



Reserve



FRIENDS PROVIDENT
INTERNATIONAL



THE PERFECT COMBINATION: INVESTMENT FLEXIBILITY AND THE FREEDOM TO CHOOSE

Reserve has been specially designed by Friends Provident International to satisfy the number one demand of international investors and their advisers: freedom of choice.

And we know that this freedom of choice - and the investment flexibility that goes with it - must be more than just words on a page. It must deliver genuine benefits to you, the investor.

Reserve does just this. It gives you flexibility and choice by offering a true range of investment and administration options, all within the same Reserve structure. More details are given on the following pages.

Whatever Reserve structure you opt for, this is flexibility with a purpose. You may decide to use Reserve as a key element in your tax planning for the future; you may decide that the appointment of a Discretionary Fund Manager gives you the investment freedom you need; or it may be that the globe-spanning range of investments available with the Personalised Assets version is just what you are looking for.

PERSONALISED ASSETS VERSION

Personal investment selection from any asset type - allowing you to select your asset choice from a virtually limitless range including equities, bonds, investment funds and so on. Your flexibility is further enhanced by the option of investing into Reserve on the following terms:

- Whole of Life
- Capital Redemption Policy

COLLECTIVE INVESTMENTS VERSION

Investment selection from virtually any collective investment fund - this Reserve option gives you the investment choice from a very wide-ranging menu of collective investments, including unit trusts, investment trusts and OEICs. Again, flexibility is enhanced by offering the following terms:

- Whole of Life
- Capital Redemption Policy



OTHER FEATURES

RESERVE WITH A CAPITAL REDEMPTION STRUCTURE

This special option allows you to select Reserve with no lives assured but with a 99 year fixed term and a guaranteed maturity value. Your choice can be further refined as it is available in either a collective investment or highly personalised version.

For investors considering Reserve as part of their tax planning portfolio, the use of the Capital Redemption version of Reserve may be particularly useful. Talk to your Independent Financial Adviser for advice on how this option could work for you.

RESERVE WITH ACCESS TO THE SERVICES OF A DISCRETIONARY FUND MANAGER

A service specially designed to allow you to forget the administrative hassle and to benefit from professional investment management. In this way, you combine maximum flexibility with minimum administration.

Reserve can also be managed without the services of a Discretionary Fund Manager or, in certain cases, it can be managed on a part-discretionary basis.

With something as individual as Reserve you would expect the costs associated with it to be personalised as well. They are.

Full details of the various charging structures are found within the specific Guides. You will see that they allow maximum flexibility according to the precise make-up of Reserve - and the personal discussions you have with your Independent Financial Adviser.



WHY RESERVE?

As well as all the benefits outlined already, Reserve gives you the tax advantages associated with its status as an offshore life assurance policy. It also enjoys the protection of the Isle of Man's comprehensive investor protection legislation which provides an exceptionally high degree of security and regulation.

Your choice of Friends Provident International is also a good one. We are part of the Friends Provident Group, one of the UK's top 10 life assurance companies. Established in 1832, the Group has around £124 billion in assets under management.

Friends Provident International has been operating in the offshore life assurance industry for over 25 years. It is one of the longest established companies in that industry and one well used to the specific demands of the international investor.

A GUIDE TO RESERVE

A comprehensive Guide is available for each of the key options within the **personalised assets version** and the **collective investment version**.

Full details of the charging structure and the assets available to you are given in the Guides to enable you to select the product best suited to your circumstances. This brochure must therefore be read in conjunction with the appropriate Guide.

HOW RESERVE WORKS

RESERVE - PERSONALISED ASSETS OR COLLECTIVE INVESTMENTS

Reserve is a single premium international bond with Whole of Life and Capital Redemption (99 year term) options. Reserve is available in two versions - **Personalised Assets**, allowing investment into personalised assets and **Collective Investments**, which restricts investment links to collective investments and cash only (see the separate Guides).

MINIMUM INVESTMENT

The minimum initial investment is £25,000 or currency equivalent. For the Capital Redemption option, the minimum premium is £100,000 or currency equivalent. Additional premiums may be paid at any time, subject to a minimum of £10,000 or currency equivalent for each additional premium. Reserve may be split into a number of policies, which will be determined by the total premiums paid in to Reserve. The maximum number of policies is 100; the minimum is five. The minimum premium per policy is £5,000 or currency equivalent.

