible Assets	32,757	51,950
Form 3 Line 79 Capital resources after deductions	32,757	51,950

***0308* Outstanding contingent loans**

On 16 December 2004 the company entered into a loan agreement with Box Hill Loan Finance Limited, a special purpose vehicle owned by a charitable trust, under which Box Hill Loan Finance Limited advanced £380,000,000 to enable the company to acquire eligible investments to be held as reserves in respect of its liabilities under the Reinsurance Agreement with Friends Provident Life & Pensions Limited.

The entire loan outstanding was paid on the 16 April 2010.

***0310* Valuation differences**

The comparative for the positive valuation difference included within line 14 relates to the £380m loan from Box Hill Loan Finance Limited, repayment of which is contingent on surplus arising within the company.

The surplus which arose during 2009 was sufficient to repay principal of £122,593,000 at the annual payment date, leaving an outstanding contingent liability of nil.

***0313* Reconciliation of profit and loss account and other reserves**

	£000
Profit and loss account reserves b/fwd	21,950
Profit and loss account reserves c/fwd	2,757
Movement Form 3 Line 12	(19,193)
Surplus arising out of long-term business technical account	(652)
Include UK GAAP transfer from technical account to non technical account	15,584
Total equalling Form 16 line 59	(4,261)

***1301* & *1308* Aggregate value of investments**

- i) There were no unlisted investments.
- ii) Lines 46 & 48 include assets to the value of nil where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interests or remainders in property other than land or buildings.

***1302* & *1309* Hybrid securities**

The company held no hybrid securities.

***1305* & *1319* Maximum permitted counterparty limits**

The Company has operated its investment guidelines throughout the period in line with INSPRU 2.1.22R. Investments are managed with reference to the limits prescribed by counterparty and asset exposure limits. Circumstances can exist where, on occasion, the Company maintains holdings in excess of permitted asset and counterparty exposure limits; in these cases, the continued holding has to be reported to the Investment Oversight Committee and Actuarial Function Holder of the Company. The Company's principal fund manager, F&C Asset Management plc (F&C), maintains a list of approved counterparties with limits based on the degree of risk inherent in each counterparty. F&C monitors regularly that actual exposures fall within approved limits. These restrictions apply equally to counterparties other than approved counterparties.

Actual counterparty exposure is regularly monitored through reports to the Investment Oversight Committee.

***1306* & *1312* Exposure to large counterparties**

At 31 December 2010 the company had no counterparty exposures exceeding the upper limit based on the base capital resources requirement and the long-term insurance business liabilities.

***1324* Market risk and counterparty limits**

The FSA issued to the firm in June 2009 a direction under section 148 of the Act. The direction allowed for the amendment of rule INSPRU 2.1.22R by the addition of the following subparagraph (7)

“(7) For the purpose of this rule, a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury.”

***1401* & *1501* Provisions for reasonably foreseeable adverse variations**

The Company's assets are valued on a mark to market basis. Where this is not possible, mark to model is calculated on a prudent basis and incorporates all necessary valuation adjustments to GENPRU 1.3.30R to GENPRU 1.3.33R.

All obligations arising out of derivative contracts were required to be covered and accordingly no provision was made for any adverse change in the value of assets, of indices of assets to which the contract relates or for any change in the value of any assets held by the company.

***1402* & *1502* Contingent Liabilities**

- i) No charge has been made on the assets of the Company.
- ii) There are no potential capital gains tax liabilities.
- iii) The Company has no contingent liabilities.
- iv) The company is not aware of any fundamental uncertainties.
- v) There are no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business.

***1601* & *4005* Basis of conversion for foreign currency**

Rates of exchange prevailing at the time of the transaction have been used to translate amounts of income and expenditure in overseas currencies relating to long-term insurance business. Other amounts are included in the return at the rates of exchange ruling at the end of the year.

***1700* Forms omitted from the return**

Form 17 for the long-term business fund and other than long-term insurance business have been omitted because all entries would be blank.

***1702* Quasi-derivatives**

The aggregate value of quasi derivatives did not exceed 2.5 per cent of the assets at line 89 Form 13.

***4008* Management services**

Management services were provided during the year by Friends Provident Management Services Limited, a wholly owned subsidiary of Friends Provident Holdings (UK) plc (formerly Friends Provident Holdings (UK) Limited).

