



Friends Provident Life and Pensions Limited

Annual Return
as at
31st December 2009

Pursuant to the Interim Prudential Sourcebook and the
Integrated Prudential Sourcebook

Appendices 9.1, 9.3, 9.4, 9.4A and 9.6

PRINCIPAL AND HEAD OFFICE:
PIXHAM END, DORKING, SURREY, RH4 1QA

Friends Provident Life and Pensions Limited

Year ended 31st December 2009

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Friends Provident Life and Pensions Limited

Year ended 31st December 2009

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Statement of solvency - long-term insurance businessName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

Adjusted solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	4096141	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	1484124	936679
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1457940	1245886
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2942064	2182565

Guarantee fund

Guarantee fund requirement	21	443235	439294
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	2498829	1743271

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	496041	532488
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	496041	532488
Capital requirements of regulated related undertakings	35	327888	311798
Minimum capital requirement (34+35)	36	823929	844286
Excess (deficiency) of available capital resources to cover 50% of MCR	37	2287769	1515556
Excess (deficiency) of available capital resources to cover 75% of MCR	38	2081787	1304484

Enhanced capital requirement

With-profits insurance capital component	39	612569	182186
Enhanced capital requirement	40	1436498	1026472

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1436498	1026472
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1505566	1156093

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2

Form 2

Name of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

..... **T.J. Matthews** **Director**

..... **E.B. Bourke** **Director**

..... **D. Monger** **Secretary**

23 March 2010

Components of capital resourcesName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

R3	Company registration number	GL/UK/CM	day month year			Units
	4096141	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Core tier one capital

Permanent share capital	11		653750	653750	653750
Profit and loss account and other reserves	12		577852	577852	301713
Share premium account	13		721500	721500	721500
Positive valuation differences	14		1033809	1033809	490790
Fund for future appropriations	15		198900	198900	334100
Core tier one capital in related undertakings	16		(533505)	(533505)	(554009)
Core tier one capital (sum of 11 to 16)	19		2652306	2652306	1947844

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25		51000	51000	
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27		476423	476423	341947
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		3179729	3179729	2289791
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		3573	3573	10145
Deductions from tier one (32 to 36)	37		3573	3573	10145
Total tier one capital after deductions (31-37)	39		3176156	3176156	2279646

Components of capital resources

Name of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	4096141	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41					
Perpetual non-cumulative preference shares excluded from line 25	42					
Innovative tier one capital excluded from line 27	43		121619	121619	468808	
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44		121619	121619	468808	
Perpetual cumulative preference shares	45					
Perpetual subordinated debt and securities	46					
Upper tier two capital in related undertakings	47					
Upper tier two capital (44 to 47)	49		121619	121619	468808	

Fixed term preference shares	51					
Other tier two instruments	52		161713	161713		
Lower tier two capital in related undertakings	53					
Lower tier two capital (51+52+53)	59		161713	161713		

Total tier two capital before restrictions (49+59)	61		283332	283332	468808	
Excess tier two capital	62					
Further excess lower tier two capital	63					
Total tier two capital after restrictions, before deductions (61-62-63)	69		283332	283332	468808	

Components of capital resourcesName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	4096141	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		3459488	3459488	2748454	
Inadmissible assets other than intangibles and own shares	73		517424	517424	565889	
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		2942064	2942064	2182565	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2942064	2942064	2182565	
Available capital resources for 50% MCR requirement	82		2699733	2699733	1937699	
Available capital resources for 75% MCR requirement	83		2699733	2699733	1937699	

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93					
Outstanding contingent loans	94					
Any other charges on future profits	95				125367	
Sum of financial engineering adjustments (91+92-93+94+95)	96				125367	

Calculation of general insurance capital requirement - premiums amount and brought forward amount

 Name of insurer **Friends Provident Life and Pensions Limited**

Global business

 Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	4096141	GL	31	12	2009	£000
				This financial year 1			Previous year 2	
Gross premiums written				11	198111		163661	
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13	198111		163661	
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15				
Sub-total A (13 + 1/2 14 - 2/3 15)				16	198111		163661	
Gross premiums earned				21	198111		163661	
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	198111		163661	
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25				
Sub-total H (23 + 1/2 24 - 2/3 25)				26	198111		163661	
Sub-total I (higher of sub-total A and sub-total H)				30	198111		163661	
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure				31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18			32	35660		29459	
	Excess (if any) over 57.5M EURO x 0.02			33	2934		2438	
Sub-total J (32-33)				34	32726		27021	
Claims paid in period of 3 financial years				41	177850		159707	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis			42				
	For insurance business accounted for on an accident year basis			43	200323		210870	
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis			44				
	For insurance business accounted for on an accident year basis			45	212957		222377	
Sub-total C (41+42+43-44-45)				46	165216		148201	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	46893		51713	
Sub-total D (46-47)				48	118323		96487	
Reinsurance Ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)				49	0.72		0.65	
Premiums amount (Sub-total J x reinsurance ratio)				50	23437		17593	
Provision for claims outstanding (before discounting and net of reinsurance)				51	179406		182943	
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero				52				
Brought forward amount (See instruction 4)				53	17252		8505	
Greater of lines 50 and 53				54	23437		17593	

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	4096141	GL	31	12	2009	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	177850			159707
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	200323			210870
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	212957			222377
Claims incurred in reference period (21+22+23-24-25)				26	165216			148201
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	165216			148201
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	55072			49400
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	14319			12844
	Excess (if any) over 40.3M EURO x 0.03			33	572			604
Sub-total G (32-33)				39	13747			12240
Claims amount Sub-total G x reinsurance ratio (11.49)				41	9845			7969
Higher of premiums amount and brought forward amount (11.54)				42	23437			17593
General insurance capital requirement (higher of lines 41 and 42)				43	23437			17593

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings						11		

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	307356	192638
	Debts and loans	22		
Other insurance dependants	Shares	23	37325	36293
	Debts and loans	24	25000	40000
Non-insurance dependants	Shares	25	923	1344
	Debts and loans	26	14100	14100
Other group undertakings	Shares	27		
	Debts and loans	28	112000	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	135336		
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	108142	89070
	Other	46	154486	198489
Variable interest securities	Approved	47		
	Other	48	53727	71879
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53	68833	82000	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	75842	188057
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	15116	9035
	due in more than 12 months	79	9578	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6521	4554
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	5531	7627
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	3750	2696
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1133566	937782

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1133566	937782
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	23365	5545
Capital resources requirement deduction of regulated related undertakings	94	326637	309727
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	54946	161125
Inadmissible assets of regulated related undertakings	96	477968	481914
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	477409	397827
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(9578)	(8923)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	2484313	2284997
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	4096141	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			317406	274873

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	14807	4737
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	948831	921887
	Debts and loans	26	234502	235196
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	1962688	1987930	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	513720	371794	
Rights under derivative contracts	44	3274	108506	
Fixed interest securities	Approved	45	4167020	5024853
	Other	46	3447249	3528016
Variable interest securities	Approved	47	375732	35369
	Other	48	253515	39337
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	2921	2982	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	463449	1089970
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	41892	39711
	Property linked	59	3306867	3148159

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	7710	7437
	Intermediaries	72	3996	3220
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	19	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	18777	18536
	due in more than 12 months	79	16565	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2551	20411
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	127366	132815
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	54	1156
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	16230911	16996895

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	16230911	16996895
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	38826	58166
Capital resources requirement deduction of regulated related undertakings	94	1251	2072
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	4722	12265
Inadmissible assets of regulated related undertakings	96	7400	
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		(7064)
Deferred acquisition costs excluded from line 89	99	7721	49534
Reinsurers' share of technical provisions excluded from line 89	100	6716640	4576382
Other asset adjustments (may be negative)	101	4958	64956
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	23012429	21753206
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	4096141	GL	31	12	2009	£000	11
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			317406	274873

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	14807	4737
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	413528	380913
	Debts and loans	26	234502	235196
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	1957118	1982497	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	494412	371794	
Rights under derivative contracts	44	3274	108506	
Fixed interest securities	Approved	45	4049265	4885227
	Other	46	3325131	3335758
Variable interest securities	Approved	47	375732	35369
	Other	48	236422	39337
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	2921	2982	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	433109	890608
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	41892	39711
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2009	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	7188	6808
	Intermediaries	72	3300	1960
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	19	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	8474	18138
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		15331
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	120479	124013
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	54	1156
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	12039033	12754914

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - With Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2009	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	12039033	12754914
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17048	18586
Capital resources requirement deduction of regulated related undertakings	94	1251	2072
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	4722	12265
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		(7064)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	141019	256820
Other asset adjustments (may be negative)	101	4482	69814
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	12207555	13107407
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	4096141	GL	31	12	2009	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		75220
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	535303	540974
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	5570	5433	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	19308		
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	117755	139626
	Other	46	122118	192258
Variable interest securities	Approved	47		
	Other	48	17093	
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	30340	199362
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	3306867	3148159

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2009	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	522	629
	Intermediaries	72	696	1260
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	10303	11400
	due in more than 12 months	79	83655	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2551	5080
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6887	8802
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4258968	4328203

Analysis of admissible assetsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2009	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4258968	4328203
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	21778	39580
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	7400	
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	7721	49534
Reinsurers' share of technical provisions excluded from line 89	100	6575621	4319562
Other asset adjustments (may be negative)	101	476	(4858)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	10871964	8732021
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	12266251	14981991	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	(78958)	(14008)	
Long term insurance business fund carried forward (11 to 13)	14	12187293	14967983	
Claims outstanding	Gross	15	48663	68258
	Reinsurers' share	16	4789	4461
	Net (15-16)	17	43874	63797
Provisions	Taxation	21	12000	11904
	Other risks and charges	22	11367	7090
Deposits received from reinsurers	23	1617429		
Creditors	Direct insurance business	31	13310	21317
	Reinsurance accepted	32		
	Reinsurance ceded	33	2482	2719
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	5429		
Creditors	Taxation	37		34050
	Other	38	773469	936868
Accruals and deferred income	39	2427	2552	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	2481787	1080297	
Excess of the value of net admissible assets	51	1561831	948615	
Total liabilities and margins	59	16230911	16996895	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	722408	815412
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1689438	3148159

Total liabilities (11+12+49)	71	14748038	16062288
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6716640	4576382
Other adjustments to liabilities (may be negative)	74	1076623	522055
Capital and reserves and fund for future appropriations	75	471128	592481
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	23012429	21753206

Long term insurance business liabilities and marginsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **With Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	10301886	11446338	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	(269757)	(269757)	
Long term insurance business fund carried forward (11 to 13)	14	10032129	11176581	
Claims outstanding	Gross	15	41018	59524
	Reinsurers' share	16	1667	1134
	Net (15-16)	17	39351	58390
Provisions	Taxation	21	12000	3904
	Other risks and charges	22	4531	5089
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	12709	19173
	Reinsurance accepted	32		
	Reinsurance ceded	33	629	693
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	5429		
Creditors	Taxation	37	67090	45052
	Other	38	300907	494865
Accruals and deferred income	39	2427	2552	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	445073	629718	
Excess of the value of net admissible assets	51	1561831	948615	
Total liabilities and margins	59	12039033	12754914	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	253027	337358
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	10746959	12076056
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	141019	256820
Other adjustments to liabilities (may be negative)	74	1120678	440431
Capital and reserves and fund for future appropriations	75	198899	334100
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	12207555	13107407

Long term insurance business liabilities and marginsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Non Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	1964365	3535653	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	190799	255749	
Long term insurance business fund carried forward (11 to 13)	14	2155164	3791402	
Claims outstanding	Gross	15	7645	8734
	Reinsurers' share	16	3122	3327
	Net (15-16)	17	4523	5407
Provisions	Taxation	21		8000
	Other risks and charges	22	6836	2001
Deposits received from reinsurers	23	1617429		
Creditors	Direct insurance business	31	601	2144
	Reinsurance accepted	32		
	Reinsurance ceded	33	1853	2026
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	472562	517223
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	2103804	536801	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	4258968	4328203	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	469381	478054
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1689438	3148159

Total liabilities (11+12+49)	71	4068169	4072454
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6575621	4319562
Other adjustments to liabilities (may be negative)	74	(44055)	81624
Capital and reserves and fund for future appropriations	75	272229	258381
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	10871964	8732021

Liabilities (other than long term insurance business)Name of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	4096141	GL	31	12	2009	£000
				As at end of this financial year 1		As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49	2263	1622
Accruals and deferred income		51		
Total (19 to 51)		59	2263	1622
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	2263	1622

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	2263	1622
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(9578)	54038
Capital and reserves	84	2491628	2229337
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	2484313	2284997

Profit and loss account (non-technical account)Name of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2009	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11				
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13			124239	12444
Investment income	Income		14			25453	43677
	Value re-adjustments on investments		15			100901	
	Gains on the realisation of investments		16				12960
Investment charges	Investment management charges, including interest		17			14947	14984
	Value re-adjustments on investments		18				120108
	Loss on the realisation of investments		19			5460	
Allocated investment return transferred to the general insurance business technical account			20				
Other income and charges (particulars to be specified by way of supplementary note)			21				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			230186	(66011)
Tax on profit or loss on ordinary activities			31			(655)	(5347)
Profit or loss on ordinary activities after tax (29-31)			39			230841	(60664)
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				
Tax on extraordinary profit or loss			42				
Other taxes not shown under the preceding items			43				
Profit or loss for the financial year (39+41-(42+43))			49			230841	(60664)
Dividends (paid or foreseeable)			51				50000
Profit or loss retained for the financial year (49-51)			59			230841	(110664)