CURRENCY

You may pay contributions in any freely convertible currency. However, you must specify on the Application Form the currency in which you want Reserve to be denominated. An annual valuation will be given in Sterling, US Dollars, Euro, HK Dollars, Swiss Francs or Swedish Krona. Where assets are in a different currency, the value of Reserve may rise and fall purely on the basis of exchange rate fluctuations. Payments of benefits or withdrawals may be paid in any freely convertible currency, worldwide.

WHOLE OF LIFE

Reserve can be written as a Whole of Life plan, which can have one or more lives assured, up to a maximum of six. Where there is more than one life assured, Reserve is issued on a last survivor basis.

CAPITAL REDEMPTION

In the Capital Redemption option, there are no lives assured and the policy has a 99 year term plus a Guaranteed Maturity Value. The Guaranteed Maturity Value will be calculated in accordance with Reserve's charging structure. This will be 250% of the initial premium at the 99th anniversary of inception of the policy, subject to any withdrawals or surrenders which you may take during the lifetime of the policy. Each premium paid will increase the Guaranteed Maturity Value. The amount of the increase will depend upon the date of the additional premium.

INITIAL CHARGING PERIOD

The initial charging period during which the Establishment Charge is levied, is selected at the start of Reserve. It can be either zero, five or eight years. Each additional premium will also be subject to an initial charging period.

BENEFITS ON DEATH

In the Whole of Life option, the benefit payable on death of the last surviving life assured is either 101% of the Surrender Value or Surrender Value plus £10,000 (or currency equivalent) - whichever is the lower. The benefit is payable only after we have received the policy documents and any other documentation that may be required.

SURRENDER

You can surrender an individual policy or the entire Reserve whenever you wish. The surrender value is equal to the selling value of the securities. A surrender penalty will be applied if the surrender is made during the first five or eight years, depending on the selected initial charging period.

To surrender Reserve, written notice should be sent to Friends Provident International Limited along with the original Policy Documents and all other relevant documentation.

WITHDRAWALS

You may set up a series of regular withdrawals. The minimum withdrawal amount is £1,000 or currency equivalent. There are no penalties for taking a withdrawal, either inside of outside of the initial charging period. However, no withdrawals can be taken if the value of Reserve would fall to less than £10,000 (or currency equivalent) - or below 10% of the initial premium, or additional premiums, during the initial charging period.



PAYMENT OF PROCEEDS

We expect to make the proceeds available normally within five working days after any investments linked to the portfolio have been sold, except where the circumstances are beyond our control. We must reserve the right to delay payment of a surrender where this would result in the need to sell assets which may not be readily realisable. However, we would invoke this restriction only in the most extreme circumstances. We reserve the right, at our reasonable discretion, to return assets in specie on surrender of Reserve. No interest will be payable in respect of any delay in payment of the death benefit, surrender value or withdrawal sum under any circumstances.

HOW YOUR INVESTMENT TRANSACTIONS ARE RECORDED

For each client, we establish a General Transactions Account (or Current Account for policies which have a Discretionary Fund Manager - see page 7) which acts as a cash fund, through which all transactions and charges pass. You will have a separate account for each different currency in which your transactions are recorded.

The General Transactions Account will attract interest daily on either a credit or debit basis depending upon the account balance. We will levy interest at the rate of 2% above the three month London Inter Bank Offer Rate (LIBOR) for debit balances. A credit balance in the General Transactions Account will earn interest at a rate not exceeding the three month LIBOR. The exact rate will depend on the size of the balance. Interest (whether debit or credit) will accrue daily but will be deducted or added when Reserve is valued (excluding any interim valuations).

A cash balance should be held in the General Transactions Account (or Current Account) to cover the next two years' charges.

Any withdrawals must be accompanied by an instruction to sell assets if there is insufficient cash in the General Transactions Account (or Current Account) to cover the withdrawal.



