

Registered Number: 4096141

FRIENDS LIFE LIMITED

COMPANY INCORPORATED IN ENGLAND AND WALES
REGISTRATION NUMBER 4096141

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



FRIENDS LIFE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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FRIENDS LIFE LIMITED

COMPANY INFORMATION

DIRECTORS

K.J Bye
D.R Rose

COMPANY SECRETARY

Aviva Company Secretarial Services Limited
St Helens
1 Undershaft
London
EC3P 3DQ

REGISTERED OFFICE

Pixham End
Dorking
Surrey
RH4 1QA

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Central Square
29 Wellington Street
Leeds
LS1 4DL

OTHER INFORMATION

The Company is a member of the Aviva plc group of companies ("the Group").

FRIENDS LIFE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report for the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company's principal activities previously comprised manufacturing and administering life and pensions products in the UK.

On 1 October 2017, the long-term business of the Company, along with the majority of shareholder fund assets, was transferred to a fellow subsidiary of Aviva plc, Aviva Life & Pensions UK Limited ("UKLAP"), via a Business Transfer Scheme ("the Scheme") under Part VII of the Financial Services and Markets Act 2000. The Company subsequently ceased to underwrite long-term insurance business.

After the completion of the Scheme, the Company applied to the FCA and PRA for de-authorisation. Permission for de-authorisation was received on 23 April 2018.

Following the de-authorisation, the directors decided to transfer ownership of the entity from Friends Life FPL Limited to the London and Manchester Group on 26 September 2018. The entity is now a wholly owned subsidiary of the London and Manchester Group. The Company's ultimate parent and controlling company remains Aviva plc.

FRIENDS LIFE LIMITED**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****RESULTS AND BUSINESS REVIEW****Operational structure**

Prior to the Scheme the Company largely operated in the UK individual and group protection, savings and investment, and annuity markets.

Business Performance	2018 £m	2017 £m
(Loss)/Profit after tax	-	(1,442)
Total equity	-	10

(Loss)/Profit after tax

The 2017 loss after tax includes dividends received from the subsidiaries of the Company of £440m, offset by £1,964m of negative fair value adjustments in respect of these subsidiaries giving a profit after tax excluding these items of £82m. The £82m reflects the nine months of trading before the Scheme was implemented.

Total equity

The movement during the year reflects the 2018 Permission for de-authorisation received on 23 April 2018 and the remaining £10m of assets were transferred to UKLAP under the terms of the Scheme.

FUTURE OUTLOOK

Following the Scheme transfer described above, the Company has ceased to write insurance business and has now been de-authorised and has no net assets.

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of the Scheme all assets and liabilities have been transferred to UKLAP and the Company has ceased to underwrite long-term business. The Company is therefore no longer considered to be exposed to significant risk or uncertainties.

The risks and uncertainties of UKLAP are disclosed in the 2018 Report and Financial statements of UKLAP.

Approved by the Board on 20 March 2019 and signed on its behalf by



Aviva Company Secretarial Services Limited
COMPANY SECRETARY

FRIENDS LIFE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

DIRECTORS

The directors of the Company at the date of this report are shown on page 1.

K.J Bye was appointed as a director on 13 November 2018

D.R Rose was appointed as a director on 13 November 2018

A. D. Briggs resigned as a director on 13 November 2018.

M. G. Carvill (non-executive director) resigned on 4 May 2018.

V. F. Gooding (non-executive director) was appointed on 28 February 2018 and resigned on 4 May 2018.

R. W. A. Howe (non-executive director) resigned on 4 May 2018.

J. B. O’Roarke (non-executive director) was appointed on 8 March 2018 and resigned on 4 May 2018.

H. R. Patel (non-executive director) resigned on 4 May 2018.

S. P. Trickett (non-executive director) resigned on 4 May 2018.

J. M. Windsor resigned as a director on 13 November 2018.

J. R. F. Walls (non-executive director) resigned on 28 February 2018.

COMPANY SECRETARY

Aviva Company Secretarial Services Limited acted as the Company Secretary.

FUTURE OUTLOOK

The future outlook of the Company is discussed in the Strategic Report.

DIVIDEND

No final dividend is proposed in respect of the financial year ending 31 December 2018.

