

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED

COMPANY INCORPORATED IN ENGLAND AND WALES
REGISTRATION NUMBER 4599

REPORT AND ACCOUNTS

For the year ended 31 December 2010

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FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

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FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

BOARD OF DIRECTORS

E B BOURKE
T J MATTHEWS

COMPANY SECRETARY

D MONGER

REGISTERED OFFICE

Pixham End
Dorking
Surrey
RH4 1QA

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

**FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
REPORT OF THE DIRECTORS**

PRINCIPAL ACTIVITY

Friends Provident (London & Manchester) Assurance Limited (the Company), a non-trading wholly owned subsidiary of London & Manchester Group Limited, is part of the Friends Provident Group (the Group)

Friends Provident Holdings (UK) plc (formally Friends Provident Holdings (UK) Limited), a subsidiary of Resolution Limited, holds a 100% interest in the Group. As such, at 31 December 2010, the Company's ultimate parent and controlling company was Resolution Limited

The principal activity of the Company was formerly to conduct general insurance business, long-term life assurance, pensions and annuity business in the United Kingdom. The Company did not trade during the year. General business ceased being written in 1987, and claims continue to be administered by the reinsurers on the Company's behalf. No change in this activity is envisaged in the future. The directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the foreseeable future.

A fellow subsidiary undertaking, Friends Provident Management Services Limited (FPMS), provides the Company's services and administration and employs all staff. Accordingly, the Company has no direct employees.

RESULTS AND BUSINESS REVIEW

Trading performance and outlook

The Company ceased writing general business in 1987 and the long-term life assurance, pensions and annuity business was transferred to Friends Provident Life Office in 2000. With respect to general business written prior to 1987, there is one claim outstanding as at 31 December 2010.

Financial performance

The result for the year ended 31 December 2010 is shown in the profit and loss account on page 7.

Financial Strength

The Company has assets in excess of its allowable solvency margin of £3,229,037.

Risks

All business written prior to 1980 was 100% reassured, and between 1980 and 1987 the reinsurance was between 40% and 60% and further limited by excess of loss treaties. London Capital Holdings Limited, a fellow group undertaking, has agreed to provide indemnity to the Company against any future claims.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: £nil).

DIRECTORS

E B Bourke was appointed as a director on 15 March 2010. S J Clamp passed away on 12 March 2010 and ceased to be a director on that day. T J Matthews held office throughout the year.

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
REPORT OF DIRECTORS (continued)

DIRECTORS AND OFFICERS – INDEMNITY AND INSURANCE

Friends Provident Holdings (UK) plc maintains insurance cover with respect to directors' and officers' liabilities. In addition, qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) are in force for the benefit of directors within the Group and were in force for the benefit of former directors of the Group during 2010. Copies are available for inspection at the Company's registered office.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who held office at the date of approval of this report of the directors confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

In accordance with section 487 of the Companies Act 2006, the company has dispensed with the obligation to reappoint its auditor annually and Ernst & Young LLP (E&Y) will therefore continue in office.

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

STATEMENT OF GOING CONCERN


The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the latest business plan profit forecasts and the latest working capital forecasts. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

Pixham End
Dorking
Surrey
RH4 1QA

22 March 2011

Registered Number 4559

ON BEHALF OF THE BOARD


D. MONGER
SECRETARY

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED**

We have audited the financial statements of Friends Provident (London & Manchester) Assurance Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to 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 by us, or
- The financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit.

