

COMPANY REGISTRATION NUMBER 06389025

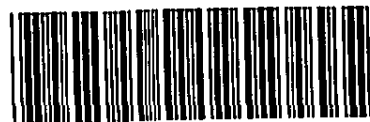
FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED

**COMPANY INCORPORATED IN ENGLAND AND WALES
REGISTRATION NUMBER 06389025**

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED
REPORT AND ACCOUNTS 2013

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FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED
(COMPANY REGISTRATION NUMBER 06389025)

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

BOARD OF DIRECTORS

M J Gent

M N Palmer

C Williams

R.J Saunders

L Frost

COMPANY SECRETARY

Friends Life Secretarial Services Limited

REGISTERED OFFICE

Pixham End

Dorking

Surrey

RH4 1QA

AUDITORS

Ernst & Young LLP

1 More Place

London

SE1 2AF

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their Strategic Report on the Company for the year ended 31 December 2013

PRINCIPAL ACTIVITY

The principal activity of Friends Life Investment Solutions (the "Company") is to support the Friends Life Corporate Platform which went live on 31 January 2012. The Corporate Platform enables Friends Life Group (the "Group") to provide a solution for workplace benefits and it enables trustees of pension schemes to increase their choice of funds and fund managers. It uses a single administrative platform to access a comprehensive range of investment managers, funds and fund ranges.

The platform supports the following products:

- A corporate self invested pension plan (Flexible Retirement Account)
- A general investment account (Investment Account)
- A corporate cash individual savings account (Cash ISA)
- A corporate stocks & shares savings account (Stocks & Shares ISA)

It is anticipated that further products and services will be added to the Friends Life Corporate Platform in the future.

The Company is authorised by the Financial Conduct Authority (FCA) as an IFPRU Limited License Firm with permission to hold client money or securities.

RESULTS AND BUSINESS REVIEW

Operational structure

The Company is part of the Resolution Limited group which largely operates in the UK protection market, UK group pensions and vesting annuity market and international savings and investments, pensions and protection markets.

Business Performance

| | 2013 | 2012 |
|-------------------------|-------------|-------------|
| | £ | £ |
| Fee income | 7,689 | 24,220 |
| Interest income | 25,234 | 5,904 |
| (Loss)/Profit after tax | (6,725) | 17,140 |

Fee income

Fee income is made up of facilitated/management charges and set up fees relating to platform activity.

Interest income

Interest was received from the deposit accounts throughout the year.

(Loss)/Profit after tax

The loss after tax is £6,725 (2012 profit £17,140). The profit has decreased in 2013, which is largely due to initial charges received in 2012, which were not repeated in 2013.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

EMPLOYEES

Companies within the Group receive services and administration from either Friends Life Services Limited (FLS), Friends Life Management Services Limited (FLMS) or both. These entities either employ staff engaged in these activities or outsource the provision of these services to external outsourced service providers. Accordingly, the Company has no direct employees. The average number of employees of FLS and FLMS is disclosed in the accounts of those entities.

PRINCIPAL RISKS AND UNCERTAINTIES

Following the announcement made to the London Stock Exchange on 10 January 2013, the Resolution Limited ('RSL') and Friends Life Group ('FLG') Boards were streamlined. Up to 28 March 2013 the RSL Board delegated responsibility for the Group risk's management framework to the FLG board. With effect from close of business on 28 March 2013 the RSL Board took on direct responsibility for the Group's risk management framework, with the RSL Risk and Compliance Committee ('RCC') taking over responsibility for overseeing risk management across the Group from the FLG Board Risk and Compliance Committee ('BRCC'). The FLG BRCC was and the RSL RCC is supported by the Executive Risk Committee ('ERC').

The RCC oversees and advises the Board on the Company's overall risk appetite, tolerance and strategy and the current risk exposures of the Company, as well as informing the Board's decision making in relation to risk assessment, any material breaches of risk appetite and adequacy of remedial action plans.

The ERC provides a Group wide and aggregated view of the risks the Group faces at an executive level and manages the implementation and ongoing operation of the risk management and compliance frameworks and associated activities of the Group, ensuring that customer impacts are considered alongside shareholder impacts. It is supported by Divisional Risk committees which ensure that the enterprise risks to which the Group is exposed, through their respective Divisions, are identified, measured, efficiently managed and fall within the appetite for those risks specified by the RSL board. All risk policies are reviewed and approved annually to ensure they remain relevant to the changing demands of the business, its risk profile and the current regulatory environment.

Risks specific to the Company are discussed below.

Economic conditions

The Company is exposed to volatile and uncertain economic conditions as these will give rise to changes in the values of the assets invested on the Corporate platform and therefore fees earned by the Company. Adverse or uncertain economic conditions also impact the willingness of consumers to buy and continue to hold the Company's products.