Analysis of derivative contractsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	4096141	GL	31	12	2009	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	45153		18537	665580			
	Inflation	13	892		2801	222271			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	3786		21451	190332	1251797		
	Equity stock	17							
	Land	18							
	Currencies	19			11588	603712	6891		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	54031			267679			
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	11624			1094633			
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	60612			694491			
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	176099		54377	3738698	1258688		
Adjustment for variation margin		52	(172825)		(21393)				
Total (51 + 52)		53	3274		32984				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total Long Term Business - With Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	4096141	GL	31	12	2009	£000	11
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	45153		18537	665580			
	Inflation	13	892		2801	222271			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	3786		21451	190332	1251797		
	Equity stock	17							
	Land	18							
	Currencies	19			11588	603712	6891		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	54031			267679			
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	11624			1094633			
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	60612			694491			
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	176099		54377	3738698	1258688		
Adjustment for variation margin		52	(172825)		(21393)				
Total (51 + 52)		53	3274		32984				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

With-profits insurance capital component for the fundName of insurer **Friends Provident Life and Pensions Limited**With-profits fund **With Profit Fund**Financial year ended **31 December 2009**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	12039033	12754914
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	2369612	2460380
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	43049	46643
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	9626373	10247891
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	7932274	8985958
	Regulatory current liabilities of the fund	22	445073	629718
	Total (21+22)	29	8377347	9615676
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	318356	356711
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	8695703	9972388
Regulatory excess capital (19-39)		49	930670	275504

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	930670	275504
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	283834	58216
Present value of other future internal transfers not already taken into account	65	34266	35102
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	612570	182186

Realistic balance sheetName of insurer **Friends Provident Life and Pensions Limited**With-profits fund **With Profit Fund**Financial year ended **31 December 2009**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	9626373	10247891
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13	16058	6808
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	208529	315726
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24	16058	6808
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	9834903	10563616
Support arrangement assets	27	38324	41461
Assets available to the fund (26+27)	29	9873227	10605077

Realistic value of liabilities of fund

With-profits benefit reserve	31	7852370	8223251	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	306416	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	437	75316
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	65362	68589
	Future costs of contractual guarantees (other than financial options)	41	386144	698423
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	426571	574935
	Future costs of smoothing (possibly negative)	44	(17410)	(40938)
	Financing costs	45	52466	49238
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	208957	203082
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1297345	1340834
Realistic current liabilities of the fund	51	528392	708497	
Realistic value of liabilities of fund (31+49+51)	59	9678107	10272582	

Realistic balance sheetName of insurer **Friends Provident Life and Pensions Limited**With-profits fund **With Profit Fund**Financial year ended **31 December 2009**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	9834903	10563616
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	9834903	10563616
Risk capital margin for fund (62-59)	65	156795	291034
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67	38324	41461
Working capital for fund (29-59)	68	195120	332494
Working capital ratio for fund (68/29)	69	1.98	3.14

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	1110904	1018514
Additional amount potentially available for inclusion in line 63	82	99255	117746

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(1304348)	726809
Investment income receivable before deduction of tax	12	687244	815774
Increase (decrease) in the value of non-linked assets brought into account	13	(513088)	137151
Increase (decrease) in the value of linked assets	14	451867	(1036456)
Other income	15	31541	36444
Total income	19	(646784)	679722

Expenditure

Claims incurred	21	1656735	2486965
Expenses payable	22	239664	153760
Interest payable before the deduction of tax	23	18554	46880
Taxation	24	(28324)	(148894)
Other expenditure	25	123038	24741
Transfer to (from) non technical account	26	124239	12444
Total expenditure	29	2133906	2575896

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2780690)	(1896174)
Fund brought forward	49	14967983	16864157
Fund carried forward (39+49)	59	12187293	14967983

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	274016	308429
Investment income receivable before deduction of tax	12	545688	634580
Increase (decrease) in the value of non-linked assets brought into account	13	(527467)	165631
Increase (decrease) in the value of linked assets	14		
Other income	15	31541	36444
Total income	19	323778	1145084

Expenditure

Claims incurred	21	1352522	1813205
Expenses payable	22	69126	82788
Interest payable before the deduction of tax	23	10576	20156
Taxation	24	31767	(42123)
Other expenditure	25		
Transfer to (from) non technical account	26	4239	12444
Total expenditure	29	1468230	1886470

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1144452)	(741386)
Fund brought forward	49	11176581	11917967
Fund carried forward (39+49)	59	10032129	11176581

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(1578364)	418380
Investment income receivable before deduction of tax	12	145035	185658
Increase (decrease) in the value of non-linked assets brought into account	13	14379	(28480)
Increase (decrease) in the value of linked assets	14	451867	(1036456)
Other income	15		
Total income	19	(967083)	(460898)

Expenditure

Claims incurred	21	304213	673760
Expenses payable	22	170538	70972
Interest payable before the deduction of tax	23	11458	31188
Taxation	24	(60091)	(106771)
Other expenditure	25	123038	24741
Transfer to (from) non technical account	26	120000	
Total expenditure	29	669156	693890

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1636239)	(1154788)
Fund brought forward	49	3791402	4946190
Fund carried forward (39+49)	59	2155163	3791402

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	461219	228513	55422	745154	694538
Single premiums	12	86115	114581	4635	205331	232670

Reinsurance - external

Regular premiums	13	33634	200	158	33992	35946
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	75273	99763	6085	181121	193122
Single premiums	16	1892819	147774	(873)	2039720	(28669)

Net of reinsurance

Regular premiums	17	352312	128550	49179	530041	465470
Single premiums	18	(1806704)	(33193)	5508	(1834389)	261339

Total

Gross	19	547334	343094	60057	950485	927208
Reinsurance	20	2001726	247737	5370	2254833	200399
Net	21	(1454392)	95357	54687	(1304348)	726809

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	219711	194202	8180	422093	458050
Single premiums	12	39	107087	251	107377	131359

Reinsurance - external

Regular premiums	13	8206	186	17	8409	8750
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	34198	65464	3868	103530	134335
Single premiums	16	3119	140280	116	143515	137895

Net of reinsurance

Regular premiums	17	177307	128552	4295	310154	314965
Single premiums	18	(3080)	(33193)	135	(36138)	(6536)

Total

Gross	19	219750	301289	8431	529470	589409
Reinsurance	20	45523	205930	4001	255454	280980
Net	21	174227	95359	4430	274016	308429

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	241508	34311	47242	323061	236488
Single premiums	12	86076	7494	4384	97954	101311

Reinsurance - external

Regular premiums	13	25428	14	141	25583	27196
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	41075	34299	2217	77591	58787
Single premiums	16	1889700	7494	(989)	1896205	(166564)

Net of reinsurance

Regular premiums	17	175005	(2)	44884	219887	150505
Single premiums	18	(1803624)		5373	(1798251)	267875

Total

Gross	19	327584	41805	51626	421015	337799
Reinsurance	20	1956203	41807	1369	1999379	(80581)
Net	21	(1628619)	(2)	50257	(1578364)	418380

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	145199	18442	5933	169574	171614
Disability periodic payments	12	23369			23369	24281
Surrender or partial surrender	13	866577	693900	80640	1641117	2180447
Annuity payments	14	3628	201524	18	205170	205606
Lump sums on maturity	15	417231	96506	6806	520543	681994
Total	16	1456004	1010372	93397	2559773	3263942

Reinsurance - external

Death or disability lump sums	21	20715	61	250	21026	24732
Disability periodic payments	22	1798			1798	1832
Surrender or partial surrender	23	23			23	24
Annuity payments	24	15			15	17
Lump sums on maturity	25	148			148	
Total	26	22699	61	250	23010	26605

Reinsurance - intra-group

Death or disability lump sums	31	33009	6344	1154	40507	25703
Disability periodic payments	32	29			29	303
Surrender or partial surrender	33	368691	351460	27844	747995	650321
Annuity payments	34		24210		24210	28446
Lump sums on maturity	35	58456	5814	3017	67287	45599
Total	36	460185	387828	32015	880028	750372

Net of reinsurance

Death or disability lump sums	41	91475	12037	4529	108041	121179
Disability periodic payments	42	21542			21542	22146
Surrender or partial surrender	43	497863	342440	52796	893099	1530102
Annuity payments	44	3613	177314	18	180945	177143
Lump sums on maturity	45	358627	90692	3789	453108	636395
Total	46	973120	622483	61132	1656735	2486965

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	73556	17706	2132	93394	101708
Disability periodic payments	12					
Surrender or partial surrender	13	383410	615340	41529	1040279	1446773
Annuity payments	14	2599	179755	20	182374	182768
Lump sums on maturity	15	388026	94916	3034	485976	639302
Total	16	847591	907717	46715	1802023	2370551

Reinsurance - external

Death or disability lump sums	21	5301	61		5362	7653
Disability periodic payments	22					
Surrender or partial surrender	23	23			23	24
Annuity payments	24	15			15	17
Lump sums on maturity	25	148			148	
Total	26	5487	61		5548	7694

Reinsurance - intra-group

Death or disability lump sums	31	11266	5608	274	17148	19146
Disability periodic payments	32					
Surrender or partial surrender	33	107088	272900	8329	388317	482692
Annuity payments	34		2441		2441	6095
Lump sums on maturity	35	29251	4224	2572	36047	41719
Total	36	147605	285173	11175	443953	549652

Net of reinsurance

Death or disability lump sums	41	56989	12037	1858	70884	74909
Disability periodic payments	42					
Surrender or partial surrender	43	276299	342440	33200	651939	964057
Annuity payments	44	2584	177314	20	179918	176656
Lump sums on maturity	45	358627	90692	462	449781	597583
Total	46	694499	622483	35540	1352522	1813205

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	71643	736	3801	76180	69906
Disability periodic payments	12	23369			23369	24281
Surrender or partial surrender	13	483167	78560	39111	600838	733674
Annuity payments	14	1029	21769	(2)	22796	22838
Lump sums on maturity	15	29205	1590	3772	34567	42692
Total	16	608413	102655	46682	757750	893391

Reinsurance - external

Death or disability lump sums	21	15414		250	15664	17079
Disability periodic payments	22	1798			1798	1832
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	17212		250	17462	18911

Reinsurance - intra-group

Death or disability lump sums	31	21743	736	880	23359	6557
Disability periodic payments	32	29			29	303
Surrender or partial surrender	33	261603	78560	19515	359678	167629
Annuity payments	34		21769		21769	22351
Lump sums on maturity	35	29205	1590	445	31240	3880
Total	36	312580	102655	20840	436075	200720

Net of reinsurance

Death or disability lump sums	41	34486		2671	37157	46270
Disability periodic payments	42	21542			21542	22146
Surrender or partial surrender	43	221564		19596	241160	566045
Annuity payments	44	1029		(2)	1027	487
Lump sums on maturity	45			3327	3327	38812
Total	46	278621		25592	304213	673760

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	1818	1387	241	3446	7805
Commission - other	12	7978	1423	819	10220	11592
Management - acquisition	13	6009	2		6011	7162
Management - maintenance	14	50059	30495	4412	84966	101223
Management - other	15	28515	4779	1972	35266	32095
Total	16	94379	38086	7444	139909	159877

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	195	3	3	201	185
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	195	3	3	201	185

Reinsurance - intra-group

Commission - acquisition	31	(44152)	2889	12	(41251)	4134
Commission - other	32					
Management - acquisition	33	(41651)			(41651)	
Management - maintenance	34	(11033)			(11033)	1798
Management - other	35	(6021)			(6021)	
Total	36	(102857)	2889	12	(99956)	5932

Net of reinsurance

Commission - acquisition	41	45970	(1502)	229	44697	3671
Commission - other	42	7783	1420	816	10019	11407
Management - acquisition	43	47660	2		47662	7162
Management - maintenance	44	61092	30495	4412	95999	99425
Management - other	45	34536	4779	1972	41287	32095
Total	46	197041	35194	7429	239664	153760

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	51	1257	9	1317	2605
Commission - other	12	3296	1423	338	5057	6249
Management - acquisition	13					
Management - maintenance	14	8935	14324	512	23771	28262
Management - other	15	3433	(4072)	(65)	(704)	488
Total	16	15715	12932	794	29441	37604

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	12	3		15	13
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	12	3		15	13

Reinsurance - intra-group

Commission - acquisition	31	76	2759	12	2847	1271
Commission - other	32					
Management - acquisition	33	(1)	(2)		(3)	(36)
Management - maintenance	34	(18416)	(23777)	(351)	(42544)	(46432)
Management - other	35					
Total	36	(18341)	(21020)	(339)	(39700)	(45197)

Net of reinsurance

Commission - acquisition	41	(25)	(1502)	(3)	(1530)	1334
Commission - other	42	3284	1420	338	5042	6236
Management - acquisition	43	1	2		3	36
Management - maintenance	44	27351	38101	863	66315	74694
Management - other	45	3433	(4072)	(65)	(704)	488
Total	46	34044	33949	1133	69126	82788

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	1767	130	232	2129	5200
Commission - other	12	4682		481	5163	5343
Management - acquisition	13	6009	2		6011	7162
Management - maintenance	14	41124	16171	3900	61195	72961
Management - other	15	25082	8851	2037	35970	31607
Total	16	78664	25154	6650	110468	122273

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	183		3	186	172
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	183		3	186	172