DISCRETIONARY FUND MANAGEMENT

Reserve permits the appointment of a Discretionary Fund Manager. Before you select a Discretionary Fund Manager you should satisfy yourself of the following:

- The level of expertise available within the Discretionary Fund Management Group
- The individual who will be responsible for your portfolio
- The length of time your Fund Manager has been conducting such a service
- The size of the Group
- Past performance, including investment record over the long term
- The investment area in which they particularly specialise
- The supervisory/regulatory body which monitors their performance

In your discussions with your Fund Manager you will need to confirm your required investment objectives and strategy. This forms an important part of the agreement which is subsequently drawn up between us and your Fund Manager.

Friends Provident International Limited cannot be held responsible for the advice or services offered by your Fund Manager, who is completely independent of Friends Provident International Limited. Any losses would be reflected in the value of your portfolio. You should always obtain independent legal advice so that you fully understand the implications of entering into any agreement.

APPOINTMENT OF A DISCRETIONARY FUND MANAGER

Before we appoint the Fund Manager of your choice, we have to complete the following:

- **The Fund Manager's Terms and Conditions** - although no two Fund Managers have exactly the same terms and conditions, they tend to be broadly similar. You should familiarise yourself with those of your particular Fund Manager - we will be happy to provide a copy of such terms and conditions on request.
- **Supplementary Provisions Agreement** - this is drawn up between Friends Provident International Limited as the owner of the assets linked by value to Reserve, and your chosen Discretionary Fund Manager. It covers administrative arrangements, so that we can provide you with information about Reserve, and also clarifies what the Fund Manager can and cannot do. One of the areas covered within this agreement is the investment strategy and objectives which the Fund Manager should adopt. Please discuss this with the Fund Manager. We cannot complete the agreements until you have confirmed the investment strategy and objectives to us.

You can request the appointment of a Discretionary Fund Manager and Custodian by completing the relevant section in the Application Form. Once this is completed and returned to Friends Provident International Limited, confirming to us that you are happy for us to proceed as instructed, we will commence with the drawing up of the required contract.

Friends Provident International Limited currently deals with over 60 different Discretionary Fund Managers, based in such centres as Hong Kong, New York, Sweden, Switzerland, Jersey, Guernsey, United Kingdom and the Isle of Man.

Before a new Manager is appointed, Friends Provident International Limited reviews their background, parent company, and previous track record within the financial services industry. This includes examining two years' audited accounts, as well as the Articles of Association and Memorandum.

If we deem any proposed Discretionary Fund Manager to be unsuitable, we will decline their appointment and ask you to provide an alternative. If any Discretionary Fund Manager does not comply with our requirements, we will in the first instance ask you for an alternative. We have the capability to terminate any contract. Just because we accept a Discretionary Fund Manager does not mean that we are making any warranties or representations about their suitability. You should always make your own enquiries.

If a Discretionary Fund Manager is appointed, then the charges applied to Reserve will be different to those applied to a non-Discretionary Account. Please see the Charges Section of the Technical Guides for more details.

In cases where the premium is greater than £500,000 (or currency equivalent), it is possible to have Reserve managed on a part-discretionary basis. However, the dealing charges will be taken as normal for the non-discretionary part of Reserve, and the ongoing administration charge will also be taken on a non-discretionary basis. (This facility is currently not available in the UK.)

TAX TREATMENT

Friends Provident International Limited is not liable to income tax, capital gains tax or corporation tax on its policyholders' funds. Some dividends may be received net of withholding tax, deducted at source in the country of origin, but once inside Reserve they can accumulate free of tax.

The personal tax consequences of investing in Reserve will depend on many factors. You may have a personal tax liability in respect of the income and/or gains of Reserve. This will depend largely on your country of residence. It is therefore important that professional guidance is sought before proceeding with an investment.

Friends Provident International Limited is under a statutory obligation to report to the UK Inland Revenue chargeable gains which exceed certain limits where the policy is owned by a UK-resident individual, company or trust. For further information, please contact us or your usual Financial Adviser.

You should also read 'Tax Treatment' in the Technical Guide to the Personalised Assets and Collective Investments versions of Reserve.

