



TECHNICAL GUIDE

Reserve - Collective Investments



FRIENDS PROVIDENT
INTERNATIONAL

ASSETS

100% of your premium will be placed into the General Transactions Account (or Current Account for portfolios which have a Discretionary Fund Manager). After the deduction of the Establishment Charge, the net figure is available to purchase the assets of your choice from the available range of funds. However, you must retain a cash balance of the equivalent of the first two years' charges. Whatever type of fund you choose, it is important to remember that the value can go down as well as up. Where assets are in a different currency, the value may rise and fall purely on the basis of exchange rate fluctuations.

The minimum investment in any one asset is £5,000 or currency equivalent. The maximum number of funds that may be held in Reserve is 50.

The following are the investment links which are available to policyholders of Reserve - Collective Investments version.

STRUCTURE

For a fund to be available, it must be structured as follows:

- A UK authorised unit trust within the meaning of section 468 ICTA 1988
- A UK investment trust, excluding warrants, within the meaning of section 842 ICTA 1988
- An open-ended investment company (OEIC) within the meaning of section 236 of the UK Financial Services & Markets Act 2000
- An interest in an overseas collective investment* that is structured as one of the following:
 - an open ended investment company
 - a unit trust
 - offshore distributor and non distributor funds.

* "Collective investment" as defined in section 235 of the UK Financial Services & Markets Act 2000.

Hedge Funds and exchange traded funds are permitted, providing they comply with one of the fund structures above. US and Canadian Mutual Funds are permitted only while Reserve is discretionary managed.

AVAILABILITY

In order for a collective investment to be made available by us to a Reserve Collective Investments policyholder, ownership must not be restricted in such a way as to prevent us from making it available to other Reserve Collective Investments policyholders. Collective investments which are structured as partnerships, limited partnerships, private funds or funds restricted to a class of investors not determined by Friends Provident International alone are not acceptable.

Insurance policies issued by other life assurance companies are not acceptable.

SUBSCRIPTION FREQUENCY

It must be possible to subscribe to and redeem from an investment daily, weekly, monthly or quarterly at the least.

LIQUIDITY

There will be no clauses restricting dealing, e.g. 12 months waiting period before assets can be redeemed. The fund will not be accepted if redemptions are restricted until a buyer is located and the sale matched out.

PRICING

The unit or share price for the fund must be readily available or publicly quoted regularly.

CASH

The holding of cash, including bank and building society deposits and the General Transactions Account (or Current Account), is permitted provided it is not held for the purpose of realising a gain on disposal.

NOTE

We reserve the right to amend the standard menu at any time, providing that at all times any such amendments comply with Regulation 4 of the Personal Portfolio Bonds (Tax) Regulations 1999 of the United Kingdom and any subsequent amendments thereof. We also reserve the right to refuse any asset at our discretion.

Reserve gives you the freedom to select the funds that you invest in. The responsibility for its performance, therefore, rests with you, your Fund Adviser or your Discretionary Fund Manager.

SHARE SALE

We will sell shares on behalf of the investor. The proceeds from this sale are then invested in your portfolio. The following terms will apply to Share Sale transactions:

- Only available on Certificated UK equities
- The minimum value of each stock to be sold is £1,000
- A standard Dealing Charge (for non-Discretionary Managed portfolios) will apply to every sale of assets
- Friends Provident International Limited will pass on any stockbroker commission and stamp duty direct to the investor
- Cash proceeds of the sale will be added to the General Transactions Account/Current Account.

ASSET EXCHANGE

We will re-register assets in the name of Friends Provident International Limited, at the investor's request. The value of the assets remains within your portfolio. Most assets can be transferred in this way, provided they satisfy the terms outlined above and that their inclusion in the portfolio would not cause it to be classed as a Personal Portfolio Bond as defined in the UK Personal Portfolio Bonds (Tax) Regulations 1999.