Reinsurance - intra-group

Commission - acquisition	31	(44228)	130		(44098)	2863
Commission - other	32					
Management - acquisition	33	(41650)	2		(41648)	36
Management - maintenance	34	7383	23777	351	31511	48230
Management - other	35	(6021)			(6021)	
Total	36	(84516)	23909	351	(60256)	51129

Net of reinsurance

Commission - acquisition	41	45995		232	46227	2337
Commission - other	42	4499		478	4977	5171
Management - acquisition	43	47659			47659	7126
Management - maintenance	44	33741	(7606)	3549	29684	24731
Management - other	45	31103	8851	2037	41991	31607
Total	46	162997	1245	6296	170538	70972

Long-term insurance business : Linked funds balance sheet

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	1086960	1193761
Directly held assets in collective investment schemes of connected companies	12		1433788
Directly held assets in other collective investment schemes	13	2260678	548448
Total assets (excluding cross investment) (11+12+13)	14	3347638	3175997
Provision for tax on unrealised capital gains	15	7908	464
Secured and unsecured loans	16		
Other liabilities	17	1650292	27374
Total net assets (14-15-16-17)	18	1689438	3148159

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	1689438	3148159
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	1689438	3148159

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	489440	651713
Investment income attributable to the funds before deduction of tax	12	121094	151272
Increase (decrease) in the value of investments in the financial year	13	451867	(1036455)
Other income	14		
Total income	19	1062401	(233470)

Expenditure

Value of total cancellation of units	21	853151	953255
Charges for management	22	27464	34905
Charges in respect of tax on investment income	23	12183	16223
Taxation on realised capital gains	24	2641	(1809)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	7444	(57580)
Other expenditure	26	1618239	1069
Total expenditure	29	2521122	946063

Increase (decrease) in funds in financial year (19-29)	39	(1458721)	(1179533)
Internal linked fund brought forward	49	3148159	4327692
Internal linked funds carried forward (39+49)	59	1689438	3148159

Long-term insurance business : Summary of new businessName of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	10	1048	1	1059	2182
Single premium business	12	5	1946	2	1953	2840
Total	14	15	2994	3	3012	5022

**Amount of new regular
premiums**

Direct insurance business	21	8713	7660	131	16503	20545
External reinsurance	22					
Intra-group reinsurance	23	33797			33797	
Total	24	42509	7660	131	50300	20545

**Amount of new single
premiums**

Direct insurance business	25	611	105068	377	106056	118527
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	611	105068	377	106056	118527

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
395	Annuity non-profit (PLA)			5	395
420	Group income protection		8684		
510	Life UWP endowment regular premium - savings		13		
515	Life UWP endowment regular premium – target cash		2		
700	Life property linked single premium				216
715	Life property linked endowment regular premium - savings	10	13		

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance		8555		
330	Decreasing term assurance		7487		
340	Accelerated critical illness (guaranteed premiums)		14091		
345	Accelerated critical illness (reviewable premiums)		2619		
350	Stand-alone critical illness (guaranteed premiums)		587		
355	Stand-alone critical illness (reviewable premiums)		458		

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			850	4569
525	Individual pensions UWP	3	128	16	42476
535	Group money purchase pensions UWP	24	268	11	262
725	Individual pensions property linked	39	187	416	44166
735	Group money purchase pensions property linked	982	7076	653	13595

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2009

Units

£000

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				229
505	Life UWP whole life regular premium		3		
510	Life UWP endowment regular premium - savings		3		
525	Individual pensions UWP				28
700	Life property linked single premium				97
710	Life property linked whole life regular premium		7		
715	Life property linked endowment regular premium - savings		92		
725	Individual pensions property linked	1	26	2	23

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11	23190	23190	590	2.54	
Approved fixed interest securities	12	634777	634777	26761	4.40	
Other fixed interest securities	13	1691972	1691972	109483	7.23	
Variable interest securities	14	184952	184952	6937	8.49	
UK listed equity shares	15	61450	61450	2408	7.09	
Non-UK listed equity shares	16	32506	32506	1021	3.03	
Unlisted equity shares	17	539921	130		0.76	
Other assets	18	154103	693894	3183	0.49	
Total	19	3322871	3322871	150383	5.28	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	294216	529332	27403	5.18	31.20
Approved fixed interest securities	22	3562805	3538865	148565	3.69	(3.50)
Other fixed interest securities	23	1848004	1868768	121187	7.03	16.70
Variable interest securities	24	448333	368556	12868	5.86	(1.90)
UK listed equity shares	25	1079381	1396737	55376	4.68	9.30
Non-UK listed equity shares	26	481305	645819	20286	4.64	6.40
Unlisted equity shares	27	731763	303429	583	0.20	1.80
Other assets	28	1180565	974866	20104	2.13	0.40
Total	29	9626372	9626372	406371	4.44	9.50

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.50
Return allocated to non taxable 'asset shares'	32					9.50
Return allocated to taxable 'asset shares'	33					8.30

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **11 Total Long Term Business - With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11	23190	23190	590	5.30	
Approved fixed interest securities	12	516271	516271	21674	4.47	
Other fixed interest securities	13	1563936	1563936	101419	7.27	
Variable interest securities	14	167678	167678	5855	8.26	
UK listed equity shares	15	60368	60368	2393	7.19	
Non-UK listed equity shares	16	32506	32506	1021	3.03	
Unlisted equity shares	17	130	130		0.76	
Other assets	18	6691	6691	138	5.31	
Total	19	2370770	2370770	133090	6.65	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	294216	529332	27403	5.17	31.20
Approved fixed interest securities	22	3562805	3538865	148565	3.69	(3.50)
Other fixed interest securities	23	1848004	1868768	121187	7.03	16.70
Variable interest securities	24	448333	368556	12868	5.86	(1.90)
UK listed equity shares	25	1079381	1396737	55376	4.68	9.30
Non-UK listed equity shares	26	481305	645819	20286	4.64	6.40
Unlisted equity shares	27	731763	303429	583	0.20	1.80
Other assets	28	1180565	974866	20104	2.13	0.40
Total	29	9626372	9626372	406371	4.44	9.50

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.50
Return allocated to non taxable 'asset shares'	32					9.50
Return allocated to taxable 'asset shares'	33					8.30

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **12 Total Long Term Business - Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	118506	118506	5088	4.11	
Other fixed interest securities	13	128036	128036	8064	6.76	
Variable interest securities	14	17274	17274	1082	10.68	
UK listed equity shares	15	1082	1082	15	1.63	
Non-UK listed equity shares	16					
Unlisted equity shares	17	539791				
Other assets	18	147412	687203	3045	0.44	
Total	19	952101	952101	17293	1.94	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3214502	11.14	3.79	3.79
Other approved fixed interest securities	21	959140	12.11	3.85	3.85
Other fixed interest securities					
AAA/Aaa	31	378340	9.03	5.21	5.00
AA/Aa	32	544692	8.70	5.77	5.13
A/A	33	1709479	8.63	6.47	5.29
BBB/Baa	34	516879	8.33	7.24	4.82
BB/Ba	35	115332	6.66	14.43	6.53
B/B	36	46425	4.59	33.02	7.96
CCC/Caa	37	29798	7.56	11.94	5.52
Other (including unrated)	38	219795	7.48	8.69	5.80
Total other fixed interest securities	39	3560740	8.45	7.13	5.28
Approved variable interest securities	41	376709	5.33	4.17	4.17
Other variable interest securities	51	176799	12.30	12.19	10.88
Total (11+21+39+41+51)	61	8287890	9.86	5.42	4.60

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **11 Total Long Term Business - With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3110499	11.22	3.77	3.77
Other approved fixed interest securities	21	944637	12.17	3.84	3.84
Other fixed interest securities					
AAA/Aaa	31	361133	8.85	5.20	4.98
AA/Aa	32	524429	8.61	5.78	5.13
A/A	33	1652593	8.59	6.47	5.29
BBB/Baa	34	507466	8.30	7.23	4.81
BB/Ba	35	112752	6.64	14.57	6.56
B/B	36	46425	4.59	33.02	7.96
CCC/Caa	37	28150	7.58	11.91	5.53
Other (including unrated)	38	199756	7.65	8.66	5.70
Total other fixed interest securities	39	3432704	8.40	7.14	5.27
Approved variable interest securities	41	376709	5.33	4.17	4.17
Other variable interest securities	51	159525	12.24	12.36	11.05
Total (11+21+39+41+51)	61	8024075	9.87	5.41	4.59

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **12 Total Long Term Business - Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	104003	8.85	4.14	4.14

Other approved fixed interest securities	21	14503	8.09	3.92	3.92
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Other fixed interest securities

AAA/Aaa	31	17207	12.98	5.48	5.29
AA/Aa	32	20263	11.09	5.51	4.99
A/A	33	56887	9.85	6.36	5.32
BBB/Baa	34	9413	9.81	8.08	5.61
BB/Ba	35	2580	7.82	8.34	5.31
B/B	36				
CCC/Caa	37	1648	7.33	12.55	5.32
Other (including unrated)	38	20038	5.78	9.00	6.81
Total other fixed interest securities	39	128036	9.75	6.76	5.52

Approved variable interest securities	41				
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Other variable interest securities	51	17274	12.88	10.68	9.40
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Total (11+21+39+41+51)	61	263815	9.51	5.83	5.14
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	2136684	1729128		3865811	4577518
Form 51 - non-profit	12	385083	2503053	(1857)	2886278	3275260
Form 52	13	1361125	2645998	301460	4308584	4663099
Form 53 - linked	14	4510000	4322119	408196	9240315	8307609
Form 53 - non-linked	15	44216	142819	8529	195564	157561
Form 54 - linked	16		52493		52493	49015
Form 54 - non-linked	17					
Total	18	8437108	11395610	716327	20549046	21030063

Reinsurance - external

Form 51 - with-profits	21	3559	16		3575	3701
Form 51 - non-profit	22	77084	471		77555	74793
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	80642	487		81129	78493

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	4587	318361		322948	462533
Form 52	33	83691	51884	92674	228248	258705
Form 53 - linked	34	3102236	4322119	126522	7550877	5159450
Form 53 - non-linked	35	549	95481		96030	87595
Form 54 - linked	36		10601		10601	9305
Form 54 - non-linked	37					
Total	38	3191063	4798445	219195	8208703	5977588

Net of reinsurance

Form 51 - with-profits	41	2133125	1729112		3862237	4573817
Form 51 - non-profit	42	303412	2184221	(1857)	2485776	2737934
Form 52	43	1277434	2594115	208787	4080336	4404394
Form 53 - linked	44	1407764		281674	1689438	3148159
Form 53 - non-linked	45	43667	47338	8529	99534	69966
Form 54 - linked	46		41892		41892	39711
Form 54 - non-linked	47					
Total	48	5165403	6596678	497132	12259213	14973981

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	2136684	1729128		3865811	4577518
Form 51 - non-profit	12	122845	2206470	204	2329519	2539273
Form 52	13	1273163	2582317	207519	4062999	4404131
Form 53 - linked	14	1228087	3633897	118623	4980607	4250418
Form 53 - non-linked	15	5816	126362	572	132750	132090
Form 54 - linked	16		41892		41892	39711
Form 54 - non-linked	17					
Total	18	4766595	10320066	326917	15413578	15943141

Reinsurance - external

Form 51 - with-profits	21	3559	16		3575	3701
Form 51 - non-profit	22	18154	471		18625	17441
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	21713	487		22200	21142

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		29969		29969	155779
Form 52	33					
Form 53 - linked	34	1228087	3633897	118623	4980607	4250418
Form 53 - non-linked	35		85955		85955	77474
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	1228087	3749821	118623	5096531	4483671

Net of reinsurance

Form 51 - with-profits	41	2133125	1729112		3862237	4573817
Form 51 - non-profit	42	104691	2176029	204	2280924	2366053
Form 52	43	1273163	2582317	207519	4062999	4404131
Form 53 - linked	44					
Form 53 - non-linked	45	5816	40408	572	46796	54616
Form 54 - linked	46		41892		41892	39711
Form 54 - non-linked	47					
Total	48	3516795	6569758	208295	10294848	11438328

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11					
Form 51 - non-profit	12	262238	296583	(2061)	556760	735987
Form 52	13	87962	63681	93942	245585	258968
Form 53 - linked	14	3281913	688222	289573	4259708	4057191
Form 53 - non-linked	15	38401	16457	7956	62814	25470
Form 54 - linked	16		10601		10601	9305
Form 54 - non-linked	17					
Total	18	3670513	1075544	389410	5135467	5086922

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	58929			58929	57352
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	58929			58929	57352

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	4587	288391		292978	306755
Form 52	33	83691	51884	92674	228248	258705
Form 53 - linked	34	1874149	688222	7899	2570270	909032
Form 53 - non-linked	35	549	9526		10075	10120
Form 54 - linked	36		10601		10601	9305
Form 54 - non-linked	37					
Total	38	1962976	1048624	100573	3112173	1493917

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	198722	8192	(2061)	204852	371881
Form 52	43	4271	11797	1268	17337	263
Form 53 - linked	44	1407764		281674	1689438	3148159
Form 53 - non-linked	45	37852	6931	7956	52739	15350
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1648608	26920	288838	1964365	3535653