TERMS AND CONDITIONS

A copy of the Policy Conditions for Reserve can be obtained from Friends Provident International on request.

TRANSFER OF INVESTMENTS

We retain the right, at our reasonable discretion, to transfer investments to any of our internal funds, subject to a minimum of three months' notice in writing.



YOUR NEXT STEP

SEEK INDEPENDENT ADVICE

Your Financial or Legal Adviser will be pleased to help you decide whether Reserve meets your needs.

In addition, your Adviser will be able to confirm whether you are subject to any currency, taxation restrictions and/or legislation that may affect your application or any benefits of Reserve.

You should be aware that Friends Provident International Limited does not provide legal, taxation or investment advice. You should obtain advice that is independent and directly relevant to the specific legislation within your country of residence.

HOW TO APPLY

Reserve is available to anyone (as the Owner of Reserve) aged 18 or over, who is eligible to invest offshore, with the exception of residents of the United States of America.

There is no minimum age for the life or lives assured, although at least one of the lives assured must be 75 or less at the inception of Reserve.

However, please satisfy yourself that, under any taxation, exchange control or insurance legislation which exists in your current country of residence, you are able to effect Reserve. It is also wise to consult your usual Independent Financial Adviser before entering into an investment of this nature.

Simply complete the application form and return it to your Independent Financial Adviser together with full details of the proposed investment selection for Reserve. You should also include any relevant supplementary forms as well as documentary proof of identity and address such as a certified copy of a current valid passport and a utilities bill. Proof of Source of Wealth will also be required. Your policy documents will be sent to you as soon as your Reserve has been established.

CAUTIONARY NOTES

The information given in this brochure is based on the understanding of Friends Provident International Limited of current law and Isle of Man taxation practice, which may change in the future. No liability can be accepted for any personal tax consequences of this scheme or for the effect of future tax or legislative changes.

Fund prices may go down and up depending upon investment performance and past performance is not necessarily a guide to future performance. Please note that securities held within a fund may not be denominated in the currency of that fund and, as a result, fund prices may rise and fall purely on account of exchange rate fluctuations. You may get back less than you have paid in.

Holders of policies issued by the Company will not be protected by the UK Financial Services Compensation Scheme if the Company should become unable to meet its liabilities to them. Policyholders will receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991 of the Isle of Man.

Complaints we cannot settle can be referred to the Financial Services Ombudsman Scheme for the Isle of Man or the Financial Ombudsman Scheme in the UK, depending on the parties involved.

Some telephone communications with the Company are recorded and may be randomly monitored or intruded into.

Legal interpretation

Each policy is governed by and shall be construed in accordance with the law of the Isle of Man.

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FRIENDS PROVIDENT

- Founded in 1832, the Friends Provident Group manages around £124 billion invested in many different international markets.
- The Friends Provident Group currently administers three million policies and accounts for customers worldwide.
- Friends Provident has a controlling interest in F&C Asset Management plc, a company listed on the London Stock Exchange based in Edinburgh and London.
- The Friends Provident Group has an award-winning fund management track record.
- A pioneer of ethical investment in the UK, Friends Provident was the first company to launch an ethical investment fund in 1984.
- Today, Friends Provident is the UK market leader in ethical investment and has over £1 billion under management in ethical funds.
- Friends Provident is a shareholder in Eureka Holdings BV and a member of the Pan-European Eureka alliance of leading insurance companies.
- Friends Provident International is one of the leading offshore financial services companies.
- With operations in both Guernsey and the Isle of Man, Friends Provident International also has a branch office in Hong Kong and a sales office in Dubai.

All of which makes Friends Provident one of the UK's leading financial services groups.



Support

Understanding

The power of FRIENDS™

Knowledge

Performance

Friends Provident International Limited

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Incorporated company limited by shares.

Registered in the Isle of Man No. 11494

Authorised by the Isle of Man Insurance & Pensions Authority and regulated by the Financial Services Authority for the conduct of investment business in the UK.

Provider of life assurance and investment products.

The rules and regulations made by the Financial Services Authority for the protection of investors will not normally apply to persons resident outside the United Kingdom

The appointed representative of the Company in Hong Kong is

Friends Provident International Limited's branch office:

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