So that the administration of the Asset Exchange facility is completed quickly and efficiently, please take time to read the following guidance notes. If you require any assistance or have any queries when the time comes to send any assets to us for exchange, please feel free to contact our Investments Department:

- Telephone +44(0) 1624 821017
- Fax +44(0) 1624 821105
- E-mail: investments@fpiom.com

Where the investment (initial or additional) is more than £100,000 (or currency equivalent) and individual assets are valued above £5,000 (or currency equivalent) we will make the exchange free of charge. All other assets will incur a Dealing Charge. See the Summary of Charges. Assets below £5,000 cannot use the Asset Exchange facility.

If the assets are subsequently sold within three months of the Exchange into your portfolio, a standard Dealing Charge will be imposed, in addition to the Dealing Charge for selling the assets.

GUIDANCE NOTES

- If assets are registered in the investor's name please complete the relevant section of the Reserve application form
- Please also provide confirmation of holdings. This can be recent statements from unit trust managers, or contract notes if the assets are non-certified
- If assets are certified, the actual certificate must be provided. If a certificate is lost, then the investor must apply for an indemnity before the Asset Exchange can take place.

Please note: Friends Provident International Limited will not join in any indemnity for a certificate lost in a client's name.

- Assets which are held in a nominee name require:
 - A statement from the nominee company or bank
 - A letter from the client stating that he wishes the assets to be part of a Friends Provident International Reserve

- A copy letter to the nominee company or bank stating that the transfer is to take place
- Full details of the nominee contact name, address and telephone or fax numbers, particularly if different custodians are involved.

PLEASE NOTE: At this stage, all dealing on the nominee account must cease.

- The value date will be the date either Friends Provident International or the Discretionary Fund Manager confirms receipt of the assets
- All assets will be valued using Net Asset Value or bid prices
- A valuation letter will be issued before the transfer takes place
- Once the transfer has taken place, a fax confirming receipt of all assets is sent to the intermediary
- Assets in certificated or non-certificated form require a transfer form to be completed, using the Power of Attorney. Some Jersey companies, however, do not accept the Friends Provident International Limited Power of Attorney forms. If this is the case, please complete a stock transfer form (available from Friends Provident International Limited).

TAX TREATMENT

Asset exchange may result in a personal Capital Gains Tax liability, dependent on the clients country of residence. Any liability must be met by the clients, personally, from their own funds.

Important note for proposed policyholders who are, or are planning to become, resident in the UK

The Reserve - Collective Investments version is restricted to investments that would not cause the policy to be classed as a Personal Portfolio Bond as defined in the Personal Portfolio Bonds (Tax) Regulations of the United Kingdom and any subsequent amendments thereof. Policyholders should take financial advice before investing.

Friends Provident International Limited is under a statutory obligation to report to the UK Inland Revenue certain events where benefits are received from the policy by a UK resident individual, company or trust. For further information, please contact us or your usual Financial Adviser.

SUMMARY OF CHARGES

Please note: A unique, personalised structure of charges has been developed by Friends Provident International Limited specially for Reserve. A personal charging structure will be prepared for you which will reflect the agreement reached between you and your Independent Financial Adviser. This must be signed and returned with the completed application form.

DISCRETIONARY MANAGED PORTFOLIOS

100% of your premium will be placed into the Current Account. After the deduction of the Establishment Charge, the net figure is available to purchase the assets of your choice. However, you must retain a cash balance of the equivalent of the first two years' charges. These charges are current as at 1 January 2004. Fixed amount charges in currencies other than Sterling are set by the Appointed Actuary four times each year, 28 days prior to each calendar quarter. The amounts are based on the Sterling charges but can vary from quarter to quarter depending on movements in exchange rates. Note: all fixed amount charges are linked to Isle of Man inflation.