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	22415	239032	2357				128127
120	Conventional endowment with-profits OB savings	31849	240160	6784				185476
125	Conventional endowment with-profits OB target cash	168415	2301899	70033				1814386
165	Conventional deferred annuity with-profits	28	27					118
175	Group conventional deferred annuity with-profits	7	32					353
210	Additional reserves with-profits OB							8224
300	Regular premium non-profit WL/EA OB	34577	91425	2264				51783
325	Level term assurance	45829	2947285	10114				14455
330	Decreasing term assurance	181080	2377517	9415				19707
340	Accelerated critical illness (guaranteed premiums)	8717	455210	2799				8138
350	Stand-alone critical illness (guaranteed premiums)	2259	105296	588				527
390	Deferred annuity non-profit	26	15					158
395	Annuity non-profit (PLA)	2855	2660					21518
435	Miscellaneous non-profit	245	6210	18				5959
440	Additional reserves non-profit OB							600

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		9800	22				3447
120	Conventional endowment with-profits OB savings		208					67
125	Conventional endowment with-profits OB target cash		81					45
300	Regular premium non-profit WL/EA OB		84	1				57
325	Level term assurance		1044001	3989				11763
330	Decreasing term assurance		136319	968				(222)
340	Accelerated critical illness (guaranteed premiums)		363766	2113				6496
350	Stand-alone critical illness (guaranteed premiums)		7354	36				57
395	Annuity non-profit (PLA)							2

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	5	160					112
155	Conventional pensions endowment with-profits	5	101					88
165	Conventional deferred annuity with-profits	27471	893530	3994				945412
175	Group conventional deferred annuity with-profits	14961	591125	178				781953
185	Group conventional pensions endowment with-profits	53	470	1				400
205	Miscellaneous conventional with-profits	818	16493	24				1163
300	Regular premium non-profit WL/EA OB	537	213321	600				1335
315	Individual deposit administration non-profit	543	8790	19				8790
320	Group deposit administration non-profit	349	10461	24				22147
325	Level term assurance	16711	866680	2217				3623
390	Deferred annuity non-profit	4924	49496	3				180829
400	Annuity non-profit (CPA)	88407	173501					1988981
410	Group life	132	411053	774				707
435	Miscellaneous non-profit	2	171	3				8

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
440	Additional reserves non-profit OB							50

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
205	Miscellaneous conventional with-profits		1233	2				16
325	Level term assurance		103236	51				380
390	Deferred annuity non-profit		24					
400	Annuity non-profit (CPA)		10					91

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
315	Individual deposit administration non-profit		8790	19				8790
320	Group deposit administration non-profit		10461	24				19946
390	Deferred annuity non-profit		98					1190
410	Group life		39153	37				38
435	Miscellaneous non-profit		89	1				4

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	1047	126613	460				(314)
330	Decreasing term assurance	117	8562	56				60
350	Stand-alone critical illness (guaranteed premiums)	1000	39226	233				251
395	Annuity non-profit (PLA)	11	21					206

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
Total business / subfund **31 Non Profit Fund**
Financial year ended **31 December 2009**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	1213	3005	242				455
325	Level term assurance	31511	7024287	24331				(1814)
330	Decreasing term assurance	22408	6942612	25051				(38580)
340	Accelerated critical illness (guaranteed premiums)	53946	5874148	72666				(11151)
345	Accelerated critical illness (reviewable premiums)	930	876245	18037				(4783)
350	Stand-alone critical illness (guaranteed premiums)	3886	346024	2568				(3060)
355	Stand-alone critical illness (reviewable premiums)	47	120997	3039				(2239)
360	Income protection non-profit (guaranteed premiums)	77017	1025653	27993				19992
385	Income protection claims in payment	1307	15587					137573
390	Deferred annuity non-profit							9
395	Annuity non-profit (PLA)	305	1031					9058
420	Group income protection	6243	1855184	30085				71533
425	Group income protection claims in payment	145	8286					62750
440	Additional reserves non-profit OB							22496

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		2112221	5751				18936
330	Decreasing term assurance		806373	3731				(2132)
340	Accelerated critical illness (guaranteed premiums)		2227932	4746				15819
345	Accelerated critical illness (reviewable premiums)		48769					495
350	Stand-alone critical illness (guaranteed premiums)		164993	541				355
355	Stand-alone critical illness (reviewable premiums)		2185					8
360	Income protection non-profit (guaranteed premiums)		149644	322				3317
385	Income protection claims in payment		1328					11358
420	Group income protection		177397	2497				5782
425	Group income protection claims in payment		718					4992

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
420	Group income protection		2099	17				20
425	Group income protection claims in payment		842					4567

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	39	4891	28				35
390	Deferred annuity non-profit							5625
400	Annuity non-profit (CPA)	8998	21173					288356
440	Additional reserves non-profit OB							2567

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
Total business / subfund **31 Non Profit Fund**
Financial year ended **31 December 2009**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		4891	28				35
400	Annuity non-profit (CPA)		21173					288356

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	3971	594169	2232				(2578)
330	Decreasing term assurance	565	49670	303				367
340	Accelerated critical illness (guaranteed premiums)	27	3117	22				32
350	Stand-alone critical illness (guaranteed premiums)	2170	106538	699				50
440	Additional reserves non-profit OB							68

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life and Pensions Limited**
Total business / subfund **31 Non Profit Fund**
Financial year ended **31 December 2009**
Units **£000**
Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance							
330	Decreasing term assurance							
350	Stand-alone critical illness (guaranteed premiums)							
395	Annuity non-profit (PLA)							

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	32722	479738		475070	475070	(477)	474593
505	Life UWP whole life regular premium	5769	704156	9199	138455	137634	2729	140363
510	Life UWP endowment regular premium - savings	14498	206312	9412	126020	125919	305	126224
515	Life UWP endowment regular premium - target cash	32528	1421232	33993	435243	434002	2676	436678
574	UWP investment only reinsurance		84005	17	84005	84002	(114)	83888
575	Miscellaneous UWP	663	12942	489	11412	11412	5	11417

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	159463	2192391	28462	2147459	2120647	30895	2151543
535	Group money purchase pensions UWP	16851	179127	3367	230662	230455	5003	235458
574	UWP investment only reinsurance		195876	46	195876	195842	(525)	195317

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	2125	105378		104335	104335	(1016)	103319
505	Life UWP whole life regular premium	38	2576	81	2550	2550	(4)	2547
510	Life UWP endowment regular premium - savings	234	7112	506	5772	5657	(4)	5653
525	Individual pensions UWP	125	3338	161	3330	3330	(3)	3326
574	UWP investment only reinsurance		93145		93145	93145	(472)	92674

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	2226	63005		62381	62381	(20)	62361
505	Life UWP whole life regular premium	274	58928	586	1998	1998	1	1998
510	Life UWP endowment regular premium - savings	2175	14343	1646	11518	11518	10	11528
515	Life UWP endowment regular premium - target cash	677	21864	783	3870	3870	4	3875
574	UWP investment only reinsurance		3941		3941	3941	(12)	3929
575	Miscellaneous UWP						4271	4271

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium		624				61	61
505	Life UWP whole life regular premium		56931				6	6
510	Life UWP endowment regular premium - savings		2825				18	18
515	Life UWP endowment regular premium – target cash		17993				12	12
574	UWP investment only reinsurance		83708		83708	83708	(114)	83594

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	2152	25862	525	25735	25620	258	25878
535	Group money purchase pensions UWP	2174	26145	1834	25885	25885	121	26006
575	Miscellaneous UWP						11797	11797

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP		242	525			306	306
535	Group money purchase pensions UWP		260	1834			117	117
574	UWP investment only reinsurance		51505		51505	51505	(45)	51460

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	1448	68455		67778	67778	(187)	67591
505	Life UWP whole life regular premium	30	1343	124	1330	1330		1330
510	Life UWP endowment regular premium - savings	1438	21680	2003	18876	15969	(12)	15956
525	Individual pensions UWP	233	8133	189	8069	8069	(19)	8050
575	Miscellaneous UWP						1014	1014

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
574	UWP investment only reinsurance		93145		93145	93145	(472)	92674

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	24674	469694		464826	464826	3007	467833
710	Life property linked whole life regular premium	48567	1280319	13650	217341	214341	3077	217418
715	Life property linked endowment regular premium - savings	20663	368621	8163	170307	170045	229	170274
720	Life property linked endowment regular premium - target cash	43586	919214	20864	369594	365700	(598)	365101
795	Miscellaneous property linked	1451	14063	223	13175	13175	1	13176
800	Additional reserves property linked						100	100

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
Total business / subfund **21 With Profit Fund**
Financial year ended **31 December 2009**
Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		1227528		1228087	1228087		1228087

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	513648	3000893	101085	2963553	2935092	40369	2975461
735	Group money purchase pensions property linked	63904	794233	92466	702059	698805	85993	784798

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		786		27191	27191		27191
735	Group money purchase pensions property linked		124	3	124	124		124
794	Property linked investment only reinsurance		3692187	53537	3606582	3606582	85955	3692537

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	1705	52179		51662	51662	415	52078
710	Life property linked whole life regular premium	277	9204	333	9112	9112	13	9125
715	Life property linked endowment regular premium - savings	2980	41966	2505	34323	33198	76	33274
725	Individual pensions property linked	1476	24682	1345	24650	24650	68	24718

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		118623		118623	118623		118623

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	14441	437973		433681	433681	132	433813
710	Life property linked whole life regular premium	2188	131026	1157	4719	4719	2835	7554
715	Life property linked endowment regular premium - savings	2084	18314	1779	13177	13177	20	13196
720	Life property linked endowment regular premium - target cash	567	18051	580	2861	2861	3	2864
795	Miscellaneous property linked		2826915		2827474	2827474		2827474
800	Additional reserves property linked						35411	35411

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		437973		433681	433681	132	433813
710	Life property linked whole life regular premium		131026	1157	4719	4719	394	5113
715	Life property linked endowment regular premium - savings		18314	1779	13177	13177	20	13196
720	Life property linked endowment regular premium – target cash		18051	580	2861	2861	3	2864
794	Property linked investment only reinsurance		1419151		1419710	1419710		1419710

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	34180	323970	5760	323884	323884	1906	325790
735	Group money purchase pensions property linked	37246	367102	23689	365159	364338	7620	371958
800	Additional reserves property linked						6931	6931

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		323970	5760	323884	323884	1906	325790
735	Group money purchase pensions property linked		367102	23689	365159	364338	7620	371958

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	715	35572		35289	35289	(170)	35119
710	Life property linked whole life regular premium	139	4244	314	4202	4202	2	4204
715	Life property linked endowment regular premium - savings	7496	70576	7177	57567	46471	(83)	46388
725	Individual pensions property linked	980	15377	753	15285	15285	8	15293
794	Property linked investment only reinsurance		188326		188326	188326		188326
800	Additional reserves property linked						8200	8200

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
794	Property linked investment only reinsurance		7899		7899	7899		7899

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	1782	2123		41892	41892		41892

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	546	477		10601	10601		10601

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		477		10601	10601		10601

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Activest Lux Chance (EUR)	06 - life - overseas equity	358	IRIS Accumulation	2.40%	0.6447	0.7434	15.30
Activest Lux Ertrag (EUR)	06 - life - overseas equity	37	IRIS Accumulation	1.95%	0.8461	0.8035	(5.04)
Activest Lux Wachstum (EUR)	06 - life - overseas equity	43	IRIS Accumulation	2.35%	0.7518	0.7750	3.09
Cash	03 - life - defensive managed fund	4058	Accumulation - PRE	1.00%	1.5833	1.5831	(0.01)
European	06 - life - overseas equity	40411	Accumulation - PRE	1.00%	2.7264	3.3805	23.99
F&C Asia Pacific (EUR)	06 - life - overseas equity	1620	Multi Currency FPLAL Accumulation	1.00%	1.2302	1.6661	35.43
F&C Euro Bond (EUR)	01 - life - stock market managed fund	343	Cross Holdings	0.00%	0.9022	0.9503	5.34
F&C European Equity (EUR)	06 - life - overseas equity	404	Multi Currency FPLP Accumulation	1.00%	0.7676	0.9135	19.00
F&C Global Equity (EUR)	06 - life - overseas equity	1314	Multi Currency FPLAL Accumulation	1.00%	0.8178	0.9219	12.74
F&C High Yield (EUR)	01 - life - stock market managed fund	295	Multi Currency FPLP Accumulation	1.00%	0.8311	0.9875	18.82
F&C High Yield Bond	01 - life - stock market managed fund	821	Multi Currency FPLP Accumulation	1.00%	0.9005	1.2389	37.59
F&C Japan (EUR)	06 - life - overseas equity	156	Multi Currency FPLAL Accumulation	1.00%	0.8748	0.7916	(9.51)
F&C Managed (EUR)	04 - life - other managed fund	514	Multi Currency FPLP Accumulation	1.00%	0.6600	0.7625	15.52
F&C Monthly Distribution	01 - life - stock market managed fund	1850	Multi Currency FPLP Accumulation	1.00%	0.9415	1.1202	18.98
F&C North American Equity (EUR)	06 - life - overseas equity	25	Multi Currency FPLAL Accumulation	1.00%	0.6554	0.7175	9.47
F&C Stewardship International IRIS (EUR)	06 - life - overseas equity	23	IRIS Accumulation	1.76%	0.6411	0.7569	18.06
F&C UK Property	07 - life - property	7899	Accumulation - POST	1.00%	0.9277	1.0382	11.91
Fidelity European Growth IRIS (EUR)	06 - life - overseas equity	2768	Multi Currency FPLAL Accumulation	2.25%	0.6149	0.6987	13.64