Investment management and advisory services were provided during the year by F&C Asset Management Limited (formerly FP Fund Managers Limited) and F&C REIT (formerly F&C Property Asset Management), both wholly owned subsidiaries of F&C Asset Management plc.

***4200* Forms omitted from the return**

Form 42 has been omitted because all entries would be blank.

***4400* Forms omitted from the return**

Form 44 has been omitted because all entries would be blank.

***4500* Forms omitted from the return**

Form 45 has been omitted because all entries would be blank.

***4600* Forms omitted from the return**

Form 46 has been omitted because all entries would be blank.

***4802* Interest in default**

Where the payment of income is in default, the expected income in Form 48 is nil.

Supplementary Notes to the Return
Friends Provident Reinsurance Services Limited
Global Business
Financial year ended 31 December 2010

***4804* Swap yield**

Due to the entire loan outstanding being paid in 2010, there is no longer interest rate swap in place

***4900* Forms omitted from the return**

Non-linked fixed interest securities do not exceed £100m and consequently there is no requirement to complete Form 49.

***5600* Forms omitted from the return**

Index-linked assets do not exceed £100m, and consequently there is no requirement to complete Form 56.

***5700* Forms omitted from the return**

Mathematical reserves for non-linked business do not exceed £100m and consequently there is no requirement to complete Form 57.

**Additional information on derivative and quasi-derivative contracts
(IPRU (INS) rule 9.29)
Friends Provident Reinsurance Services Limited
Financial year ended 31 December 2010**

Derivative Contracts

The following information is included pursuant to IPRU (INS) 9.29.

- a) Investment Guidelines.
Investment guidelines operated by the company during 2010 were to use derivative contracts only for the purpose of efficient portfolio management or a reduction in investment risk. Derivatives are not permitted to be used without specific authority of senior management. All obligations arising out of derivative contracts are required to be covered.
- b) Guidelines in respect of derivatives not likely to be exercised.
The guidelines make no explicit provision for the use of derivatives which the Company has a right or obligation to acquire or dispose of assets which are not, at the time when the contract is entered into, reasonably likely to be exercised. Therefore, providing such derivatives meet the over arching investment guidelines stated above, namely that they are held for efficient portfolio management or a reduction in investment risks, they are permitted.
- c) Use of derivatives not likely to be exercised.
No contracts were held during the financial year, which were not, at the time of entry, reasonably likely to be exercised.
- d) The Company held no derivative contracts during the financial year other than permitted derivative contracts under permitted links rules, and nor did any contracts require a significant provision to be made under INSPRU 3.2.17R.
- e) The company did not grant rights under derivative contracts during the financial year.

Returns under the Interim Prudential Sourcebook for Insurers
Statement of additional information on controllers required by IPRU (INS) 9.30
Friends Provident Reinsurance Services Limited
Financial year ended 31 December 2010

The following information is included pursuant to IPRU (INS) 9.30.

(a) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

- (i) Friends Provident Life and Pensions Limited;
- (ii) Friends Provident Limited;
- (iii) Friends Provident Group plc;
- (iv) Friends Provident Holdings (UK) plc;
- (v) Resolution Holdings (Guernsey) Limited;
- (vi) Resolution Holdco No1LP;
- (vii) Resolution Limited;
- (viii) UBS AG.

(b) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:

- (i) Resolution Limited

As at 31 December 2010, Resolution Limited owned 99.99% of the Shares of Resolution Holdco No1LP, a company of which Friends Provident Reinsurance Services Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (ii) Resolution Holdco No1LP

As at 31 December 2010, Resolution Holdco No1LP owned 100% of the Shares of Resolution Holdings (Guernsey) Limited, a company of which Friends Provident Reinsurance Services Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iii) Resolution Holdings (Guernsey) Limited

As at 31 December 2010, Resolution Holdings (Guernsey) Limited owned 100% of the Shares of Friends Provident Holdings (UK) plc, a company of which Friends Provident Reinsurance Services Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iv) Friends Provident Holdings (UK) plc

As at 31 December 2010, Friends Provident Holdings (UK) plc owned 100% of the Shares of Friends Provident Group plc, a company of which Friends Provident Reinsurance Services Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (v) Friends Provident Group plc

As at 31 December 2010, Friends Provident Group plc owned 100% of the Shares of Friends Provident Limited, a company of which Friends Provident Reinsurance Services Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (vi) Friends Provident Limited

As at 31 December 2010, Friends Provident Limited owned 100% of the Shares of Friends Provident Life and Pensions Limited, a company of which Friends Provident Reinsurance Services Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (vii) Friends Provident Life and Pensions Limited

As at 31 December 2010, Friends Provident life and Pensions Limited owned 100% of Friends Provident Reinsurance Services Limited and was able to exercise 100% of the voting power at any general meeting.