CHARGES

ESTABLISHMENT CHARGE (Applied to initial and any subsequent contributions)	The Establishment Charge will be deducted quarterly, during the initial period of zero, five or eight years. This initial period is selected on the payment of any or all premiums. The precise charge will be determined by your personal charging structure – see above.
ADMINISTRATION CHARGE	£90 (or currency equivalent) each quarter. If you have agreed to your Adviser receiving trail commission, then an additional charge will be made to allow for this.
DEALING CHARGE	Nil
SURRENDER PENALTY	During the initial period (selected at outset and variable between zero, five and eight years) a Surrender Penalty equal to the outstanding Establishment Charge will apply.
AD HOC CHARGES	<p>The following transactions will incur a charge of £100 (or currency equivalent) for each transaction:</p> <ul style="list-style-type: none">• change of investment adviser• change of life assured• change of valuation currency• change of discretionary manager• change to non-discretionary managed portfolio• valuation requested from Friends Provident International, above the annual valuation provided free• assignments of individual segments, where each assignee wishes to pursue a different investment policy – the charge will be £100 (or currency equivalent) per assignee and will only be possible providing the value of each separate linked fund is at least £25,000 (or currency equivalent).

NON-DISCRETIONARY MANAGED PORTFOLIOS

100% of your premium will be placed into the General Transactions Account. After the deduction of the Establishment Charge, the net figure is available to purchase the assets of your choice. However, you must retain a cash balance of the equivalent of the first two years' charges. These charges are current as at 1 January 2004. Fixed amount charges in currencies other than Sterling are set by the Appointed Actuary four times each year, 28 days prior to each calendar quarter. The amounts are based on the Sterling charges but can vary from quarter to quarter depending on movements in exchange rates. Note: all fixed amount charges are linked to Isle of Man inflation.

CHARGES

ESTABLISHMENT CHARGE (Applied to initial and any subsequent contributions)	The Establishment Charge will be deducted quarterly, during the initial period of zero, five or eight years. This initial period is selected on the payment of any or all premiums. The precise charge will be determined by your personal charging structure – see above.
ADMINISTRATION CHARGE	£90 (or currency equivalent) each quarter. If you have agreed to your Adviser receiving trail commission, then an additional charge will be made to allow for this.
DEALING CHARGE	A Dealing Charge will apply to every sale or purchase of assets for your portfolio. This is currently £20 (or currency equivalent) each deal.
ASSET EXCHANGE	For premiums over £100,000 (or currency equivalent) and where individual assets are valued above £5,000 (or currency equivalent) assets will be exchanged free of charge. All other Asset Exchange transactions will incur a Dealing Charge – see above. If the assets are subsequently sold within three months of the Exchange into your portfolio, a standard Dealing Charge will be imposed, in addition to the Dealing Charge for selling the assets.
SURRENDER PENALTY	During the initial period (selected at outset and variable between zero, five or eight years) a Surrender Penalty equal to the outstanding Establishment Charge will apply.
SAFE CUSTODY ON SECURITIES	Agents' charges in respect of securities (such as Eurobonds and equities) which are held by safe custodian banks throughout the world will be debited to your portfolio. Agents' charges are not currently incurred for safe custody or dividend collection where securities are in registered form and the certificates are held by us here in the Isle of Man.
DELIVERY AND RECEIPT CHARGES	In the general course of dealing in markets, agents' fees are incurred in the receipt and delivery of securities. These charges are levied by the agents at the time of dealing and are debited to your portfolio by Friends Provident International. Under the terms of your contract we will deduct these from the fund immediately they are incurred.
STOCKBROKERS' FEES	Such fees are not shown as separate items within your portfolio as the Stockbroker includes his costs in the total settlement shown for each transaction.
AD HOC CHARGES	The following transactions will incur a charge of £100 (or currency equivalent) for each transaction: <ul style="list-style-type: none">• change of investment adviser• change of life assured• change of valuation currency• change of discretionary manager• change to non-discretionary managed portfolio• valuation requested from Friends Provident International, above the annual valuation provided free• assignments of individual segments, where each assignee wishes to pursue a different investment policy – the charge will be £100 (or currency equivalent) per assignee and will only be possible providing the value of each separate linked fund is at least £25,000 (or currency equivalent).



IMPORTANT INFORMATION

The information given in this document 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. Past performance is not necessarily a guide to the future. 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 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 International Limited
Registered & Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA
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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:
Friends Provident International Limited
Suites 1203-1211, Two Pacific Place, 88 Queensway, Hong Kong
Telephone: +852 2524 2027 Fax: +852 2868 4983



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