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Fixed Interest	01 - life - stock market managed fund	6523	Accumulation - POST	1.00%	2.3820	2.2415	(5.90)
FPI East Capital Balkan (SEK)	06 - life - overseas equity	313	Multi Currency FPLAL Accumulation	2.50%	6.2986	0.7061	(88.79)
FPI East Capital Eastern (SEK)	06 - life - overseas equity	767	Multi Currency FPLAL Accumulation	2.50%	6.0530	0.9750	(83.89)
FPI Global Equity IRIS (EUR)	06 - life - overseas equity	5089	Cross Holdings	0.00%	0.6373	0.7234	13.52
FPI Lannebo Smabolag (SEK)	06 - life - overseas equity	911	Multi Currency FPLAL Accumulation	1.75%	8.3827	1.2123	(85.54)
FPI Lannebo Sverige (SEK)	06 - life - overseas equity	1045	Multi Currency FPLAL Accumulation	1.75%	6.0365	0.9121	(84.89)
FPI Model 1 Preservation IRIS (EUR)	03 - life - defensive managed fund	17	Cross Holdings	0.00%	0.9443	0.8428	(10.74)
FPI Model 2 Cautious IRIS (EUR)	03 - life - defensive managed fund	182	Multi Currency FPLAL Accumulation	1.75%	0.8341	0.8051	(3.48)
FPI Model 3 Balanced IRIS (EUR)	02 - life - balanced managed fund	472	Multi Currency FPLAL Accumulation	1.75%	0.7014	0.7196	2.59
FPI Model 4 Growth IRIS (EUR)	02 - life - balanced managed fund	4209	Multi Currency FPLAL Accumulation	1.75%	0.5976	0.6486	8.53
FPI Model 5 Aggressive IRIS (EUR)	02 - life - balanced managed fund	10886	Multi Currency FPLAL Accumulation	1.75%	0.5362	0.6024	12.35
FPI Nordea SEK Reserve (SEK)	06 - life - overseas equity	1586	Multi Currency FPLAL Accumulation	0.75%	10.6739	0.9462	(91.14)
FPI Nordea Swedish Bond (SEK)	06 - life - overseas equity	1301	Multi Currency FPLAL Accumulation	1.25%	10.9426	0.9331	(91.47)
Templeton BRIC (USD)	06 - life - overseas equity	4934	Multi Currency FPLAL Accumulation	2.25%	0.9068	1.0580	16.68
International Stewardship	06 - life - overseas equity	4685	Accumulation - POST	1.00%	0.7822	0.9867	26.15
Investec American Equity (USD)	06 - life - overseas equity	422	Multi Currency FPLAL Accumulation	1.50%	0.8115	0.7141	(12.00)
Investec Cautious Managed	03 - life - defensive managed fund	13008	Accumulation - PRE	1.50%	1.1033	1.3697	24.14
Investec Global Strategy Global Energy (USD)	06 - life - overseas equity	474	Multi Currency FPLAL Accumulation	1.75%	0.8573	0.7798	(9.04)

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Investec UK Equity	05 - life - UK equity	570	Accumulation - PRE	1.50%	1.1155	1.3667	22.52
JPMF Euro Liquidity (EUR)	03 - life - defensive managed fund	1507	Multi Currency FPLAL Accumulation	0.75%	1.0583	0.9444	(10.76)
JPMF Euro Liquidity IRIS (EUR)	03 - life - defensive managed fund	382	Multi Currency FPLAL Accumulation	1.55%	1.0552	0.9342	(11.46)
JPMF Euroland Equity (EUR)	06 - life - overseas equity	505	Multi Currency FPLAL Accumulation	1.50%	0.9845	1.1227	14.04
JPMF Global Balanced (EUR)	02 - life - balanced managed fund	784	Multi Currency FPLP Accumulation	1.50%	1.0454	1.0658	1.95
JPMF Sterling Liquidity	03 - life - defensive managed fund	3072	Multi Currency FPLP Accumulation	0.75%	1.1670	1.1720	0.42
JPMF USD Liquidity (USD)	03 - life - defensive managed fund	891	Multi Currency FPLP Accumulation	0.75%	1.0804	0.6692	(38.06)
Life Aegon Ethical Corporate Bond Accumulation	01 - life - stock market managed fund	5792	FP Accumulation 0.75% - FPLAL	0.75%	0.8024	0.9153	14.07
Life Aegon Ethical Equity	05 - life - UK equity	2909	FP Accumulation 0.75% - FPLAL	0.75%	0.7180	0.8757	21.97
Life Aegon Sterling Corporate Bond Income	01 - life - stock market managed fund	2812	FP Accumulation 0.75% - FPLAL	0.75%	0.7510	0.8950	19.19
Life American	06 - life - overseas equity	13585	FP Accumulation 0.75% - PRE	0.75%	2.1691	2.5432	17.25
Life Artemis Capital	05 - life - UK equity	1551	FP Accumulation 0.75% - FPLAL	0.75%	0.7582	0.9157	20.77
Life Artemis European	06 - life - overseas equity	3896	FP Accumulation 0.75% - FPLAL	0.75%	0.8854	1.0023	13.21
Life Artemis Global Growth	06 - life - overseas equity	994	FP Accumulation 0.75% - FPLAL	0.75%	0.8022	0.8701	8.46
Life Artemis Income	05 - life - UK equity	13349	FP Accumulation 0.75% - FPLAL	0.75%	0.9893	1.1927	20.56
Life Artemis UK Growth	05 - life - UK equity	1891	FP Accumulation 0.75% - FPLAL	0.75%	0.7101	0.8956	26.13
Life Artemis UK Special Situations	05 - life - UK equity	6521	FP Accumulation 0.75% - FPLAL	0.75%	0.8971	1.1278	25.71
Life Baillie Gifford British 350	05 - life - UK equity	389	FP Accumulation 0.65% - FPLAL	0.65%	1.0940	1.3562	23.97

Long-term insurance business : Unit prices for internal linked funds

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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Baillie Gifford Income	05 - life - UK equity	395	FP Accumulation 0.65% - FPLAL	0.65%	0.9566	1.2556	31.26
Life Capital Growth	03 - life - defensive managed fund	8752	Ex LMA 5.00%	5.00%	30.1381	38.6088	28.11
Life Cavendishgrant Balanced Income	02 - life - balanced managed fund	1642	FP Accumulation 0.75% - FPLAL	0.75%	0.6947	0.7399	6.50
Life Cavendishgrant Cautious Growth	03 - life - defensive managed fund	795	FP Accumulation 0.75% - FPLAL	0.75%	0.7299	0.8389	14.94
Life Cavendishgrant Strategic Growth	01 - life - stock market managed fund	1461	FP Accumulation 0.75% - FPLAL	0.75%	0.7951	0.9727	22.33
Life Cazenove UK Dynamic	05 - life - UK equity	757	FP Accumulation 0.75% - FPLAL	0.75%	0.7761	1.2001	54.64
Life Cazenove UK Growth & Income	05 - life - UK equity	798	FP Accumulation 0.75% - FPLAL	0.75%	0.8147	1.0240	25.69
Life Credit Suisse Multi Manager Cautious Managed	03 - life - defensive managed fund	1497	FP Accumulation 0.75% - FPLAL	0.75%	0.7936	0.9552	20.36
Life Credit Suisse Multi Manager Constellation	06 - life - overseas equity	299	FP Accumulation 0.75% - FPLAL	0.75%	0.7726	0.9317	20.60
Life Credit Suisse Multi Manager Ethical Portfolio	01 - life - stock market managed fund	1824	FP Accumulation 0.75% - FPLAL	0.75%	0.7568	0.9291	22.77
Life Equity	05 - life - UK equity	77175	FP Accumulation 0.75% - PRE	0.75%	6.6602	8.5942	29.04
Life European	06 - life - overseas equity	73276	FP Accumulation 0.75% - PRE	0.75%	5.3424	6.5933	23.42
Life F&C Stewardship Income	05 - life - UK equity	36245	FP Accumulation 0.75% - FPLAL	0.75%	1.0384	1.2547	20.83
Life Fidelity European	06 - life - overseas equity	9016	FP Accumulation 0.65% - FPLAL	0.65%	1.5289	1.6474	7.75
Life Fidelity Money Builder Income	01 - life - stock market managed fund	18128	FP Accumulation 0.65% - FPLAL	0.65%	1.0547	1.2119	14.90
Life Fidelity Multi Manager Special Situations	05 - life - UK equity	667	FP Accumulation 0.75% - FPLAL	0.75%	0.6638	0.8265	24.51
Life Fidelity Portfolio	02 - life - balanced managed fund	4115	FP Accumulation 0.65% - FPLAL	0.65%	1.1667	1.4067	20.57
Life Fidelity Special Situations	02 - life - balanced managed fund	7838	FP Accumulation 0.65% - FPLAL	0.65%	1.2783	1.6011	25.25

Long-term insurance business : Unit prices for internal linked funds

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Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Fidelity Wealthbuilder	02 - life - balanced managed fund	3792	FP Accumulation 0.65% - FPLAL	0.65%	1.1007	1.3421	21.93
Life First State Asian Pacific Leaders	06 - life - overseas equity	6248	FP Accumulation 0.65% - FPLAL	0.65%	1.5342	1.9734	28.63
Life First State Global Emerging Markets	06 - life - overseas equity	3782	FP Accumulation 0.65% - FPLAL	0.65%	1.4622	2.0535	40.44
Life Fixed Interest	01 - life - stock market managed fund	230459	Cross Holdings	0.00%	1.8061	1.9101	5.76
Life Fund of External Funds	01 - life - stock market managed fund	21275	FP Accumulation 0.75% - FPLAL	0.75%	1.2079	1.4375	19.01
Life FP Special Situations	05 - life - UK equity	812	FP Accumulation 0.75% - FPLAL	0.75%	0.7553	0.9972	32.03
Life Gartmore Cautious Managed	03 - life - defensive managed fund	12305	FP Accumulation 0.65% - FPLAL	0.65%	0.9555	1.0763	12.64
Life Gartmore China Opportunities	06 - life - overseas equity	4718	FP Accumulation 0.75% - FPLAL	0.75%	1.3689	2.0834	52.20
Life Gartmore Emerging Markets Opportunities	06 - life - overseas equity	2256	FP Accumulation 0.75% - FPLAL	0.75%	0.9305	1.3704	47.27
Life Guaranteed Deposit	03 - life - defensive managed fund	116104	FP Accumulation 0.75% - FPLAL	0.75%	3.3489	3.3661	0.51
Life High Yield Distribution Accumulation	01 - life - stock market managed fund	57963	FP Accumulation 0.75% - FPLAL	0.75%	1.0783	1.5059	39.66
Life High Yield Distribution Bond	01 - life - stock market managed fund	66429	Cross Holdings	0.00%	0.7825	1.0068	28.67
Life Income Distribution	01 - life - stock market managed fund	33309	FP Accumulation 0.75% - PRE	0.75%	0.9989	1.1411	14.23
Life Indexed	01 - life - stock market managed fund	49081	FP Accumulation 0.75% - FPLAL	0.75%	3.5471	3.7146	4.72
Life International	06 - life - overseas equity	60731	Cross Holdings	0.00%	1.1754	1.4316	21.80
Life Invesco Perpetual Asian	06 - life - overseas equity	1636	FP Accumulation 0.75% - FPLAL	0.75%	1.1927	1.8049	51.33
Life Invesco Perpetual Corporate Bond	01 - life - stock market managed fund	34823	FP Accumulation 0.75% - FPLAL	0.75%	0.9345	1.1351	21.47
Life Invesco Perpetual Distribution	01 - life - stock market managed fund	9897	FP Accumulation 0.65% - FPLAL	0.65%	0.8655	1.1320	30.78

Long-term insurance business : Unit prices for internal linked funds

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Total business

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Life Invesco Perpetual Global Bond	01 - life - stock market managed fund	6734	FP Accumulation 0.75% - FPLAL	0.75%	1.1698	1.2223	4.49
Life Invesco Perpetual High Income	05 - life - UK equity	44023	FP Accumulation 0.75% - FPLAL	0.75%	1.1551	1.2703	9.98
Life Invesco Perpetual Japan	06 - life - overseas equity	1055	FP Accumulation 0.75% - FPLAL	0.75%	1.0703	1.3014	21.59
Life Invesco Perpetual Monthly Income Plus	01 - life - stock market managed fund	7883	FP Accumulation 0.75% - FPLAL	0.75%	0.7470	1.0574	41.55
Life Investec American	06 - life - overseas equity	5185	FP Accumulation 0.65% - FPLAL	0.65%	0.9339	1.2115	29.72
Life Investec Cautious Managed	03 - life - defensive managed fund	45026	FP Accumulation 0.65% - FPLAL	0.65%	1.1273	1.4034	24.49
Life Investec Managed Distribution Accumulation	01 - life - stock market managed fund	3512	FP Accumulation 0.65% - FPLAL	0.65%	1.0759	1.2399	15.24
Life Investec Managed Distribution	01 - life - stock market managed fund	8747	Cross Holdings	0.00%	0.9960	1.1058	11.02
Life Investec Sterling Bond	01 - life - stock market managed fund	3424	FP Accumulation 0.65% - FPLAL	0.65%	1.0702	1.2468	16.50
Life Investec UK Blue Chip	05 - life - UK equity	1154	FP Accumulation 0.65% - FPLAL	0.65%	1.0978	1.3775	25.48
Life Investec UK Smaller Companies	05 - life - UK equity	3728	FP Accumulation 0.65% - FPLAL	0.65%	1.1217	1.8930	68.76
Life Investment Trust	01 - life - stock market managed fund	73247	Ex LMA 0.25%	0.25%	20.9647	27.8410	32.80
Life Japan	05 - life - UK equity	215	Ex LMA 0.75%	0.75%	2.2855	2.1631	(5.36)
Life JPM Cautious Total Return Income	03 - life - defensive managed fund	16537	FP Accumulation 0.75% - FPLAL	0.75%	0.9862	1.0435	5.82
Life JPM Natural Resources	06 - life - overseas equity	3797	FP Accumulation 0.75% - FPLAL	0.75%	0.6365	1.2442	95.49
Life Lazard European Alpha	06 - life - overseas equity	1215	FP Accumulation 0.65% - FPLAL	0.65%	1.5110	1.7449	15.48
Life Lazard UK Alpha	05 - life - UK equity	3987	FP Accumulation 0.65% - FPLAL	0.65%	1.0620	1.3588	27.95
Life Lazard UK Income	05 - life - UK equity	1365	FP Accumulation 0.65% - FPLAL	0.65%	1.0194	1.3194	29.43

