

FRIENDS PROVIDENT LIMITED

COMPANY INCORPORATED IN ENGLAND AND WALES
REGISTRATION NUMBER 4113107

REPORT AND ACCOUNTS

For the year ended 31 December 2010

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FRIENDS PROVIDENT LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

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FRIENDS PROVIDENT LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

BOARD OF DIRECTORS

E B BOURKE
T J MATTHEWS
D E HYNAM

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 LIMITED REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITY

Friends Provident Limited (the Company), a wholly owned subsidiary of Friends Provident Group plc, is part of the Friends Provident Group (the Group). The Company is an intermediate holding company.

Friends Provident Holdings (UK) plc (formerly, 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.

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

RESULTS AND BUSINESS REVIEW

The result for the year ended 31 December 2010 is shown in the profit and loss account on page 6.

DIVIDENDS

The directors recommend the payment of an interim dividend for the year ended 31 December 2010 of £400m (2009 £180m), payable by 31 March 2011. As required by Financial Reporting Standard (FRS) 21 Events after the balance sheet date, dividends proposed since 31 December 2010 are not accrued for in the financial statements.

DIRECTORS

E B Bourke and T J Matthews held office throughout the year. In addition, the following changes took place during the year:

A Brown	Resigned 31 August 2010
S J Clamp	Passed away on 12 March 2010 and ceased to be a director on that day
D E Hynam	Appointed 15 September 2010
R Sepe	Resigned 14 September 2010

DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE

Friends Provident Holdings (UK) plc maintains insurance cover in respect of 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 the directors within the Group and were in force for the benefit of former directors during 2010. Copies are available for inspection at the Company's registered office.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this report of the directors confirm that, so 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 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 year

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 4113107

ON BEHALF OF THE BOARD



D MONGER
SECRETARY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FRIENDS PROVIDENT LIMITED

We have audited the financial statements of Friends Provident Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 11. 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 4, 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 LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
Continuing operations			
Administrative expenses	2	-	(6,766)
OPERATING LOSS		-	(6,766)
Income from shares in group undertakings		470,494	50,474
Other investment income		3,678	-
Other interest receivable and similar income		133	673
Losses on the realisation of investments		-	(3,212)
Unrealised (losses)/gains on investments		(9)	16,898
Interest payable and similar charges		(210)	(3,744)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		474,086	54,323
Tax (charge)/credit on profit on ordinary activities	3	(4,655)	10,442
PROFIT FOR THE FINANCIAL YEAR		469,431	64,765

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR
THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £000	2009 £000
Profit for the financial year		469,431	64,765
FX gain on revaluation of participation of interest		854	-
Total recognised gains for the financial year		470,285	64,765

The above profit and loss account includes all recognised gains and losses

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

The notes on pages 8 to 13 form an integral part of these financial statements

FRIENDS PROVIDENT LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Investments in group undertakings and participating interest	4	3,790,142	3,420,956
		3,790,142	3,420,956
CURRENT ASSETS			
Amounts owed by group undertakings		245	19,823
		245	19,823
Cash at bank		23,922	1,972
		24,167	21,795
CREDITORS: Amounts falling due within one year			
Amounts owed to group undertakings		(11,706)	(29,948)
Share entitlements	6	(2,106)	(2,176)
Other creditors		(4,656)	(7,814)
		(18,468)	(39,938)
NET CURRENT ASSETS/(LIABILITIES)		5,699	(18,143)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,795,841	3,402,813
CAPITAL AND RESERVES			
Called-up share capital	7, 8	234,000	234,000
Other equity	8	854	-
Revaluation reserve	8	1,323,797	945,244
Retained earnings	8	2,237,190	2,223,569
EQUITY SHAREHOLDERS' FUNDS	8	3,795,841	3,402,813

Approved by the Board on 22 March 2011 and signed on its behalf by



E B BOURKE
DIRECTOR

The notes on pages 8 to 13 form an integral part of these financial statements

FRIENDS PROVIDENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

Friends Provident Limited (the Company) is a limited liability company, incorporated in the UK

The financial statements have been prepared in accordance with applicable UK Accounting Standards (UK Generally Accepted Accounting Practice) and under the historical cost convention as modified by the revaluation of investments as set out in note 1.2.6. 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 Friends Provident Group plc and its results are consolidated in the financial statements of Friends Provident Holdings (UK) plc which are publicly available. Both companies are incorporated in the United Kingdom. Consequently the Company is exempt from the requirement to prepare group accounts under section 400 of the Companies Act 2006 and has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). These financial statements present information about the undertaking as an individual undertaking and not about its group.

