

# **Friends Life Company Limited**

**Annual PRA Insurance Returns for the year ended**

**28 December 2013**

**IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6**

## Contents

### **Balance Sheet and Profit and Loss Account**

### **Long Term Insurance Business: Revenue Account and Additional Information**

Form 40	Revenue account	1
Form 41	Analysis of premiums	6
Form 42	Analysis of claims	11
Form 43	Analysis of expenses	16
Form 45	Revenue account for internal linked funds	21
Form 46	Summary of new business	22
Form 47	Analysis of new business	23

<b>Supplementary notes to the return</b>	24
--	----

<b>Directors' Certificate</b>	26
-------------------------------	----

<b>Auditor's Report</b>	28
-------------------------	----

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Summary**  
 Financial year ended **28 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	2356	1112435
Investment income receivable before deduction of tax	12	149	1136487
Increase (decrease) in the value of non-linked assets brought into account	13		229629
Increase (decrease) in the value of linked assets	14		1250106
Other income	15		1884
<b>Total income</b>	<b>19</b>	<b>2505</b>	<b>3730541</b>

**Expenditure**

Claims incurred	21	1	4235522
Expenses payable	22	7927	426395
Interest payable before the deduction of tax	23		1977
Taxation	24		66451
Other expenditure	25		
Transfer to (from) non technical account	26		73396
<b>Total expenditure</b>	<b>29</b>	<b>7928</b>	<b>4803741</b>

Business transfers - in	31		
Business transfers - out	32	18176	31567092
Increase (decrease) in fund in financial year (19-29+31-32)	39	(23599)	(32640292)
Fund brought forward	49	23599	32663891
Fund carried forward (39+49)	59	0	23599

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Old With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11		31353
Investment income receivable before deduction of tax	12		79258
Increase (decrease) in the value of non-linked assets brought into account	13		(10332)
Increase (decrease) in the value of linked assets	14		
Other income	15		300
<b>Total income</b>	<b>19</b>		<b>100579</b>

**Expenditure**

Claims incurred	21		89816
Expenses payable	22		8003
Interest payable before the deduction of tax	23		228
Taxation	24		9065
Other expenditure	25		
Transfer to (from) non technical account	26		2225
<b>Total expenditure</b>	<b>29</b>		<b>109337</b>

Business transfers - in	31		
Business transfers - out	32		1090811
Increase (decrease) in fund in financial year (19-29+31-32)	39		(1099569)
Fund brought forward	49		1099569
Fund carried forward (39+49)	59		

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **New With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11		212201
Investment income receivable before deduction of tax	12		204474
Increase (decrease) in the value of non-linked assets brought into account	13		178338
Increase (decrease) in the value of linked assets	14		
Other income	15		1441
<b>Total income</b>	<b>19</b>		<b>596454</b>

**Expenditure**

Claims incurred	21		575508
Expenses payable	22		45315
Interest payable before the deduction of tax	23		912
Taxation	24		41085
Other expenditure	25		
Transfer to (from) non technical account	26		16389
<b>Total expenditure</b>	<b>29</b>		<b>679209</b>

Business transfers - in	31		
Business transfers - out	32		4661749
Increase (decrease) in fund in financial year (19-29+31-32)	39		(4744504)
Fund brought forward	49		4744504
Fund carried forward (39+49)	59		

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund One**  
 Financial year ended **28 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11		232121
Investment income receivable before deduction of tax	12		453056
Increase (decrease) in the value of non-linked assets brought into account	13		(20520)
Increase (decrease) in the value of linked assets	14		440400
Other income	15		19
<b>Total income</b>	<b>19</b>		<b>1105076</b>

**Expenditure**

Claims incurred	21		1433990
Expenses payable	22		186251
Interest payable before the deduction of tax	23		177
Taxation	24		941
Other expenditure	25		
Transfer to (from) non technical account	26		(1218)
<b>Total expenditure</b>	<b>29</b>		<b>1620141</b>

Business transfers - in	31		
Business transfers - out	32		12768534
Increase (decrease) in fund in financial year (19-29+31-32)	39		(13283599)
Fund brought forward	49		13283599
Fund carried forward (39+49)	59		

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund Two**  
 Financial year ended **28 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	2356	636760
Investment income receivable before deduction of tax	12	149	399699
Increase (decrease) in the value of non-linked assets brought into account	13		82144
Increase (decrease) in the value of linked assets	14		809706
Other income	15		124
<b>Total income</b>	<b>19</b>	<b>2505</b>	<b>1928433</b>