Long-term insurance business : Unit prices for internal linked funds

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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life M&G Global Basics	06 - life - overseas equity	7439	FP Accumulation 0.75% - FPLAL	0.75%	0.9730	1.3027	33.89
Life M&G Recovery Accumulation	05 - life - UK equity	8825	FP Accumulation 0.80% - FPLAL	0.80%	0.8046	1.1183	38.99
Life M&G Property	07 - life - property	9462	FP Accumulation 0.65% - FPLAL	0.65%	0.7191	0.7786	8.28
Life M&G UK Select Growth	05 - life - UK equity	390	FP Accumulation 0.75% - FPLAL	0.75%	0.8989	1.0870	20.93
Life Managed	04 - life - other managed fund	775095	FP Accumulation 0.75% - PRE	0.75%	5.2204	6.3227	21.11
Life Managed Stewardship	04 - life - other managed fund	44713	FP Accumulation 0.75% - FPLAL	0.75%	1.1329	1.3619	20.22
Life Blackrock American	06 - life - overseas equity	1618	FP Accumulation 0.65% - FPLAL	0.65%	1.0206	1.1626	13.91
Life Blackrock Balanced Portfolio	02 - life - balanced managed fund	1641	FP Accumulation 0.65% - FPLAL	0.65%	1.0837	1.3629	25.76
Life Blackrock High Income Bond	01 - life - stock market managed fund	900	FP Accumulation 0.65% - FPLAL	0.65%	0.9864	1.1775	19.37
Life Blackrock Special Situations	05 - life - UK equity	1058	FP Accumulation 0.75% - FPLAL	0.75%	0.7254	0.9718	33.97
Life Blackrock UK Dynamic	05 - life - UK equity	5155	FP Accumulation 0.75% - FPLAL	0.75%	0.8385	1.1382	35.75
Life Blackrock UK Income	05 - life - UK equity	3261	FP Accumulation 0.65% - FPLAL	0.65%	1.1283	1.5581	38.10
Life Money Maker	03 - life - defensive managed fund	226	Ex LMA 0.25%	0.25%	5.6855	6.6709	17.33
Life Monthly Distribution	01 - life - stock market managed fund	499214	Cross Holdings	0.00%	0.8564	0.9643	12.59
Life Monthly Distribution Accumulation	01 - life - stock market managed fund	177728	FP Accumulation 0.75% - FPLAL	0.75%	1.0398	1.2402	19.27
Life MultiManager Balanced	02 - life - balanced managed fund	28341	FP Accumulation 0.75% - FPLAL	0.75%	1.0715	1.2611	17.69
Life MultiManager Cautious	03 - life - defensive managed fund	32986	FP Accumulation 0.75% - FPLAL	0.75%	1.0169	1.1810	16.14
Life MultiManager Distribution Accumulation	01 - life - stock market managed fund	67595	FP Accumulation 0.75% - FPLAL	0.75%	0.8517	1.0304	20.98

Long-term insurance business : Unit prices for internal linked funds

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Life MultiManager Distribution	01 - life - stock market managed fund	71820	Cross Holdings	0.00%	0.7586	0.8831	16.42
Life New Star High Yield Bond	01 - life - stock market managed fund	1914	FP Accumulation 0.75% - FPLAL	0.75%	0.6523	0.9901	51.78
Life New Star Higher Income	01 - life - stock market managed fund	560	FP Accumulation 0.75% - FPLAL	0.75%	0.5840	0.7005	19.95
Life New Star Managed Distribution	01 - life - stock market managed fund	1241	FP Accumulation 0.75% - FPLAL	0.75%	0.6204	0.8910	43.62
Life New Star Property	07 - life - property	11512	FP Accumulation 0.65% - FPLAL	0.65%	0.7509	0.8043	7.12
Life New Star Tri-Star Income	03 - life - defensive managed fund	206	FP Accumulation 0.75% - FPLAL	0.75%	0.6592	0.7430	12.72
Life Norwich Property Trust	07 - life - property	1729	FP Accumulation 0.75% - FPLAL	0.75%	0.6128	0.6034	(1.53)
Life Norwich Sustainable Futures European	06 - life - overseas equity	1268	FP Accumulation 0.75% - FPLAL	0.75%	0.8738	0.9932	13.66
Life Pacific Basin	06 - life - overseas equity	24308	FP Accumulation 0.75% - PRE	0.75%	2.1556	2.7673	28.38
Life Property	07 - life - property	253768	FP Accumulation 0.75% - FPLAL	0.75%	3.2738	3.6728	12.19
Life Schroder Alpha Plus	05 - life - UK equity	3123	FP Accumulation 0.65% - FPLAL	0.65%	1.0603	1.5910	50.06
Life Schroder Gilt and Fixed Interest	01 - life - stock market managed fund	9851	FP Accumulation 0.65% - FPLAL	0.65%	1.2004	1.1817	(1.56)
Life Schroder Income	05 - life - UK equity	4109	FP Accumulation 0.65% - FPLAL	0.65%	1.2103	1.6434	35.78
Life Schroder Mid 250	05 - life - UK equity	15995	FP Accumulation 0.65% - FPLAL	0.65%	1.0257	1.4246	38.90
Life Schroder S&P Managed Distribution Portfolio	03 - life - defensive managed fund	3504	FP Accumulation 0.75% - FPLAL	0.75%	0.7485	0.9397	25.54
Life Schroder UK Smaller Companies	05 - life - UK equity	825	FP Accumulation 0.65% - FPLAL	0.65%	0.8218	1.1698	42.35
Life Stewardship	05 - life - UK equity	224774	FP Accumulation 0.75% - PRE	0.75%	5.7072	7.0330	23.23
Life Stewardship International	06 - life - overseas equity	4792	FP Accumulation 0.75% - FPLAL	0.75%	1.1445	1.4440	26.17

Long-term insurance business : Unit prices for internal linked funds

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Total business

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Life Stewardship Safeguard Optimiser	05 - life - UK equity	70737	FP Accumulation 0.75% - FPLAL	0.75%	1.1259	1.1515	2.28
Life Threadneedle Equity & Bond	01 - life - stock market managed fund	6405	FP Accumulation 0.65% - FPLAL	0.65%	1.2808	1.4124	10.28
Life Threadneedle Global Select	06 - life - overseas equity	659	FP Accumulation 0.75% - FPLAL	0.75%	0.9345	1.0939	17.06
Life Threadneedle UK Corporate Bond	01 - life - stock market managed fund	5624	FP Accumulation 0.65% - FPLAL	0.65%	0.9612	1.1137	15.87
Life UK Index Tracker	01 - life - stock market managed fund	5718	FP Accumulation 0.75% - FPLAL	0.75%	0.9578	1.2364	29.09
Life UK Safeguard Optimiser	05 - life - UK equity	61732	FP Accumulation 0.75% - FPLAL	0.75%	1.1422	1.1431	0.08
Managed Portfolio	04 - life - other managed fund	19687	Accumulation - PRE	1.00%	1.5491	1.8394	18.74
Mixed	04 - life - other managed fund	41538	Accumulation - PRE	1.00%	1.5335	1.8332	19.54
Morgan Stanley Euro Strategic Bond (EUR)	01 - life - stock market managed fund	8550	Cross Holdings	0.00%	1.1443	1.1543	0.88
Morgan Stanley Euro Strategic Bond IRIS (EUR)	01 - life - stock market managed fund	8456	Cross Holdings	0.00%	1.0358	1.0449	0.88
Morgan Stanley European Property (EUR)	07 - life - property	394	Multi Currency FPLP Accumulation	1.50%	0.8185	1.0185	24.43
Morgan Stanley European Value Equity (EUR)	06 - life - overseas equity	134	Multi Currency FPLP Accumulation	1.50%	0.9311	1.0288	10.50
Morgan Stanley Global Bond (USD)	01 - life - stock market managed fund	316	Multi Currency FPLAL Accumulation	1.25%	1.1647	0.7718	(33.74)
Morgan Stanley US Property (USD)	07 - life - property	91	Multi Currency FPLP Accumulation	1.50%	0.9625	0.8339	(13.37)
Nordea North America Value (USD)	06 - life - overseas equity	147	IRIS Accumulation	2.25%	0.4414	0.4175	(5.41)
North American	06 - life - overseas equity	12409	Accumulation - PRE	1.00%	1.4964	1.7583	17.50
Overseas	06 - life - overseas equity	7589	Accumulation - PRE	1.00%	1.3009	1.5741	20.99
Pacific Basin	06 - life - overseas equity	19755	Accumulation - PRE	1.00%	1.2055	1.6181	34.23

Long-term insurance business : Unit prices for internal linked funds

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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Pioneer America (USD)	06 - life - overseas equity	59	IRIS Accumulation	2.00%	0.7074	0.5380	(23.95)
Stewardship	05 - life - UK equity	16975	Accumulation - PRE	1.00%	1.6547	2.0322	22.81
Templeton Euro Growth IRIS (EUR)	06 - life - overseas equity	2392	Multi Currency FPLAL Accumulation	2.25%	0.5734	0.6340	10.57
UK Equity	05 - life - UK equity	14167	Accumulation - PRE	1.00%	1.6161	2.1084	30.46
UK Index Tracker	01 - life - stock market managed fund	2431	Accumulation - POST	1.00%	0.8368	1.0750	28.46
Aberdeen Global Asia Pacific (USD)	06 - life - overseas equity	134	IRIS Accumulation	2.35%	0.5714	0.5964	4.38
Baring Eastern Europe (EUR)	06 - life - overseas equity	902	Multi Currency FPLAL Accumulation	1.75%	0.4098	0.7273	77.47
Fidelity Eurobond (EUR)	01 - life - stock market managed fund	283	IRIS Accumulation	1.95%	0.9086	0.9238	1.68
Fidelity Global Property	07 - life - property	41	Multi Currency FPLAL Accumulation	1.50%	0.5900	0.7420	25.76
Fidelity Global Property (EUR)		17	IRIS Accumulation	2.21%	0.4308	0.5140	19.32
Fidelity Iberian (EUR)	06 - life - overseas equity	10	Multi Currency FPLAL Accumulation	1.75%	0.5524	0.6845	23.92
Fidelity Multi-Asset Strategic (EUR)	06 - life - overseas equity	180	Multi Currency FPLAL Accumulation	1.50%	0.7929	0.8428	6.29
Invesco Asia Infrastructure (USD)	06 - life - overseas equity	888	Multi Currency FPLAL Accumulation	1.50%	0.6044	0.5506	(8.90)
Invesco Asia Infrastructure (USD)	06 - life - overseas equity	13	Multi Currency FPLAL Accumulation	1.50%	0.5426	0.4352	(19.79)
Invesco Asian Equity (USD)	06 - life - overseas equity	956	Multi Currency FPLAL Accumulation	1.50%	0.5787	0.6098	5.39
Invesco Euro Corporate Bond (EUR)	01 - life - stock market managed fund	227	Multi Currency FPLAL Accumulation	1.25%	0.9134	1.0517	15.14
Invesco Sterling Bond	01 - life - stock market managed fund	2342	Multi Currency FPLAL Accumulation	1.25%	0.8954	1.1846	32.30
Invesco UK Equity	05 - life - UK equity	61	Multi Currency FPLAL Accumulation	1.75%	0.6659	0.7816	17.38