All accounting policies have been reviewed for appropriateness in accordance with Financial Reporting Standards

1.2 Significant accounting policies

1.2.1 Foreign currencies

Assets and liabilities held in foreign currencies at the balance sheet date are expressed in Sterling at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling at the date on which the transaction occurs. All resulting exchange gains and losses are included within that part of the profit and loss in which the underlying transaction is reported.

1.2.2 Investment return

Investment return excludes revaluation of Group investments, and includes dividends, interest, rents, gains and losses on the realisation of assets and unrealised gains and losses. Such income includes any withholding tax but excludes other tax credits, such as attributable tax credits. Income from fixed-interest securities together with interest, rents and associated expenses are accounted for in the period in which they accrue. Dividends are included in the profit and loss account when the securities are listed as ex-dividend. Realised gains or losses on investments are calculated as the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously revalued, the valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of disposals in the current period.

1.2.3 Taxation

Taxation is based on profits and income for the period as determined in accordance with the relevant tax legislation, the movement in deferred tax and adjustments to prior periods' tax. Provision is made for deferred taxation liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account, as the investments are revalued. Deferred taxation is calculated at the rates at which it is expected that the tax will arise, and discounted to take into account the likely timing of payments and pattern of expected realisation of investments. 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 that is recognised directly in the statement of total recognised gains and losses.

FRIENDS PROVIDENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

1.2.4 Investments in Group undertakings

Investments in Group undertakings are subsidiaries over which the Company has power, directly or indirectly, to govern the financial and operating policies so as to obtain economic benefits, generally accompanying a shareholding of more than one half of the voting rights

1.2.5 Participating interest

Participating interest relates to an associate of the Company. An associate is an entity over which the Company has significant influence but not control over the financial and operating policies, generally arising from holding between 20% and 50% of the voting rights

1.2.6 Valuation of investments

Investments are shown in the balance sheet as follows

- a) Unlisted investments are valued by the directors, having regard to their likely realisable value
- b) Listed and other quoted investments, including those in participating interests, are carried at bid value at the balance sheet date
- c) Shares in Group undertakings are stated at current value. For life assurance and pensions undertakings, the Market Consistent Embedded Value is used for current value. For listed undertakings, the market value is used. For other non-life undertakings, the net asset value is used. Revaluation gains, and their reversal, and temporary diminutions in value are recognised as a transfer to the revaluation reserve. Permanent diminutions in value are recognised in the profit and loss account
- d) Investment in participating interest is held at current value

2. ADMINISTRATIVE EXPENSES

Administrative expenses include auditors' remuneration for audit services for the year of £3,000 (2009 £5,000)

Fees paid to the Company's current 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

The directors consider that their services to the Company were incidental to their other duties within the Group and accordingly no remuneration has been apportioned to this Company. All staff were employed by Friends Provident Management Services Limited

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£000	£000
Tax charge for the period		
Current taxation		
UK corporation tax @ 28% (2009 28%)	1,889	(13,938)
Adjustments in respect of prior periods	2,766	1,341
Total current taxation charge/(credit)	4,655	(12,597)
Deferred taxation		
Origination and reversal of timing differences	-	2,155
Total deferred taxation	-	2,155
Total taxation charge/(credit)	4,655	(10,442)

FRIENDS PROVIDENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2010	2009
	£000	£000
Factors affecting the tax charge for the period		
Profit on ordinary activities before taxation	474,086	54,323
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	132,744	15,210
Effects of		
Items recognised directly in equity	-	(1,820)
Non taxable income	(130,858)	(13,053)
Group relief surrendered for £nil consideration	-	(9,896)
Unrealised losses on investments	3	(4,379)
Adjustment in respect of prior year	2,766	1,341
	4,655	(12,597)

4 INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTEREST

	Shares in Group undertakings	Shares in participating interest	Loans to Group undertakings	Total
	£000	£000	£000	£000
Current value				
At 1 January 2010	2,880,525	43,945	496,486	3,420,956
Additions	5,677	3,700	-	9,377
Disposals	(17,706)	-	(1,884)	(19,590)
Revaluations	378,544	855	-	379,399
At 31 December 2010	3,247,040	48,500	494,602	3,790,142
Cost				
At 1 January 2010	2,016,225	33,250	496,486	2,545,961
Additions	5,677	-	-	5,677
Disposals	(31,000)	-	(1,884)	(32,884)
At 31 December 2010	1,990,902	33,250	494,602	2,518,754

Investments in Group undertakings on a historical cost basis are valued at £1,991m (2009 £2,016m)