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. There are no plans in place to liquidate the Company. Key information in respect of the Company’s business activities, financial performance (including financial strength), and risks is set out on pages 2 and 3 of the financial statements.

FRIENDS LIFE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

POST BALANCE SHEET EVENTS

There are no adjusting or non-adjusting post balance sheet events.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

Each person who was a director of the Company on the date that this report was approved confirms that:

- (a) so far as the director is aware there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and
- (b) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

INDEPENDENT AUDITORS

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

QUALIFYING INDEMNITY PROVISIONS

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of section 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of the Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

FRIENDS LIFE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Pixham End
Dorking
Surrey
RH4 1QA

20 March 2019

BY ORDER OF THE BOARD



Aviva Company Secretarial
Services Limited

FRIENDS LIFE LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRIENDS LIFE LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion, Friends Life Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account technical account-long-term business, the profit and loss account non-technical account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

FRIENDS LIFE LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRIENDS LIFE LIMITED**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Martin Cross (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
20 March 2019

FRIENDS LIFE LIMITED

PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – LONG-TERM BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Earned premiums, net of reinsurance			
Gross premiums written	3	-	942
Outward reinsurance premiums	4	-	(537)
		-	405
Investment income	5	-	8,372
Other technical income, net of reinsurance	6	-	225
Total technical income		-	9,002
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		-	(3,254)
- reinsurers' share	4	-	476
		-	(2,778)
Change in the provision for claims			
- gross amount		-	(25)
- reinsurers' share	4	-	5
		-	(20)
Net claims incurred		-	(2,798)
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance			
- gross amount		-	1,261
- reinsurers' share	4	-	32
		-	1,293
Technical provisions for linked liabilities, net of reinsurance			
- gross amount		-	(1,264)
- reinsurers' share	4	-	166
		-	(1,098)
Change in other technical provisions, net of reinsurance		-	195
Net operating expenses	7	-	(265)
Investment expenses and charges	5	-	(59)
Unrealised losses on investments	5	-	(5,761)
Other technical charges, net of reinsurance	8	-	(6)
Tax attributable to the long-term business	9	-	(175)
Transfer to or from the fund for future appropriations		-	27
		-	(6,239)
Total technical charges		-	(8,842)
Balance on the technical account – long-term business		-	160

Note:

All amounts above are in respect of discontinued operations.

The Notes on pages 13 to 23 form an integral part of these financial statements.

FRIENDS LIFE LIMITED

PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Balance on the long-term business technical account		-	160
Tax attributable to balance on long-term business technical account	9	-	53
Result from profit before tax from long-term business		-	213
Investment income	5	-	443
Unrealised (losses) on investments	5	-	(50)
Investment expenses and charges	5	-	(1,999)
Other Technical Income, Net of Reinsurance		-	(9)
Result from Loss on ordinary activities before tax		-	(1,402)
Tax (charge) on (loss) on ordinary activities	9	-	(40)
Result from Loss on ordinary activities after tax		-	(1,442)

Note:

All of the amounts above are in respect of discontinued operations.

The Notes on pages 13 to 23 form an integral part of these financial statements.

FRIENDS LIFE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS

	Note	2018 £m	2017 £m
Investments			
Investments in Group undertakings and participating interests	11	-	5
Debtors			
Other debtors	12	-	5
TOTAL ASSETS		-	10

	Note	2018 £m	2017 £m
LIABILITIES			
Capital and reserves			
Called up share capital	13	702	702
Profit and loss account		(702)	(692)
Total equity		-	10
TOTAL LIABILITIES AND EQUITY		-	10

Approved by the Board on 20 March 2019 and signed on its behalf by



K. J Bye
Director

The Notes on pages 13 to 23 form an integral part of these financial statements.

FRIENDS LIFE LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Called up share capital £m	Profit and loss account £m	Other equity £m	Total equity £m
At 1 January 2018	13, 14	702	(692)	-	10
Scheme transfer of net assets		-	(10)	-	(10)
At 31 December 2018		702	(702)	-	-

Prior Year

	Note	Called up share capital £m	Profit and loss account £m	Other equity £m	Total equity £m
At 1 January 2017		702	2,107	495	3,304
Loss on ordinary activities after tax		-	(1,442)	-	(1,442)
Dividends paid	10	-	(854)	-	(854)
Scheme transfer of net assets	14	-	(980)	-	(980)
Scheme transfer of STICS		-	495	(495)	-
Interest paid on STICS		-	(22)	-	(22)
Tax relief on STICS interest		-	4	-	4
At 31 December 2017		702	(692)	-	10

The Notes on pages 13 to 23 form an integral part of these financial statements.