Long-term insurance business : Unit prices for internal linked funds

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Total business

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Fund name	Type of fund	Net assets	Main series	Unit management charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Lehner Multi Leaders (EUR)	06 - life - overseas equity	430	IRIS Accumulation	2.65%	0.5638	0.6450	14.40
Life Aegon Sterling Corporate Bond (INC)	01 - life - stock market managed fund	9	Cross Holdings	0.00%	0.8108	0.8903	9.81
Life Artemis Strategic Bond	01 - life - stock market managed fund	1847	FP Accumulation 0.75% - FPLAL	0.75%	0.7478	0.9767	30.62
Life Aviva Global Reit	07 - life - property	283	Cross Holdings	0.00%	0.6394	0.8015	25.35
Life Blackrock UK Alpha Plus	05 - life - UK equity	2220	FP Accumulation 0.75% - FPLAL	0.75%	0.9673	1.0347	6.97
Life Capital Assured 2	03 - life - defensive managed fund	5691	FP Accumulation 1.80% - FPLAL	1.80%	1.0754	1.1067	2.91
Life Capital Assured Fund	03 - life - defensive managed fund	4690	FP Accumulation 1.80% - FPLAL	1.80%	1.0326	1.0615	2.80
Life Cazenove MM Diversity	05 - life - UK equity	216	FP Accumulation 0.85% - FPLAL	0.85%	0.8619	0.9903	14.90
Life Credit Suisse European Frontier	06- life -overseas equity	64	FP Accumulation 0.85% - FPLAL	0.85%	0.4835	0.7653	58.28
Life Enhanced Cash Fund	01 - life - stock market managed fund	5406	Cross Holdings	0.00%	1.0664	1.0659	(0.05)
Life F&C Climate Opportunities	06- life -overseas equity	111	FP Accumulation 0.80% - FPLAL	0.80%	0.7764	0.8909	14.74
Life F&C Growth & Income	05 - life - UK equity	1961	FP Accumulation 0.90% - FPLAL	0.90%	0.6055	0.7311	20.74
Life F&C Latin America	06- life -overseas equity	365	FP Accumulation 0.75% - FPLAL	0.75%	0.6407	1.1793	84.08
Life F&C Lifestyle Balanced	01 - life - stock market managed fund	857	FP Accumulation 0.75% - FPLAL	0.75%	0.7415	0.9051	22.06
Life F&C Lifestyle Cautious	03 - life - defensive managed fund	593	FP Accumulation 0.75% - FPLAL	0.75%	0.7655	0.9126	19.21
Life F&C Lifestyle Defensive	03 - life - defensive managed fund	305	FP Accumulation 0.75% - FPLAL	0.75%	0.7417	0.8618	16.20
Life F&C Lifestyle Growth	01 - life - stock market managed fund	98	FP Accumulation 0.75% - FPLAL	0.75%	0.7360	0.9057	23.06
Life F&C Maximum Income Bond	01 - life - stock market managed fund	131	FP Accumulation 0.80% - FPLAL	0.80%	0.6768	0.9537	40.91

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life F&C Stewardship Corporate Bond	01 - life - stock market managed fund	1109	FP Accumulation 0.75% - FPLAL	0.75%	0.9498	1.0257	8.00
Life FP Global Property	07 - life - property	455	FP Accumulation 0.75% - FPLAL	0.75%	0.6668	0.6828	2.40
Life HSBC OPEN Global Distribution	06- life -overseas equity	10	Cross Holdings	0.00%	0.8863	1.0575	19.32
Life HSBC OPEN Global Return	06- life -overseas equity	11	Cross Holdings	0.00%	0.9178	1.0519	14.61
Life Impax Environmental Markets	06- life -overseas equity	873	FP Accumulation 0.75% - FPLAL	0.75%	0.7642	1.0004	30.90
Life Insight Diversified Dynamic Fund	01 - life - stock market managed fund	8	Cross Holdings	0.00%	0.7211	0.8089	12.18
Life Insight Diversified High Income	01 - life - stock market managed fund	29	FP Accumulation 0.85% - FPLAL	0.85%	0.8185	0.8394	2.56
Life Insight Diversified Target Return	03 - life - defensive managed fund	181	FP Accumulation 0.85% - FPLAL	0.85%	0.8027	0.8722	8.66
Life Invesco Perpetual High Income (INC)	05 - life - UK equity	9	Cross Holdings	0.00%	0.8035	0.8516	5.99
Life Invesco Perpetual Monthly Income Plus (INC)	05 - life - UK equity	54	FP Accumulation 0.75% - FPLAL	0.75%	0.6906	0.8784	27.20
Life Investec Managed Growth	05 - life - UK equity	25	FP Accumulation 0.75% - FPLAL	0.75%	0.5583	0.7550	35.22
Life JPM Japan	06- life -overseas equity	17	FP Accumulation 0.75% - FPLAL	0.75%	0.8128	0.7577	(6.77)
Life Jupiter Ecology	06- life -overseas equity	2033	FP Accumulation 0.75% - FPLAL	0.75%	0.7260	0.8416	15.92
Life Jupiter Emerging European Opportunities	06- life -overseas equity	370	FP Accumulation 0.75% - FPLAL	0.75%	0.4726	0.7744	63.85
Life Jupiter Income	05 - life - UK equity	1872	FP Accumulation 0.75% - FPLAL	0.75%	0.6531	0.7481	14.55
Life Lazard Emerging Markets	06- life -overseas equity	248	FP Accumulation 0.75% - FPLAL	0.75%	0.7447	1.1586	55.58
Life M&G America	06- life -overseas equity	27	FP Accumulation 0.80% - FPLAL	0.80%	0.7953	0.9689	21.82
Life M&G Cautious Multi Asset	03 - life - defensive managed fund	8467	FP Accumulation 0.75% - FPLAL	0.75%	0.9280	1.0399	12.06

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life M&G High Yield Corporate Bond	01 - life - stock market managed fund	214	FP Accumulation 0.75% - FPLAL	0.75%	0.7787	1.0108	29.81
Life M&G Optimal Income	05 - life - UK equity	6084	FP Accumulation 0.75% - FPLAL	0.75%	0.9126	1.1571	26.79
Life Martin Currie Asia Pacific	06- life -overseas equity	9	Cross Holdings	0.00%	0.6844	0.9073	32.57
Life Martin Currie North America	06- life -overseas equity	171	FP Accumulation 0.83% - FPLAL	0.83%	0.7932	0.9047	14.05
Life Blackrock Gold & General	05 - life - UK equity	2017	FP Accumulation 0.75% - FPLAL	0.75%	0.9928	1.3570	36.68
Life Morley Global Balanced Income	01 - life - stock market managed fund	257	FP Accumulation 0.75% - FPLAL	0.75%	0.5433	0.8330	53.33
Life Morley Global Cautious Income	03 - life - defensive managed fund	461	FP Accumulation 0.75% - FPLAL	0.75%	0.7365	0.9341	26.82
Life New Star European Growth	06- life -overseas equity	24	FP Accumulation 0.75% - FPLAL	0.75%	0.7280	0.9207	26.47
Life New Star International Property	07 - life - property	1559	FP Accumulation 0.75% - FPLAL	0.75%	0.7916	0.5517	(30.31)
Life Old Mutual Corporate Bond	01 - life - stock market managed fund	253	FP Accumulation 0.75% - FPLAL	0.75%	0.6588	0.8758	32.94
Life Old Mutual UK Select Mid Cap	05 - life - UK equity	30	FP Accumulation 0.75% - FPLAL	0.75%	0.6488	0.8697	34.04
Life Schroder Climate Change	06- life -overseas equity	68	FP Accumulation 0.75% - FPLAL	0.75%	0.7882	0.9945	26.17
Life Schroder Tokyo	06- life -overseas equity	94	FP Accumulation 0.75% - FPLAL	0.75%	0.9273	0.8830	(4.77)
Loys Global (EUR)	06 - life - overseas equity	73	IRIS Accumulation	2.00%	0.6014	0.7259	20.69
M&G Global Basics (EUR)	06 - life - overseas equity	1148	IRIS Accumulation	2.35%	0.5607	0.7253	29.36
M&G Global Leaders (EUR)	06 - life - overseas equity	118	IRIS Accumulation	2.35%	0.5689	0.6887	21.07
M&G UK Property	07 - life - property	39	Multi Currency FPLAL Accumulation	1.50%	0.5875	0.6135	4.43
Martin Currie Asia Pacific (EUR)	06 - life - overseas equity	15	Multi Currency FPLAL Accumulation	1.50%	0.5805	0.7469	28.67

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Blackrock New Energy (EUR)	06 - life - overseas equity	627	Multi Currency FPLAL Accumulation	1.95%	0.5531	0.5764	4.21
Blackrock US Flexible Equity (USD)	06 - life - overseas equity	75	Multi Currency FPLAL Accumulation	1.50%	0.6065	0.4637	(23.55)
Blackrock World Gold (USD)	06 - life - overseas equity	927	Multi Currency FPLAL Accumulation	2.00%	0.9485	0.8720	(8.06)
Morley UK Property	07 - life - property	49	Multi Currency FPLAL Accumulation	1.50%	0.6281	0.6189	(1.48)
New Star GIF European Growth (EUR)	06 - life - overseas equity	48	Multi Currency FPLAL Accumulation	1.75%	0.5132	0.6307	22.91
New Star International Property (EUR)	07 - life - property	175	Multi Currency FPLAL Accumulation	1.75%	0.8157	0.5489	(32.71)
Oppenheim Global Absolute Return (EUR)	06 - life - overseas equity	384	IRIS Accumulation	2.25%	0.8090	0.7392	(8.62)
Oppenheim Global Selection	06 - life - overseas equity	537	IRIS Accumulation	2.15%	0.7245	0.6916	(4.54)
Schroder ISF Global Property Securities (EUR)	07 - life - property	9	Multi Currency FPLAL Accumulation	1.50%	0.4276	0.5542	29.62
Schroder ISF Strategic Bond (EUR)	01 - life - stock market managed fund	264	Multi Currency FPLAL Accumulation	1.25%	0.9856	0.9764	(0.93)
Thames River High Income	05 - life - UK equity	399	Multi Currency FPLAL Accumulation	2.00%	0.7745	1.0018	29.35
Thames River Property & Growth	07 - life - property	172	Multi Currency FPLAL Accumulation	2.00%	0.5174	0.6612	27.79
WIOF Greece-Cyprus Opportunities (EUR)	06 - life - overseas equity	6	Multi Currency FPLAL Accumulation	2.50%	0.4014	0.3862	(3.79)
Life Artemis Strategic Bond Distribution	01 - life - stock market managed fund	10	FP Accumulation 0.75% - FPLAL	0.75%	0.7736	0.9483	22.57
Life F&C UK Growth & Income Distribution	05 - life - UK equity	8	Cross Holdings	0.00%	0.7427	0.8495	14.38
Life CF Midas Balanced Income	03 - life - defensive managed fund	8	Cross Holdings	0.00%	0.7594	0.8907	17.29
Life CF Midas Balanced Growth	02 - life - balanced managed fund	9	Cross Holdings	0.00%	0.7251	0.9360	29.09
Life Old Mutual Corporate Bond Distribution	01 - life - stock market managed fund	9	Cross Holdings		0.7024	0.8704	23.93

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Fidelity Moneybuilder Distribution	01 - life - stock market managed fund	79	FP Accumulation 0.65% - FPLAL	0.65%	0.8891	0.9681	8.88
Life Newton Global Higher Income	06 - life - overseas equity	10	Cross Holdings	0.00%	0.9243	1.0972	18.71
Life Aegon Global Bond	01 - life - stock market managed fund	146	FP Accumulation 0.75% - FPLAL	0.75%	0.7963	1.0484	31.66
Life Allianz BRIC Allstars	06 - life - overseas equity	82	FP Accumulation 0.78% - FPLAL	0.78%	0.5159	0.9459	83.36
Life JPM Global Equity Income	06 - life - overseas equity	10	FP Accumulation 0.75% - FPLAL	0.75%	0.8010	0.9494	18.52
Life Jupiter Merlin Balanced	02 - life - balanced managed fund	16	FP Accumulation 0.75% - FPLAL	0.75%	0.8771	1.0370	18.23
Life Jupiter Merlin Growth	01 - life - stock market managed fund	108	FP Accumulation 0.75% - FPLAL	0.75%	0.8859	1.0337	16.68
Life Jupiter Merlin Income	03 - life - defensive managed fund	378	FP Accumulation 0.75% - FPLAL	0.75%	0.8951	1.0199	13.94
Life M&G Managed Growth	01 - life - stock market managed fund	27	FP Accumulation 0.80% - FPLAL	0.80%	0.7793	1.0324	32.47
Life Neptune European Opportunities	06 - life - overseas equity	25	FP Accumulation 0.78% - FPLAL	0.78%	0.8183	0.9978	21.93
Life Neptune Global Equity	06 - life - overseas equity	14	FP Accumulation 0.78% - FPLAL	0.78%	0.6720	0.8968	33.44
Life Rathbone Income	05 - life - UK equity	9	Cross Holdings	0.00%	0.7545	0.9384	24.37
Life Sarasin Globalsar IIID	03 - life - defensive managed fund	9	Cross Holdings	0.00%	0.8453	0.9208	8.93
Life Thames River Distribution	03 - life - defensive managed fund	11	Cross Holdings	0.00%	0.9210	1.1026	19.71
Life Thames River Global Boutiques	06 - life - overseas equity	11	Cross Holdings	0.00%	0.9355	1.0909	16.61
Life Aegon Global Bond Distribution	01 - life - stock market managed fund	10	FP Accumulation 0.70% - FPLAL	0.70%	0.7617	0.9664	26.88
F&C Global Climate Change	06 - life - overseas equity	15	IRIS Accumulation	2.10%	0.6452	0.7223	11.96
Schroder Global Climate Change	06 - life - overseas equity	99	Multi Currency FPLAL Accumulation	1.50%	0.6277	0.7745	23.39