FRIENDS PROVIDENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTEREST (continued)

(a) Shares in participating interest

On 28 November 2008 the Company acquired a 30% interest in AmLife Insurance Berhad, a Malaysian based life assurance business, for RM170m (£31m) plus acquisition costs of £2m

The total assets, liabilities, revenues and losses of the associate undertaking are as follows

	2010	2009
	£000	£000
Current assets	31,000	62,000
Non current assets	235,000	168,000
Current liabilities	(49,000)	(34,000)
Non current liabilities	(127,000)	(122,000)
Net assets	90,000	74,000
Revenue	136,000	119,265
Profit before tax	12,300	37,000

5. PRINCIPAL GROUP UNDERTAKINGS

Principal subsidiary undertakings of the Company as at 31 December 2010 are shown below Unless otherwise stated, they are undertakings incorporated in England and Wales or Scotland and have only one class of ordinary shares The voting rights are equal to the percentage holdings unless otherwise stated

	Activity	% held
UK Life and Pensions.		
Friends Provident Life and Pensions Limited (FPLP)*	Insurance	100
Friends Provident Life Assurance Limited	Insurance	100
Friends Provident Pensions Limited	Insurance	100
Friends Provident Reinsurance Services Limited	Reinsurance	100
Friends Provident Management Services Limited*	Management services	100
Friends Provident International Limited (ii)	Insurance	100
Lombard International Assurance SA (iii)*	Insurance	99.24
Other:		
Sesame Bankhall Group Limited	IFA distribution business	100

*direct holding

(i) incorporated in Guernsey

(ii) incorporated in the Isle of Man

(iii) incorporated in Luxembourg

(iv) On 19 March 2010 the Group disposed of its entire interest in Pantheon Financial Limited The disposal does not have a material impact on the results or financial position of the Company

FRIENDS PROVIDENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. SHARE ENTITLEMENTS

	2010	2009
	£000	£000
As at 1 January	2,176	8,266
Movement in the year	(70)	(90)
Release of liability	-	(6,000)
At 31 December	2,106	2,176

The share entitlement liability represents expected future claims on share entitlements not claimed following demutualisation

7. SHARE CAPITAL

	2010	2009
	£000	£000
Authorised		
2,499,999,999 ordinary shares of 10p each	250,000	250,000
1 Deferred share of 10p	-	-
Allotted called up and fully paid		
2,339,999,999 ordinary shares of 10p each	234,000	234,000
1 Deferred share of 10p	-	-
	234,000	234,000

8. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital	Other equity	Revaluation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 January 2010	234,000	-	945,244	2,223,569	3,402,813
Profit for the year	-	-	-	469,422	469,422
Dividends Paid	-	-	-	(462,000)	(462,000)
Equity Instruments (Lombard)	-	-	-	5,900	5,900
FX Reserve	-	854	-	-	854
Prior year adjustments	-	-	-	290	290
Revaluation of investments	-	-	378,553	-	378,553
At 31 December 2010	234,000	854	1,323,797	2,237,190	3,795,841

9. POST BALANCE SHEET EVENTS

(a) Acquisition and sale of Friends Life Company Limited (formerly AXA Sun Life plc)

On 18 March 2011 the ownership of Friends Life Company Limited (formerly AXA Sun Life plc) transferred to Friends Provident Limited ("FPL"), with ownership subsequently being transferred in full to Friends Provident Life and Pensions Limited ("FPLP") on the same date

FRIENDS PROVIDENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. POST BALANCE SHEET EVENTS (continued)

(b) Acquisition and sale of Friends Life Assurance Society Limited (formerly Sun Life Assurance Society plc)

On 21 March 2011 the ownership of Friends Life Assurance Society Limited (formerly Sun Life Assurance Society plc) transferred to FPL, with ownership subsequently being transferred in full to FPLP on the same date

(c) Acquisition of Friends Life Services Limited (formerly AXA Sun Life Services plc)

On 21 March 2011 the ownership of Friends Life Services Limited (formerly AXA Sun Life Services plc) transferred to FPL

10. RELATED PARTIES

The Company is a wholly owned subsidiary undertaking of Friends Provident Group plc. The results of the Company are consolidated in the results of Resolution Limited, the Company's ultimate parent and controlling company, whose financial statements are publicly available. Accordingly, the Company is exempt from the requirements of Financial Reporting Standard 8 Related Party Disclosures, concerning the disclosure of transactions with other companies that qualify as related parties within the Friends Provident Group. There are no material external related party transactions.

11. 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.