ABSTRACT OF VALUATION REPORT ACCORDING TO APPENDIX 9.4 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS.

1. Introduction

Friends Provident Reinsurance Services Ltd (FP Re) was formed on 16th December 2004 as a pure reinsurer. Ownership is shared between the With Profits fund (40%) and the Shareholders' fund (60%) of Friends Provident Life and Pensions Limited (FPLP). FP Re exists solely as a conduit for the securitisation of defined book surplus in FPLP.

At 31 December 2009, sufficient surplus was generated within the defined book to pay off the securitisation.

There is no remaining actuarial liability held in the company.

- (1) The investigation relates to 31st December 2010
- (2) The previous investigation related to 31st December 2009
- (3) Not applicable

2. Product Range

There were no new products, no changes to existing products and no products withdrawn during 2010.

3. Discretionary Charges and Benefits

- (1) There are no products to which a market value reduction can be applied.
- (2) There are no reviewable protection contracts.
- (3) There are no non-profit deposit administration contracts.
- (4) There are no linked contracts.
- (5) There are no linked contracts.
- (6) There are no accumulating with-profits contracts.
- (7) There are no linked contracts.
- (8) There are no linked contracts.
- (9) There are no linked contracts.
- (10) There are no linked contracts.

4. Valuation Basis (Other Than for Special Reserves)

- (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.
- (11) Not applicable.
- (12) Not applicable.

5. Options and Guarantees

- (5) There are no options or guarantees.

6. Expense Reserves

- (1) There are no implicit or explicit expense reserves held within the company. The future costs of the company, including the potential cost of discontinuance, will be met by its parent Friends Provident Life and Pensions Limited.
- (2) There is no implicit allowance for expenses.
- (3) The expenses within line 14 of Form 43 relate almost entirely to cost of servicing structures before the securitisation was repaid on 16th April 2010.
- (4) FP Re is not authorised to transact any new business.
- (5) The Company is not transacting any new business and hence there are no expenses directly attributable to closing to new business.
- (6) Not applicable.

7. Mismatching Reserves

- (1) There are mathematical reserves held in the company. No deposits were received from reinsurers. The assets of the company are denominated in sterling.
- (2) As noted above, FP Re has no liabilities.
- (3) No reserve for currency mismatching is necessary, because there are not any liabilities.
- (4) The two scenarios detailed in INSPRU 3.1.16R (3) are not applicable because no assets are allocated to liabilities.
- (5) No assets are invested outside the United Kingdom, therefore the same scenario as in (4) above has been used.
- (6) (a), (b) & (c) As noted in (4), this test is not applicable.
- (7) A mismatching reserve is not held because there are no liabilities.

8. Other Special Reserves

- (a) There are no other special reserves.

9. Reinsurance

- (1) There are no reinsurance treaties.
- (2) There are no reinsurance treaties.

10. Reversionary Bonus

The contract does not participate in profits.

**Directors' Certificate required by rule 9.34 of the Accounts and Statement Rules
Friends Provident Reinsurance Services Limited
Financial year ended 31st December 2010
Global Business**

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waiver dated 10 June 2009 issued under section 148 of the Financial Services and Markets Act 2000, details of which are contained in note 1324, and

(b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

(b) that the sum of the mathematical reserves and the deposits received for reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

(c) that we have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

T.J. MATTHEWS
Director

D. MONGER
Secretary

A.M. PARSONS
Director

22 March 2011

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Friends Provident Reinsurance Services Limited

Global business

Financial year ended 31 December 2010

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 16, 40, 41, 43, 48, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report").

We are not required to audit and do not express an opinion on:

- Form 50
- the statement required by IPRU(INS) rule 9.30; and
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules 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 insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary notes 1324. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or
- the Forms, the statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 22 March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

We planned and performed our work 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 Forms, the statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Statutory Auditor

London

22 March 2011