**Expenditure**

Claims incurred	21	1	2136208
Expenses payable	22	7927	186826
Interest payable before the deduction of tax	23		660
Taxation	24		15359
Other expenditure	25		
Transfer to (from) non technical account	26		56000
<b>Total expenditure</b>	<b>29</b>	<b>7928</b>	<b>2395053</b>

Business transfers - in	31		
Business transfers - out	32	18176	13046000
Increase (decrease) in fund in financial year (19-29+31-32)	39	(23599)	(13512620)
Fund brought forward	49	23599	13536219
Fund carried forward (39+49)	59	0	23599

**Long-term insurance business : Analysis of premiums**Name of insurer **Friends Life Company Limited**Total business / subfund **Summary**Financial year ended **28 December 2013**Units **£000**

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

**Gross**

Regular premiums	11		83194		83194	898335
Single premiums	12		8493		8493	616359

**Reinsurance - external**

Regular premiums	13					58072
Single premiums	14					1635

**Reinsurance - intra-group**

Regular premiums	15		80838		80838	82904
Single premiums	16		8493		8493	259648

**Net of reinsurance**

Regular premiums	17		2356		2356	757359
Single premiums	18					355076

**Total**

Gross	19		91687		91687	1514694
Reinsurance	20		89331		89331	402259
Net	21		2356		2356	1112435



**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Old With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11					18203
Single premiums	12					13150

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17					18203
Single premiums	18					13150

**Total**

Gross	19					31353
Reinsurance	20					
Net	21					31353

**Long-term insurance business : Analysis of premiums**Name of insurer **Friends Life Company Limited**Total business / subfund **New With Profits Fund**Financial year ended **28 December 2013**Units **£000**

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

**Gross**

Regular premiums	11					160348
Single premiums	12					51853

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17					160348
Single premiums	18					51853

**Total**

Gross	19					212201
Reinsurance	20					
Net	21					212201

**Long-term insurance business : Analysis of premiums**Name of insurer **Friends Life Company Limited**Total business / subfund **Non Profit Fund One**Financial year ended **28 December 2013**Units **£000**

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

**Gross**

Regular premiums	11					189805
Single premiums	12					93294

**Reinsurance - external**

Regular premiums	13					50922
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					14
Single premiums	16					42

**Net of reinsurance**

Regular premiums	17					138869
Single premiums	18					93252

**Total**

Gross	19					283099
Reinsurance	20					50978
Net	21					232121

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund Two**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11		83194		83194	529979
Single premiums	12		8493		8493	458063

**Reinsurance - external**

Regular premiums	13					7151
Single premiums	14					1635

**Reinsurance - intra-group**

Regular premiums	15		80838		80838	82890
Single premiums	16		8493		8493	259606

**Net of reinsurance**

Regular premiums	17		2356		2356	439938
Single premiums	18					196822

**Total**

Gross	19		91687		91687	988042
Reinsurance	20		89331		89331	351282
Net	21		2356		2356	636760

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Summary**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11		516		516	391518
Disability periodic payments	12		1		1	45820
Surrender or partial surrender	13		54030		54030	3103204
Annuity payments	14					293835
Lump sums on maturity	15		3328		3328	1015979
<b>Total</b>	<b>16</b>		<b>57875</b>		<b>57875</b>	<b>4850356</b>

**Reinsurance - external**

Death or disability lump sums	21					43941
Disability periodic payments	22					6868
Surrender or partial surrender	23					1700
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>					<b>52509</b>

**Reinsurance - intra-group**

Death or disability lump sums	31		516		516	255
Disability periodic payments	32					
Surrender or partial surrender	33		54030		54030	311060
Annuity payments	34					247089
Lump sums on maturity	35		3328		3328	3921
<b>Total</b>	<b>36</b>		<b>57874</b>		<b>57874</b>	<b>562325</b>

**Net of reinsurance**

Death or disability lump sums	41					347322
Disability periodic payments	42		1		1	38952
Surrender or partial surrender	43					2790444
Annuity payments	44					46746
Lump sums on maturity	45					1012058
<b>Total</b>	<b>46</b>		<b>1</b>		<b>1</b>	<b>4235522</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Old With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11					7779
Disability periodic payments	12					
Surrender or partial surrender	13					32461
Annuity payments	14					3919
Lump sums on maturity	15					46449
<b>Total</b>	<b>16</b>					<b>90608</b>