Ernst & Young LLP

*John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 March 2011*

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

TECHNICAL ACCOUNT – GENERAL BUSINESS

Discontinued operations

	2010	2009
	£000	£000
Claims incurred, net of reinsurance	-	-
Change in provision for claims		
- gross amount	133	-
- reinsurers' share	(133)	-
BALANCE ON THE TECHNICAL ACCOUNT –		
GENERAL BUSINESS	-	-

NON - TECHNICAL ACCOUNT

Notes

Discontinued operations

		2010	2009
		£000	£000
Investment income		35	47
Other income		1	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2	36	47
Tax on profit on ordinary activities	3	(10)	(13)
PROFIT FOR THE FINANCIAL YEAR		26	34

There are no recognised gains or losses for 2010 or 2009 other than those included in the Technical Account above and therefore no statement of total recognised gains and losses has been presented

All of the amounts above are in respect of discontinued operations

There is no difference between the results disclosed above and the results on a modified historical cost basis

The notes on pages 9 to 10 form an integral part of these financial statements

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
ASSETS			
Reinsurer's share of technical provisions			
Claims outstanding		133	-
Cash at bank and in hand		6,481	6,446
TOTAL ASSETS		6,614	6,446
LIABILITIES			
Capital and reserves			
Called-up share capital	4	5,750	5,750
Profit and loss account		519	493
Equity shareholder's funds	5	6,269	6,243
Technical provisions			
Claims outstanding		133	-
Creditors			
Amounts due to group undertakings		202	190
Taxation payable		10	13
TOTAL LIABILITIES		6,614	6,446

Authorised for issue and approved by the Board on 22 March 2011 and signed on its behalf by



E B BOURKE
DIRECTOR

The notes on pages 9 to 10 form an integral part of these financial statements

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with Schedule 3 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S12008/410) (the 'accounting regulations') made under the Companies Act 2006 and comply with the Association of British Insurers (ABI) Statement of Recommended Practice on Accounting for Insurance Business (SORP) (revised 2006). As explained in the directors' report, these financial statements have been prepared on the going concern basis.

The Company is a wholly owned subsidiary of London and Manchester Group Limited and is included in the consolidated financial statements of Friends Provident Holdings (UK) plc which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

(b) Claims

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, together with any adjustments from previous years.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Auditors' remuneration for audit services for 2010 of £1,000 (2009 £1,000) was borne by London and Manchester Group Limited. Fees paid to the Company's auditor, Ernst & Young LLP and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in note 8(b) of the consolidated accounts of Friends Provident Holdings (UK) plc.

All directors are employed by, and receive their emoluments from FPMS. The directors holding office during 2010 consider that their services to the Company are incidental to their other duties within the Friends Provident Group and accordingly no remuneration has been apportioned to this Company.

The Company has no direct employment costs as these are borne by a fellow subsidiary undertaking, FPMS.

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£000	£000
(a) Analysis of the tax charge for the period		
UK corporation tax	10	13
(b) Factors affecting the tax charge for the period		
Profit on ordinary activities before taxation	36	47
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	10	13

FRIENDS PROVIDENT (LONDON & MANCHESTER) ASSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SHARE CAPITAL

	2010	2009
	£000	£000
Authorised		
6,250,000 ordinary shares of £1 each	6,250	6,250
Allotted, called-up and fully paid		
5,750,000 ordinary shares of £1 each	5,750	5,750

5. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital	Profit and loss account	Total shareholder's fund
	£000	£000	£000
Balance as at 1 January 2010	5,750	493	6,243
Retained profit for the year	-	26	26
Balance as at 31 December 2010	5,750	519	6,269

6. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary undertaking of London and Manchester Group Limited. The results of both the Company and London and Manchester Group Limited are consolidated in the results of Resolution Limited, the Company's ultimate parent and controlling undertaking, whose financial statements are publicly available. Accordingly, the Company is exempt from the requirements of FRS 8 Related Party Disclosures, concerning the disclosure of transactions with other companies which qualify as related parties within the Friends Provident Group.

There are no material external related parties.

7. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking is Resolution Limited, which is incorporated in Guernsey. Copies of the Group Report and Accounts of Resolution Limited can be viewed via its website at www.resolution.gg.

The smallest Group in which the results of the company are consolidated is that headed by Friends Provident Holdings (UK) plc. Copies of the Group Report and Accounts of Friends Provident Holdings (UK) plc can be viewed via its website at www.friendsprovident.com.