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies are set out below. Following the Scheme transfer on 1 October 2017 the majority of the accounting policies are no longer relevant to the 31 December 2018 balance sheet. However, certain accounting policies previously used continue to be shown in this note so that users of the financial statements are able to understand the accounting policies under which the year ended 31 December 2018 profit and loss account has been prepared and the accounting policies under which the 31 December 2017 profit and loss account and balance sheet were prepared.

(a) Basis of preparation

These financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention.

As explained in the Report of the Directors these financial statements have been prepared on a going concern basis. In considering whether the Company's financial statements should be prepared under the going concern basis, the directors have considered the information contained in these financial statements. The directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

The Company is exempt under section 400 of the Companies Act 2006 from the obligation to prepare group financial statements as the Company is a wholly owned subsidiary of Aviva plc in whose consolidated financial statements the Company is included. Accordingly, the financial statements present information about the Company as an individual entity and not about its group.

The financial statements are stated in sterling which is the Company's functional and presentational currency. Unless otherwise noted the amounts shown in the financial statements are in millions of pounds Sterling (£m).

The accounting policies which follow set out those policies which applied in preparing the financial statements for the year ended 31 December 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- i. the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - a. Paragraph 118(e) of IAS 38 *Intangible Assets* to show a reconciliation of the carrying amount at the beginning and end of the period in respect of the present value of acquired in-force business (Note 12);
 - b. Paragraph 76 of IAS 40 *Investment Property* to show a reconciliation between the carrying amounts of investment property at the beginning and end of the period (Note 15);
- ii. the requirements of paragraphs 10(d) and 111 of IAS 1 to include a statement of cash flows and the requirements of IAS 7 *Statement of Cash Flows*;
- iii. the requirements of paragraph 16 of IAS 1 to make a statement of compliance with the international accounting standards;

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)**(a) Basis of preparation (continued)**

- iv. the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to disclose when an entity has not applied a new accounting standard that has been issued but is not yet effective.
- v. the requirements of paragraph 17 of IAS 24 *Related Party Disclosure* to disclose key management personnel compensation;
- vi. the requirements of paragraph 18A of IAS 24 to disclose amounts incurred by the Company for the provision of key management personnel services that are provided by a separate management entity; and
- vii. the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group.

Minor clarifications to existing guidance on a number of standards became effective for the reporting period beginning on 1 January 2018. The principle clarifications are to IFRS 9, Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and incorporates new classification and measurements requirements for financial assets, IFRS 15 Revenue from Contracts with Customers, amendments to IFRS 2 Share-based Payments and amendments to IAS 40 Investment Property. The amendments do not have any impact on the Company's financial statements.

(b) Taxation

Taxation is based on the profits and income for the period as determined in accordance with the relevant tax legislation together with adjustments to provisions for prior periods. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account in which case the current taxation is recognised in the statement of comprehensive income, or equity, as applicable.

The balance transferred from the long-term business technical account is grossed up by the related shareholder tax charged to the long-term business technical account.

(c) Deferred tax

Deferred tax is recognised on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax rates used are the rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax liabilities. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred taxation is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the deferred taxation is recognised in the statement of comprehensive income, or equity, as applicable.

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Following the Scheme on 1 October 2017 the residual assets and liabilities of the Company require no significant judgements, estimates or assumptions in order to determine their valuation.