**Reinsurance - external**

Death or disability lump sums	21					792
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>					<b>792</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41					6987
Disability periodic payments	42					
Surrender or partial surrender	43					32461
Annuity payments	44					3919
Lump sums on maturity	45					46449
<b>Total</b>	<b>46</b>					<b>89816</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **New With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11				72621
Disability periodic payments	12				
Surrender or partial surrender	13				216194
Annuity payments	14				34289
Lump sums on maturity	15				252683
<b>Total</b>	<b>16</b>				<b>575787</b>

**Reinsurance - external**

Death or disability lump sums	21				279
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
<b>Total</b>	<b>26</b>				<b>279</b>

**Reinsurance - intra-group**

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Death or disability lump sums	41				72342
Disability periodic payments	42				
Surrender or partial surrender	43				216194
Annuity payments	44				34289
Lump sums on maturity	45				252683
<b>Total</b>	<b>46</b>				<b>575508</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund One**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11				281334
Disability periodic payments	12				794
Surrender or partial surrender	13				1170202
Annuity payments	14				8063
Lump sums on maturity	15				15269
<b>Total</b>	<b>16</b>				<b>1475662</b>

**Reinsurance - external**

Death or disability lump sums	21				41672
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
<b>Total</b>	<b>26</b>				<b>41672</b>

**Reinsurance - intra-group**

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Death or disability lump sums	41				239662
Disability periodic payments	42				794
Surrender or partial surrender	43				1170202
Annuity payments	44				8063
Lump sums on maturity	45				15269
<b>Total</b>	<b>46</b>				<b>1433990</b>



**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund Two**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11		516		516	29784
Disability periodic payments	12		1		1	45027
Surrender or partial surrender	13		54030		54030	1684346
Annuity payments	14					247563
Lump sums on maturity	15		3328		3328	701579
<b>Total</b>	<b>16</b>		<b>57875</b>		<b>57875</b>	<b>2708299</b>

**Reinsurance - external**

Death or disability lump sums	21					1198
Disability periodic payments	22					6868
Surrender or partial surrender	23					1700
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>					<b>9766</b>

**Reinsurance - intra-group**

Death or disability lump sums	31		516		516	255
Disability periodic payments	32					
Surrender or partial surrender	33		54030		54030	311060
Annuity payments	34					247089
Lump sums on maturity	35		3328		3328	3921
<b>Total</b>	<b>36</b>		<b>57874</b>		<b>57874</b>	<b>562325</b>

**Net of reinsurance**

Death or disability lump sums	41					28331
Disability periodic payments	42		1		1	38159
Surrender or partial surrender	43					1371586
Annuity payments	44					474
Lump sums on maturity	45					697658
<b>Total</b>	<b>46</b>		<b>1</b>		<b>1</b>	<b>2136208</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Summary**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11		242		242	30674
Commission - other	12		275		275	34143
Management - acquisition	13		6829		6829	50777
Management - maintenance	14		581		581	310801
Management - other	15					
<b>Total</b>	<b>16</b>		<b>7927</b>		<b>7927</b>	<b>426395</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41		242		242	30674
Commission - other	42		275		275	34143
Management - acquisition	43		6829		6829	50777
Management - maintenance	44		581		581	310801
Management - other	45					
<b>Total</b>	<b>46</b>		<b>7927</b>		<b>7927</b>	<b>426395</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Old With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11					108
Commission - other	12					449
Management - acquisition	13					86
Management - maintenance	14					7360
Management - other	15					
<b>Total</b>	<b>16</b>					<b>8003</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41					108
Commission - other	42					449
Management - acquisition	43					86
Management - maintenance	44					7360
Management - other	45					
<b>Total</b>	<b>46</b>					<b>8003</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **New With Profits Fund**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11					2030
Commission - other	12					2542
Management - acquisition	13					696
Management - maintenance	14					40047
Management - other	15					
<b>Total</b>	<b>16</b>					<b>45315</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41					2030
Commission - other	42					2542
Management - acquisition	43					696
Management - maintenance	44					40047
Management - other	45					
<b>Total</b>	<b>46</b>					<b>45315</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund One**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11					18886
Commission - other	12					18664
Management - acquisition	13					8302
Management - maintenance	14					140399
Management - other	15					
<b>Total</b>	<b>16</b>					<b>186251</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41					18886
Commission - other	42					18664
Management - acquisition	43					8302
Management - maintenance	44					140399
Management - other	45					
<b>Total</b>	<b>46</b>					<b>186251</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Company Limited**  
 Total business / subfund **Non Profit Fund Two**  
 Financial year ended **28 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11		242		242	9649
Commission - other	12		275		275	12488
Management - acquisition	13		6829		6829	41694
Management - maintenance	14		581		581	122995
Management - other	15					
<b>Total</b>	<b>16</b>		<b>7927</b>		<b>7927</b>	<b>186826</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41		242		242	9649
Commission - other	42		275		275	12488
Management - acquisition	43		6829		6829	41694
Management - maintenance	44		581		581	122995
Management - other	45					
<b>Total</b>	<b>46</b>		<b>7927</b>		<b>7927</b>	<b>186826</b>