The Company actively monitors changes in the economic environment to enable proactive management of impacts to relevant markets and maintains a robust regulatory capital position which enables it to withstand fluctuations in its trading result.

Competitor activity and business model

The Company operates in the UK which is a highly competitive market. The long-term success of the Company's business model envisages the achievement of a scale that allows margins to rise and payback periods to fall to levels that provide greater returns for shareholders. This must be achieved against a backdrop of strong competition and sometimes aggressive pricing that puts pressure on margins and working capital.

Regulation and legislation

The Company operates in a highly regulated financial services market which has a significant impact/influence on both strategic decisions and ongoing day-to-day management of acquired businesses. Unanticipated changes in legal requirements (including taxation) and regulatory regimes, or the differing interpretation and application of regulation over time, may have detrimental effects on the Company. The Company faces regulatory uncertainty over the next few years with the phased introduction of auto-enrolment and the implementation of the Capital Requirements Directive IV.

The Company bases its business strategy on prevailing regulation and known/planned change. The Company has processes in place to identify regulatory and legislative change and to monitor the timely implementation of new requirements.

Changes in taxation law

The Company may be affected by changes in tax legislation and by developments in interpretation of tax law. To mitigate the risk of taxation changes on its business, the Company engages with the relevant tax and legislative authorities and supports lobbying activity undertaken by industry groups.

Approved by the Board on 24 March 2014 and signed on its behalf by



M Palmer

DIRECTOR

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2013

DIRECTORS

Mr M R Downie was appointed as a director on 30 May 2013 and he resigned on 11 March 2014

Mr R J Saunders was appointed as a director on 30 May 2013

Mrs L Frost was appointed as a director on 23 May 2013

Mr M J Gent, Mr M N Palmer and Mr C Williams held office throughout the year

SHARE CAPITAL

No changes in share capital have taken place during the year

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012 £nil)

COMPANY SECRETARY

Friends Life Secretarial Services Limited acted as a company secretary throughout the year

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, 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

DIRECTORS AND OFFICERS – INDEMNITY AND INSURANCE

The Group 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 2013. Copies of the indemnity are available for inspection at the company's registered office.

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, the latest working capital forecasts and estimated forecast solvency. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Key information in respect of the Company's business activities, financial performance (including financial strength), and risks is set out on pages 4 to 6 of the financial statements.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK accounting standards and applicable law).

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 judgments and accounting 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.

The directors confirm that they have complied with these requirements.

ON BEHALF OF THE BOARD

Pixham End
Dorking
Surrey
RH4 1QA

24 March 2014

Registered Number 06389025



M Palmer
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED

We have audited the financial statements of Friends Life Investment Solutions Limited for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. 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 Statement of Directors' Responsibilities set out on page 8, 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. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 and of its loss 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

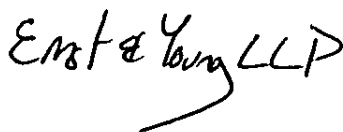
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED

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

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', with a stylized flourish extending from the end.

Stuart Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27/3/14

FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED
PROFIT AND LOSS ACCOUNT

| | Note | 2013 £ | 2012 £ |
|---|-------------|-------------------|-------------------|
| Fee income | 1 | 7,689 | 18,316 |
| Interest income | | 25,234 | 5,904 |
| Operating and administrative expenses | 2 | (41,685) | (1,517) |
| (Loss)/Profit on ordinary activities before taxation | | (8,762) | 22,703 |
| Tax on (loss)/ profit on ordinary activities | 6 | 2,037 | (5,563) |
| (Loss)/Retained profit for the financial year | | (6,725) | 17,140 |

All operations during the financial period were continuing operations

There are no recognised gains or losses for 2013 and 2012 other than those disclosed in the profit and loss account above

The notes on pages 13 to 15 are an integral part of these financial statements

FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2013

| | Note | 2013 £ | 2012 £ |
|--|----------|------------------|------------------|
| Current Assets | | | |
| Amounts due from group undertakings | | 968,133 | 48,386 |
| Accrued Income | | 1,425 | 17,794 |
| Cash at bank and in hand | 4 | 5,576,835 | 6,456,524 |
| Total Assets | | 6,546,393 | 6,522,704 |
| Liabilities | | | |
| Creditors, amounts falling due within one year | | (3,980) | (5,563) |
| Amounts owed to group undertakings | | (31,997) | - |
| Total assets less current liabilities | | 6,510,416 | 6,517,141 |
| Capital and Reserves | | | |
| Called up share capital | 7 | 6,500,001 | 6,500,001 |
| Retained earnings | 8 | 10,415 | 17,140 |
| Shareholders' funds | 8 | 6,510,416 | 6,517,141 |

The notes on pages 13 to 15 are an integral part of these financial statements

The financial statements were approved by the Board of Directors on 24 March 2014 and signed on its behalf by



C Williams

Director

FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

GENERAL INFORMATION

Friends Life Investment Solutions Limited is a company limited by shares, domiciled and incorporated in the United Kingdom

1. ACCOUNTING POLICIES

A. Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. As explained in the Report of the Directors, these financial statements have been prepared on a going concern basis.