3. SEGMENTAL INFORMATION

	2018 £m	2017 £m
Gross written premiums on insurance contracts and investment contract deposits	-	1,137
Less: investment contract deposits written	-	(195)
Gross written premiums per the long-term business technical account	-	942
Analysed:		
Direct insurance premiums	-	936
Inwards reinsurance premiums	-	6
Gross written premiums per the long-term business technical account	-	942

(a) Direct insurance premiums written by type

	Regular premiums		Single premiums		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Individual						
Protection	-	417	-	53	-	470
Savings and investment	-	228	-	23	-	251
Pensions	-	11	-	35	-	46
Annuities	-	2	-	143	-	145
Total individual premiums	-	658	-	254	-	912
Group						
Pensions	-	12	-	12	-	24
Total group premiums	-	12	-	12	-	24
Total life and pensions	-	670	-	266	-	936

	2018 £m	2017 £m
Premiums from non-participating contracts	-	669
Premiums from participating contracts	-	117
Premiums from investment linked contracts	-	150
Total life and pensions	-	936

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SEGMENTAL INFORMATION (continued)

(b) Life and pensions gross premiums

	2018 £m	2017 £m
Source		
United Kingdom	-	942
	-	942
Destination		
United Kingdom	-	879
Rest of the World	-	63
	-	942

4. REINSURANCE BALANCE

The aggregate of all reinsurance balances in the long-term business technical account for the year ended 31 December 2018 is £nil (2017: positive £142m).

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. NET INVESTMENT RETURN

	Technical account		Non-technical account	
	2018	2017	2018	2017
	£m	£m	£m	£m
Investment income				
Income from land and buildings	-	86	-	-
Income from Group undertakings	-	43	-	440
Income from other investments (i)	-	776	-	3
Gains on the realisation of investments	-	7,467	-	-
	-	8,372	-	443
Unrealised gains on investments	-	-	-	-
Investment expenses and charges				
Investment management expenses	-	(49)	-	(9)
Interest to Group undertakings	-	-	-	(52)
Other interest	-	(10)	-	-
Losses on the realisation of investments	-	-	-	(1,938)
	-	(59)	-	(1,999)
Unrealised losses on investments	-	(5,761)	-	(50)
Total net investment return	-	2,552	-	(1,606)
Net gains/(losses) on financial assets at fair value through profit and loss:				
Assets designated at initial recognition	-	1,744	-	7
Assets held for trading	-	(38)	-	(31)
	-	1,706	-	(24)
Net gains on loans and receivable	-	-	-	-

(i) Includes £nil (2017: £nil) arising from investments not held at fair value through the profit and loss account.

Included in 'unrealised gains/(losses) on investments' is a net gain of £nil (2017: £16m gain) arising on investments classified as 'fair value through profit and loss' that is determined using valuation techniques.

6. OTHER TECHNICAL INCOME, NET OF REINSURANCE

Other technical income in the long-term business technical account comprises:

	2018	2017
	£m	£m
FLP management charge	-	13
Fee and commission income from service activities	-	212
Other technical income, net of reinsurance	-	225

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. NET OPERATING EXPENSES

- (a) Net operating expenses in the long-term business technical account, including those on investment contracts, comprise:

	2018 £m	2017 £m
Acquisition costs	-	11
Change in deferred acquisition costs	-	43
Administrative expenses	-	211
Net operating expenses	-	265

Total commissions for direct insurance accounted for by the Company during the year amounted to £nil (2017: £10m). Administrative expenses in 2018 include the impact of a £nil (2017: £29m) management fee charge in respect of pension deficit funding costs.

(b) Auditors' remuneration

	2018 £m	2017 £m
Fees payable to Company's auditors	-	1

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE

Other technical charges in the long-term business technical account comprise:

	2018 £m	2017 £m
Amortisation of present value of acquired in-force business	-	2
Unit management charges	-	4
Other technical charges, net of reinsurance	-	6

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TAXATION

Profit and loss account

United Kingdom and overseas taxation has been charged in profit and loss on assessable profits and income on the bases and rates appropriate to the various classes of business.

(a) Tax charged to the long-term business technical account and non-technical account comprises:

	Technical account		Non-technical account	
	2018	2017	2018	2017
	£m	£m	£m	£m
Current taxation				
United Kingdom corporation tax of 19% (2017: 19.25%)	-	115	-	(12)
Adjustment in respect of prior years	-	21	-	-
	-	136	-	(12)
Overseas taxation	-	12	-	-
Tax charge attributable to balance on the long-term business technical account	-	-	-	53
Total current taxation charge	-	148	-	41
Deferred taxation				
Origination and reversal of timing differences	-	1	-	(1)
Adjustment in respect of prior years	-	26	-	-
Total deferred taxation charge/(credit)	-	27	-	(1)
Total taxation charge	-	175	-	40

