

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

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Balance Sheet and Profit and Loss Account

Long Term Insurance Business: Revenue Account and Additional Information

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Long-term insurance business : Revenue account

Name of insurer

Total business / subfund

Financial year ended

Units

Friends Life Company Limited

Summary

28 December 2013

£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 |
| Total income | 19 | 2505 | 3730541 |

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 |
| Total expenditure | 29 | 7928 | 4803741 |

| | | | |
|---|----|---------|------------|
| 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 |
| Total income | 19 | | 100579 |

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 |
| Total expenditure | 29 | | 109337 |

| | | | |
|---|----|--|-----------|
| 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 |
| Total income | 19 | | 596454 |

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 |
| Total expenditure | 29 | | 679209 |

| | | | |
|---|----|--|-----------|
| 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 |
| Total income | 19 | | 1105076 |

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) |
| Total expenditure | 29 | | 1620141 |

| | | | |
|---|----|--|------------|
| 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 |
| Total income | 19 | 2505 | 1928433 |

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 |
| Total expenditure | 29 | 7928 | 2395053 |

| | | | |
|---|----|---------|------------|
| 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 |
| Total | 16 | | 57875 | | 57875 | 4850356 |

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 | | | | | |
| Total | 26 | | | | | 52509 |

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 |
| Total | 36 | | 57874 | | 57874 | 562325 |

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 |
| Total | 46 | | 1 | | 1 | 4235522 |

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 |
| Total | 16 | | | | | 90608 |

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 | | | | | |
| Total | 26 | | | | | 792 |

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 | | | | | |
| Total | 36 | | | | | |

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 |
| Total | 46 | | | | | 89816 |

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 |
| Total | 16 | | | | | 575787 |

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 | | | | | |
| Total | 26 | | | | | 279 |

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 | | | | | |
| Total | 36 | | | | | |

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 |
| Total | 46 | | | | | 575508 |

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 |
| Total | 16 | | | | | 1475662 |

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 | | | | | |
| Total | 26 | | | | | 41672 |

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 | | | | | |
| Total | 36 | | | | | |

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 |
| Total | 46 | | | | | 1433990 |

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 |
| Total | 16 | | 57875 | | 57875 | 2708299 |

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 | | | | | |
| Total | 26 | | | | | 9766 |

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 |
| Total | 36 | | 57874 | | 57874 | 562325 |

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 |
| Total | 46 | | 1 | | 1 | 2136208 |

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 | | | | | |
| Total | 16 | | 7927 | | 7927 | 426395 |

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 | | 242 | | 242 | 30674 |
| Commission - other | 42 | | 275 | | 275 | 34143 |
| Management - acquisition | 43 | | 6829 | | 6829 | 50777 |
| Management - maintenance | 44 | | 581 | | 581 | 310801 |
| Management - other | 45 | | | | | |
| Total | 46 | | 7927 | | 7927 | 426395 |

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 | | | | | |
| Total | 16 | | | | | 8003 |

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 | | | | | 108 |
| Commission - other | 42 | | | | | 449 |
| Management - acquisition | 43 | | | | | 86 |
| Management - maintenance | 44 | | | | | 7360 |
| Management - other | 45 | | | | | |
| Total | 46 | | | | | 8003 |

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 | | | | | |
| Total | 16 | | | | | 45315 |

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 | | | | | 2030 |
| Commission - other | 42 | | | | | 2542 |
| Management - acquisition | 43 | | | | | 696 |
| Management - maintenance | 44 | | | | | 40047 |
| Management - other | 45 | | | | | |
| Total | 46 | | | | | 45315 |

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 | | | | | |
| Total | 16 | | | | | 186251 |

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 | | | | | 18886 |
| Commission - other | 42 | | | | | 18664 |
| Management - acquisition | 43 | | | | | 8302 |
| Management - maintenance | 44 | | | | | 140399 |
| Management - other | 45 | | | | | |
| Total | 46 | | | | | 186251 |

Long-term insurance business : Analysis of expenses

Name of insurer

Total business / subfund

Financial year ended

Units

Friends Life Company Limited

Non Profit Fund Two

28 December 2013

£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 | | | | | |
| Total | 16 | | 7927 | | 7927 | 186826 |

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 | | 242 | | 242 | 9649 |
| Commission - other | 42 | | 275 | | 275 | 12488 |
| Management - acquisition | 43 | | 6829 | | 6829 | 41694 |
| Management - maintenance | 44 | | 581 | | 581 | 122995 |
| Management - other | 45 | | | | | |
| Total | 46 | | 7927 | | 7927 | 186826 |

Long-term insurance business : Revenue account for internal linked fundsName 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 |
| Total income | 19 | | 3833745 |

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 |
| Total expenditure | 29 | | 29694355 |

| | | | |
|--|----|--|------------|
| 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 |
| Total | 13 | | 5164 | | 5164 | 29873 |

Amount of new regular
premiums

| | | | | | | |
|---------------------------|----|--|-------|--|-------|-------|
| Direct insurance business | 21 | | 30131 | | 30131 | 42526 |
| External reinsurance | 22 | | | | | |
| Intra-group reinsurance | 23 | | | | | 4119 |
| Total | 24 | | 30131 | | 30131 | 46645 |

Amount of new single
premiums

| | | | | | | |
|---------------------------|----|--|------|--|------|--------|
| Direct insurance business | 25 | | 8493 | | 8493 | 430980 |
| External reinsurance | 26 | | | | | 76 |
| Intra-group reinsurance | 27 | | | | | 185303 |
| Total | 28 | | 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 | Product description | Regular premium business | | Single premium business | |
|---------------------------|---|--|--------------------|--|--------------------|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 735 | Group money purchase pensions property linked | 5164 | 30131 | | 8493 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
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| | | | | | |

Name of Insurer **Friends Life Company Limited**

Financial year ended **28 December 2013**

NOTES TO THE RETURN

***4002* - Particulars of other income**

| | 2013 | 2012 |
|----------------------------|-------------|-------|
| | £000 | £000 |
| Rebated unit trust charges | - | 1,884 |
| | - | 1,884 |

***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:

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

The amount at line 26 of Form 45 relates to:

| | 2013 | 2012 |
|---|-------------|------------|
| | £000 | £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