The Company is a wholly owned subsidiary of FP Group Limited and is included in the consolidated financial statements of Friends Life Group 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 Cash Flow Statements (Revised 1996).

The Company has applied all applicable accounting standards and interpretations effective at 31 December 2013.

B. Fee Income

The revenue represents facilitated/management charges and set up fees relating to platform activity. All revenues are accounted for in the period in which it accrues.

C. Interest Receivable

Interest receivable is accounted for on an accruals basis.

D. Administration Expenses

Administration expenses are accounted for in the year in which they accrue.

E. Taxation

The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses.

Current income tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by statement of financial position date.

2. ADMINISTRATIVE EXPENSES

The expenses within the profit and loss account represent interest and charges payable to employee benefits consultants relating to platform activity. In 2013 the Company received a management service charge from FLMS of £30,000.

Friends Life Management Services Limited (FLMS) provides the Company's services and administration and either employs staff engaged in these activities or outsources the provision of the activities to Friends Life Services Limited (FLS) which is another Group Service Company which employs staff. Accordingly, the Company has no direct employees.

3. AUDITOR'S REMUNERATION

Auditor's remuneration for audit services for 2013 of £12,000 (2012: £12,000) has been borne by FLL. 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 the note headed 'Administrative and other Expenses' within the consolidated accounts of Friends Life Group plc.

| | 2013 | 2012 |
|---------------------------------|--------|--------|
| | £ | £ |
| Audit fees – statutory accounts | 12,000 | 12,000 |
| | 12,000 | 12,000 |

FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. CASH AT BANK AND IN HAND

Cash at bank and in hand comprises cash at bank and in hand, and unit holdings in a short term money market collective investment undertaking

5 DIRECTORS' EMOLUMENTS

The total emoluments received by the directors is detailed below, all of which was paid by Friends Life Management Services Limited or Friends Life Services Limited for their services to the Group. Where the directors of the Company are also directors of the holding company and/or fellow subsidiaries, the directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies. Amounts for annual bonus payments to the directors for the year ended 2012 were not agreed by the Resolution Limited Remuneration Committee until after the signing of the Company's accounts and were therefore not included in the 2012 emoluments but are included in the 2013 emoluments. Amounts for annual bonus payments to the directors for the year ended 2013 have already been agreed by the Resolution Limited Remuneration Committee and are therefore also included in the 2013 emoluments below.

| Aggregate Emoluments | 2013 £ | 2012 £ |
|---|-----------|-----------|
| Remuneration | 1,286,131 | 791,770 |
| Awards under long-term incentive schemes (excluding share options and shares) | Nil | Nil |
| Company contributions to pension schemes | 58,532 | 29,008 |
| Number of directors accruing benefits under money purchase pension schemes | Five | Two |
| Number of directors accruing benefits under defined benefit pension schemes | None | One |
| Highest paid director | 2013 £ | 2012 £ |
| Remuneration | 564,054 | 284,217 |
| Awards under long-term incentive schemes (excluding share options and shares) | Nil | Nil |
| Company contributions to pension schemes | Nil | Nil |

The total remuneration payable to directors includes £564,054 in respect of the highest paid director, of which £nil relates to long-term incentive schemes. This is the total of the costs incurred by the Group in respect of the highest paid director due to it being impractical to isolate the element of total remuneration relating to the Company.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge in year

| | 2013 £ | 2012 £ |
|---|--------------|----------------|
| (Loss)/Profit on ordinary activities before taxation | (8,762) | 22,703 |
| Current taxation | | |
| UK corporation tax (Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 24.5%) | 2,037 | (5,563) |
| Tax on (Loss)/Profit on ordinary activities | 2,037 | (5,563) |

FRIENDS LIFE INVESTMENT SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

7 SHARE CAPITAL

| | 2013 £ | 2012 £ |
|--|-----------|-----------|
| Allotted, called up and fully paid 6,500,001 ordinary shares of £1 each | 6,500,001 | 6,500,001 |

8 MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

| | Called up share capital | Retained Earnings | Total |
|-----------------------------|----------------------------|----------------------|-----------|
| Balance at 1 January 2013 | 6,500,001 | 17,140 | 6,517,141 |
| Loss for the year | - | (6,725) | (6,725) |
| Balance at 31 December 2013 | 6,500,001 | 10,415 | 6,510,416 |

9 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary it has taken advantage of the exemption granted under FRS8, where subsidiary undertakings do not have to disclose transactions with group companies qualifying as related parties provided that consolidated financial statements are publicly available

10 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 Life Group plc. Copies of the Group Report and Accounts of Friends Life Group plc can be viewed via its website at www.friendslife.co.uk