**Long-term insurance business : Revenue account for internal linked funds**

Name of insurer **Friends Life Company Limited**  
 Total business  
 Financial year ended **28 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11		1754736
Investment income attributable to the funds before deduction of tax	12		793662
Increase (decrease) in the value of investments in the financial year	13		1268968
Other income	14		16379
<b>Total income</b>	<b>19</b>		<b>3833745</b>

**Expenditure**

Value of total cancellation of units	21		4358488
Charges for management	22		210518
Charges in respect of tax on investment income	23		23095
Taxation on realised capital gains	24		2857
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		1957
Other expenditure	26		25097440
<b>Total expenditure</b>	<b>29</b>		<b>29694355</b>

Increase (decrease) in funds in financial year (19-29)	39		(25860610)
Internal linked fund brought forward	49		25860610
Internal linked funds carried forward (39+49)	59		

**Long-term insurance business : Summary of new business**Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **28 December 2013**Units **£000**

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

**Number of new policyholders/  
scheme members for direct  
insurance business**

Regular premium business	11		5164		5164	21708
Single premium business	12					8165
<b>Total</b>	<b>13</b>		5164		5164	29873

**Amount of new regular  
premiums**

Direct insurance business	21		30131		30131	42526
External reinsurance	22					
Intra-group reinsurance	23					4119
<b>Total</b>	<b>24</b>		30131		30131	46645

**Amount of new single  
premiums**

Direct insurance business	25		8493		8493	430980
External reinsurance	26					76
Intra-group reinsurance	27					185303
<b>Total</b>	<b>28</b>		8493		8493	616359



**Long-term insurance business : Analysis of new business**

Name of insurer

**Friends Life Company Limited**

Total business

Financial year ended

**28 December 2013**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
735	Group money purchase pensions property linked	5164	30131		8493

Name of Insurer **Friends Life Company Limited**

Financial year ended **28 December 2013**

## NOTES TO THE RETURN

### **\*4002\* - Particulars of other income**

	<b>2013</b>	2012
	<b>£000</b>	£000
Rebated unit trust charges	-	1,884
	<u>-</u>	<u>1,884</u>
	<u>-</u>	<u>1,884</u>

### **\*4004\*- Business transfers out**

On 28 December 2013 the Company transferred the long-term fund along with the majority of the shareholders fund assets to Friends Life and Pensions Limited (“FLP”), in accordance with a Court Scheme under Part VII of the Financial Services and Markets Act 2000 (“FSMA”). The policies transferred consisted of unit linked pensions business. The total shown as a business transfer out on Form 40 Line 32 is £18.2m which is equal to the net of reinsurance mathematical reserves plus declared surplus transferred at the transfer date.

### **\*4005\* - Basis of foreign currency conversion**

Income and expenditure in foreign currencies are translated to Sterling at the rate of exchange current at the transaction date.

### **\*4008\* - Management services**

During the financial year ended 28 December 2013, investment management services have been provided to the Company by subsidiaries of AXA Investment Managers UK Limited. Various other management services have been provided by Friends Life Services Limited, a fellow subsidiary company.

### **\*4009\* - Material connected party transactions**

During the period 1 January 2013 to 28 December 2013 the Company held several reinsurance agreements, exceeding 5% of the Company’s long-term insurance business liabilities, with its parent undertaking, Friends Life Limited (“FLL”), a fellow subsidiary company, Friends Life WL Limited (“FLWL”). During this period, the Company has ceded reinsurance premiums of £18m to FLL and £71m to FLWL and received reinsurance claims of £25m from FLL and £33m from FLWL.