(b) Factors affecting tax charge/(credit) for the year

The tax assessed for the year is no different (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are explained below:

	2018	2017
	£m	£m
Results from loss on ordinary activities before tax	-	(1,402)
Results from loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	-	(270)
Effects of:		
Income not taxable	-	(85)
Revaluation of subsidiaries not taxable	-	378
Difference between effective and standard rate on balance on long term fund	-	17
Total tax charge for the period	-	40

FRIENDS LIFE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

9. TAXATION (continued)**(c) Changes in rates of corporation tax**

Finance (No 2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016 to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17% from 1 April 2020. The reductions in rate from 20% to 19% and then to 17% have been used in the calculation of the company's deferred tax assets and liabilities at 31 December 2018.

As at 31 December 2018 no deferred tax asset or liabilities have been recognised (31 December 2017 £nil).

10. DIVIDEND

	2018 £m	2017 £m
<u>Dividends paid during the year</u>	-	854

During the year a cash interim dividend of £nil (2017: £414m) and an in-specie interim dividend of £nil (2017: £440m) were paid.

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

31 December 2018

	Shares in Group undertakings £m	Shares in participating interests and joint ventures £m	Total £m
Fair value			
At 1 January 2018	5	-	5
Scheme transfer	(5)	-	(5)
At 31 December 2018	-	-	-
Cost			
At 1 January 2018	5	-	5
Scheme transfer	(5)	-	(5)
At 31 December 2018	-	-	-

31 December 2017

	Shares in Group undertakings £m	Shares in participating interests and joint ventures £m	Total £m
Fair value			
At 1 January 2017	4,103	8	4,111
Additions	82	-	82
Disposals	(163)	(8)	(171)
Scheme transfer	(2,094)	-	(2,094)
Gains recognised in the technical account	41	-	41
(Losses) recognised in the non- technical account	(1,964)	-	(1,964)
At 31 December 2017	5	-	5
Cost			
At 1 January 2017	3,478	7	3,485
Additions	82	-	82
Disposals	(163)	(7)	(170)
Scheme transfer	(1,488)	-	(1,488)
Impairment	(1,904)	-	(1,904)
At 31 December 2017	5	-	5

The £5m of shares in group undertakings at 31 December 2017 reflects the fair value of the Company's holding in FLP.

FRIENDS LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS (continued)

All of the subsidiary, related undertakings and participating interests of the Company, except for the holding in FLP, were transferred to UKLAP under the Scheme on 1 October 2017.

FLP is incorporated in England and Wales and has only one class of issued ordinary shares of which 100% is owned by the Company. The registered address of FLP is Pixham End, Dorking, Surrey, RH4 1QA.

12. OTHER DEBTORS

	2018 £m	2017 £m
Amounts falling due within one year		
Amounts due from Group undertakings	-	5

13. CALLED UP SHARE CAPITAL

	2018 £m	2017 £m
Issued and fully paid		
702,000,000 (2016: 702,000,000) Ordinary shares of £1 each	702	702

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

14. DISTRIBUTABLE RESERVES

Included in capital and reserves at 31 December 2018 is an amount of £nil which is non-distributable (2017: £10m). The 31 December 2018 non-distributable amount reflects the £702m share capital of the Company less the negative profit and loss account reserves of £702m. Included in the profit and loss account reserves is the loss on the transfer of the scheme assets of £nil (2017: £980m).

FRIENDS LIFE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

15. DIRECTORS' EMOLUMENTS

The directors are employed by, and receive their emoluments from AES. The directors holding office during the year consider their services to the Company were incidental to their other duties within the Aviva Group, and accordingly no remuneration has been apportioned to the Company

16. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Aviva plc. The results of both the Company and its subsidiaries are consolidated in the results of Aviva plc, the Company's ultimate parent and controlling company, whose financial statements are publicly available. Under FRS 101 the Company is exempt from the requirements of IAS 24 Related Party Disclosures, concerning the disclosure of transactions entered into between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

A number of key management personnel, and their close families, have long-term insurance policies with the Company. Such policies are on normal commercial terms which are also available to other members of staff. Under FRS 101 the company is exempt from disclosing the key management compensation.

17. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking is Aviva plc. Copies of the Group Report and Financial Statements of Aviva plc can be viewed via its website at www.aviva.com.