As shown in note 4004, on December 28 2013 the Company transferred the long-term fund along with the majority of the shareholders fund assets to FLP.

### **\*4010\* - Investment income relating to linked assets**

The amount of investment income relating to linked assets in Line 12 of Form 40 for the Old With Profits Fund is £nil (2012: £0.2m). For the New With Profits Fund it is £nil (2012: £1.0m).

Name of Insurer **Friends Life Company Limited**

Financial year ended **28 December 2013**

**NOTES TO THE RETURN**

**\*4013\* - Difference in treatment from accounts prepared under Companies Act 2006**

Financial Reporting Standard 26 has been adopted in the Insurer's accounts prepared under Companies Act 2006 ('the financial statements'). As a consequence, in the financial statements, direct written contracts which do not transfer significant insurance risk have not been accounted for as insurance contracts and no premiums or claims are recorded in respect of these contracts. However, in accordance with paragraph 8 of Appendix 9.3 of IPRU(INS), for the purpose of these returns these contracts continue to be treated as insurance. Due to this difference in treatment certain items in Form 40, Form 41 and Form 42 will not correspond with the amounts reported in the financial statements.

**\*4502\* - Other income and expenditure**

The amount at line 14 of Form 45 relates to:

	<b>2013</b>	2012
	<b>£000</b>	£000
Rebated unit trust charges	-	16,291
Other	-	88
	<hr/>	<hr/>
	-	16,379

The amount at line 26 of Form 45 relates to:

	<b>2013</b>	2012
	<b>£000</b>	£000
Investment management expenses	-	2,171
Transaction costs on investment purchases	-	28,734
Part VII of GOF TIP business	-	25,066,535
	<hr/>	<hr/>
	-	25,097,440

Name of Insurer      **Friends Life Company Limited**

## **IPRU (INS) 9.3(5) - DIRECTORS' CERTIFICATE**

**Financial year ended 28 December 2013**

We certify that:

- (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
  
- (b) we are satisfied that throughout the financial year in question, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU.

Signed on behalf of Friends Life Company Limited

J. S. Moss

Director

M. R. B. Versey

Director

V. Hames

Secretary

Signed on behalf of Friends Life  
Secretarial Services Limited

25 March 2014

Name of Insurer      **Friends Life Company Limited**

**STATEMENTS REQUIRED BY IPRU (INS) 9.3(5)**

**Financial year ended 28 December 2013**

No long-term insurance business has been carried on by the Company since 28 December 2013 and there is no intention to carry on further any such business.

The Company is not carrying on general insurance business.

Name of Insurer **Friends Life Company Limited**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF FRIENDS LIFE COMPANY LIMITED PURSUANT TO THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**

**Global business**

**Period ended 28 December 2013**

We have been engaged to provide an independent assurance report on the PRA return for Friends Life Company Limited ("the Insurer") for the purposes of IPRU (INS) Rule 9.3(5).

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statement Rules set out in Chapter 9 of 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 137G of the Financial Services and Markets Act 2000:

- Forms 40 to 43 and 45 (including the supplementary notes) for the period 1 January 2013 to 28 December 2013 ('the Forms');

We are not required to examine and do not express an assurance opinion on the following:

- Forms 46 and 47 (including the supplementary notes) and;
- The certificate signed and statement made in accordance with IPRU (INS) rule 9.3(5).

This report is made solely to the insurer's directors. Our 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 assurance 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 and the insurer's directors for our examination, for this report, or for the conclusion we have formed.

**Respective responsibilities of the insurer and its auditor**

The insurer is responsible for the preparation of the Forms under the provisions of the Rules. Under IPRU (INS) rule 9.11 the Forms 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.

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

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

Name of Insurer **Friends Life Company Limited**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF FRIENDS LIFE COMPANY LIMITED PURSUANT TO THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**

**Global business**

**Period ended 28 December 2013**

**Scope of examination**

We conducted our examination in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information* issued by the International Federation of Accountants (IFAC). Whilst our examination includes procedures such as tests of controls and verification of assets, liabilities and transactions, it is less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) due to the scope of our work being limited to the Forms referred to above.

We planned and performed our examination 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 are free, in all material respects, from misstatement whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11; and
- Reasonable assurance about whether the Forms have been properly prepared, in all material respects and in accordance with the provisions of the Rules.

**Conclusion**

Based on our examination, in our opinion, in all material respects, the Forms fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules.

Ernst & Young LLP  
Statutory Auditor  
London  
25 March 2014