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
JPM Natural Resources	06 - life - overseas equity	482	Multi Currency FPLAL Accumulation	1.50%	0.3677	0.6853	86.40
New Star Global Financials	01 - life - stock market managed fund	84	Multi Currency FPLAL Accumulation	1.50%	0.5626	0.6895	22.56
Sarasin Global Sar	01 - life - stock market managed fund	209	Multi Currency FPLAL Accumulation	1.50%	0.8065	0.8129	0.80
DWS Global Agribusiness	06 - life - overseas equity	149	Multi Currency FPLAL Accumulation	1.75%	0.4777	0.5081	6.36
Schroder ISF Middle East	06 - life - overseas equity	27	Multi Currency FPLAL Accumulation	1.75%	0.4946	0.3916	(20.81)
Pioneer Global Ecology	06 - life - overseas equity	87	IRIS Accumulation	2.20%	0.7118	0.7579	6.48
C-Quadrat ARTS Best Momentum	06 - life - overseas equity	72	IRIS Accumulation	2.60%	0.9924	0.9208	(7.22)
C-Quadrat Total Return Dynamic	06 - life - overseas equity	76	IRIS Accumulation	2.50%	0.9928	1.0570	6.47
DJE Managed Depot Ertag	01 - life - stock market managed fund	87	IRIS Accumulation	1.75%	1.0171	0.9614	(5.47)
DJE Managed Depot Wachstum	01 - life - stock market managed fund	508	IRIS Accumulation	1.75%	1.0049	0.9774	(2.74)
DJE Managed Depot Chance	01 - life - stock market managed fund	586	IRIS Accumulation	1.75%	1.0070	1.0213	1.42
FPI IAM ProVita World Fund	06 - life - overseas equity	56	IRIS Accumulation	2.35%	0.8871	1.0142	14.33
Prima Welt - Invest	01 - life - stock market managed fund	138	IRIS Accumulation	2.10%	0.9132	1.0399	13.88
Systematiska Covered Call	06 - life - overseas equity	1016	Multi Currency FPLAL Accumulation	2.00%	0.7887	1.0269	30.20
Oppenheim Inovesta	06 - life - overseas equity	16	Cross Holdings	0.00%	0.8996	1.0732	19.30
Oppenheim Inovesta Classic	06 - life - overseas equity	17	Cross Holdings	0.00%	0.8996	1.1075	23.11
Carmignac Patrimoine	01 - life - stock market managed fund	601	IRIS Accumulation	2.45%	0.8731	0.9277	6.25
IVP Global Werte	01 - life - stock market managed fund	28	IRIS Accumulation	2.20%	0.8731	0.8718	(0.16)

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life and Pensions Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
IAM Taerget Global Portfolio	06 - life - overseas equity	43	IRIS Accumulation	2.35%	0.8495	0.8855	4.23
Metzler TORERO MultiAsset	06 - life - overseas equity	16	IRIS Accumulation	2.44%	0.8495	0.9454	11.28
Haspa Portfolio Stabil	01 - life - stock market managed fund	54	IRIS Accumulation	1.85%	0.8495	0.9034	6.33
Warburg Portfolio Act Assets	01 - life - stock market managed fund	154	IRIS Accumulation	1.95%	0.8495	0.9201	8.30
FPI Portfolio Quality Selections	01 - life - stock market managed fund	22	IRIS Accumulation	1.85%	0.9083	0.9102	0.21
DWS Invest Chinese Equity	06 - life - overseas equity	10	Cross Holdings	0.00%	0.9083	0.9481	4.38
JPM Global Focus	06 - life - overseas equity	11	Cross Holdings	0.00%	0.9083	0.9755	7.40
BNY Mellon Euroland Bond	01 - life - stock market managed fund	10	Cross Holdings	0.00%	0.9083	0.8908	(1.93)
BNY Mellon Global Bond	01 - life - stock market managed fund	10	Cross Holdings	0.00%	0.9083	0.8860	(2.45)
HSBC Chinese Equity	06 - life - overseas equity	10	Cross Holdings	0.00%	0.6064	0.6106	0.69
JPM India	06 - life - overseas equity	10	Cross Holdings	0.00%	0.6064	0.6436	6.12
FPI Capinordic FoF Trend	01 - life - stock market managed fund	9	Cross Holdings	0.00%	0.8709	0.9070	4.14
FPI Capinordic FoF Flexibel 100	01 - life - stock market managed fund	9	Cross Holdings	0.00%	0.8709	0.8867	1.81
FPI Naventi Aktiv Forvaltning Balanserad	02 - life - balanced managed fund	9	Cross Holdings	0.00%	0.8709	0.8673	(0.41)
FPI Naventi Aktiv Forvaltning Offensiv	02 - life - balanced managed fund	9	Cross Holdings	0.00%	0.8709	0.8673	(0.41)
Life Stewardship Safeguard Optimiser 2	05 - life - UK equity	11876	FP Accumulation 1.35% - FPLAL	1.35%	0.9500	1.1233	18.24
Life UK Safeguard Optimiser 2	05 - life - UK equity	7202	FP Accumulation 1.35% - FPLAL	1.35%	0.9500	1.1579	21.89
Life Invesco Perpetual High Income (Skipton)	05 - life - UK equity	352	FP Accumulation 0.70% - FPLAL	0.75%	0.9500	1.0697	12.61

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Provident Life and Pensions Limited**
Subfund **With Profit Fund**
Financial year ended **31 December 2009**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA WP	2120462	3.30%	3.98%	4.46%
UK F51 L&GA NP	98132	3.00%	3.62%	4.46%
UK F52 L&GA	1271600	3.30%	3.98%	4.46%
UK F53 L&GA NL	3728	3.00%	3.62%	4.46%
UK F51 Pensions WP	1576286	4.20%	4.20%	4.46%
UK F51 Pensions NP	164479	3.80%	3.80%	4.46%
UK F51 Pensions NP	1988450	5.21%	5.21%	5.34%
UK F52 Pensions	2572788	4.20%	4.20%	4.46%
UK F53 Pensions NL	36381	3.80%	3.80%	4.46%
OS F51 NP	204	3.80%	3.80%	4.46%
OS F52	207519	4.20%	4.20%	4.46%
Os F53 NL	450	3.80%	3.80%	4.46%
Miscellaneous UK F51 L&GA WP	14921	n/a	n/a	4.46%
Miscellaneous UK F51 L&GA NP	6559	n/a	n/a	4.46%
Miscellaneous UK F52 L&GA	1563	n/a	n/a	4.46%
Miscellaneous UK F53 L&GA NL	2088	n/a	n/a	4.46%
Miscellaneous UK F51 Pensions WP	157606	n/a	n/a	4.46%
Miscellaneous UK F51 Pensions NP	23101	n/a	n/a	4.69%
Miscellaneous UK F52 Pensions	9529	n/a	n/a	4.46%
Total				

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Provident Life and Pensions Limited**Subfund **Non Profit Fund**Financial year ended **31 December 2009**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	(83170)	3.00%	3.75%	3.97%
UK F51 L&GA NP	261812	3.80%	3.80%	3.97%
UK F52 L&GA	4271	3.30%	4.09%	4.50%
UK F53 L&GA NL	37660	3.00%	3.75%	3.97%
UK F51 Pensions NP	3122	3.80%	3.80%	3.97%
UK F52 Pensions	11797	4.20%	4.20%	4.50%
UK F53 Pensions NL	6931	3.80%	3.80%	3.97%
OS F51 NP	(2061)	3.80%	3.80%	3.97%
OS F52	1268	4.20%	4.20%	4.50%
OS F53 NL	7977	3.80%	3.80%	3.97%
Miscellaneous UK F51 L&GA NP	20079	n/a	n/a	3.97%
Miscellaneous UK F53 L&GA NL	192	n/a	n/a	3.97%
Miscellaneous UK F51 Pensions NP	5070	n/a	n/a	3.97%
Miscellaneous OS F53 NL	(21)	n/a	n/a	3.97%
Total	274927			

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	12187293	14967983
Bonus payments in anticipation of a surplus	12	132879	261041
Transfer to non-technical account	13	124239	12444
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	12444411	15241468
Mathematical reserves	21	12259213	14973981
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	185198	267487

Composition of surplus

Balance brought forward	31	(14008)	97769
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	199206	169718
Total	39	185198	267487

Distribution of surplus

Bonus paid in anticipation of a surplus	41	132879	261041
Cash bonuses	42		
Reversionary bonuses	43	7038	8010
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	139917	269051
Net transfer out of fund / part of fund	47	124239	12444
Total distributed surplus (46+47)	48	264157	281495
Surplus carried forward	49	(78958)	(14008)
Total (48+49)	59	185198	267487

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	10032129	11176581
Bonus payments in anticipation of a surplus	12	132879	261041
Transfer to non-technical account	13	4239	12444
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	10169247	11450066
Mathematical reserves	21	10294848	11438328
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	(125600)	11738

Composition of surplus

Balance brought forward	31	(269757)	(269757)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	144157	281495
Total	39	(125600)	11738

Distribution of surplus

Bonus paid in anticipation of a surplus	41	132879	261041
Cash bonuses	42		
Reversionary bonuses	43	7038	8010
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	139917	269051
Net transfer out of fund / part of fund	47	4239	12444
Total distributed surplus (46+47)	48	144157	281495
Surplus carried forward	49	(269757)	(269757)
Total (48+49)	59	(125600)	11738

Percentage of distributed surplus allocated to policyholders

Current year	61	97.06	95.58
Current year - 1	62	95.58	96.19
Current year - 2	63	96.19	96.60
Current year - 3	64	96.60	96.68

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	2155164	3791402
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	120000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2275164	3791402
Mathematical reserves	21	1964365	3535653
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	310799	255749

Composition of surplus

Balance brought forward	31	255749	367526
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	55050	(111777)
Total	39	310799	255749

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	120000	
Total distributed surplus (46+47)	48	120000	
Surplus carried forward	49	190799	255749
Total (48+49)	59	310799	255749

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Friends Provident Life and Pensions Limited**
Original insurer **Friends Provident Life and Pensions Limited**
Date of maturity value / open market option **01 March 2010**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6,373	785		UWP	N	6,373
Endowment assurance	15	10,976			CWP	N	13,700
Endowment assurance	20	17,595	2,372		CWP	N	24,000
Endowment assurance	25	27,985	2,913		CWP	N	39,100
Regular premium pension	5	13,175	883		UWP	N	13,175
Regular premium pension	10	29,459	3,658		UWP	N	29,459
Regular premium pension	15	47,200			UWP	N	47,200
Regular premium pension	20	76,853			UWP	N	76,853
Single premium pension	5	12,074	1,588		UWP	N	12,074
Single premium pension	10	12,526			UWP	N	12,526
Single premium pension	15	21,347			UWP	N	21,347
Single premium pension	20	35,456			UWP	N	35,456

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **Friends Provident Life and Pensions Limited**
 Date of surrender value **01 March 2010**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	2,101			UWP	Y	25,209
Endowment assurance	10	5,285	342		UWP	Y	35,232
Endowment assurance	15	9,119			CWP	N	32,407
Endowment assurance	20	16,490			CWP	N	38,281
With-profits bond	2	10,008	327		UWP	Y	10,649
With-profits bond	3	10,012	103		UWP	Y	10,501
With-profits bond	5	12,507	2,076		UWP	Y	12,612
With-profits bond	10	11,696			UWP	Y	11,813
Single premium pension	2	11,060	876		UWP	Y	11,060
Single premium pension	3	10,880	580		UWP	Y	10,880
Single premium pension	5	12,079	1,591		UWP	Y	12,079
Single premium pension	10	12,305	24		UWP	Y	12,305

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **London and Manchester**
 Date of maturity value / open market option **01 March 2010**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	10,904	2,220		UWP	N	10,904
Endowment assurance	20	23,547	5,776		CWP	N	23,547
Endowment assurance	25	43,459	13,279		CWP	N	43,459
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	27,476	4,094		UWP	N	27,476
Regular premium pension	15	47,643	9,074		UWP	N	47,643
Regular premium pension	20	83,241	22,904		UWP	N	83,241
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	26,447	10,418		UWP	N	26,447
Single premium pension	20	41,989	15,746		N/A	N	41,989

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **London and Manchester**
 Date of surrender value **01 March 2010**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	UWP	N/A	N/A
Endowment assurance	15	10,606	2,087		UWP	Y	13,537
Endowment assurance	20	21,548		N/A	CWP	N	30,295
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **UK Provident**
 Date of maturity value / open market option **01 March 2010**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	25	28,110	3,391		CWP	N	28,110
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **UK Provident**
 Date of surrender value **01 March 2010**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

Long-term insurance capital requirementName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2009**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%	13310983	13310983			
Classes I (other), II and IX	12	0.1%			0.62		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	18259639	11338691		34016	35883
Classes III, VII and VIII	15	0.3%	2109308	1955720	0.93	5867	7060
Total	16		33679930	26605394		39883	42943

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					23437	8505
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	10670145	10296004	0.96	102960	114657
Classes III, VII and VIII (investment risk)	33	1%	197416	90785	0.85	1678	1640
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	149390	130201	0.87	1302	1033
Classes III, VII and VIII (other)	35	25%				2394	4519
Class IV (other)	36	1%	292249	261793	0.90	2618	2574
Class V	37	1%					
Class VI	38	1%					
Total	39					110952	124423

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	(105737)	(105737)			
Classes I (other), II and IX	42	3%	10670145	10296004	0.96	308880	343972
Classes III, VII and VIII (investment risk)	43	3%	197416	90785	0.85	5034	4921
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	149390	130201			
Classes III, VII and VIII (other)	45	0%	7778184	1593205			
Class IV (other)	46	3%	292249	261793	0.90	7854	7723
Class V	47	0%					
Class VI	48	3%					
Total	49		18981646	12266251		321768	356616

Long term insurance capital requirement	51					496041	532488
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Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***0201* Section 148 of the Financial Services and Markets Act 2000**

The Financial Services Authority, on the application of the firm, made a direction in July 2009, under section 148 of the Financial Services and Markets. Under the direction allows the Company to include, under INSPRU 6.1, the 6.875% Step up Tier 1 Insurance Capital Securities, as innovative tier one resources.

The 6.875% Step up Tier 1 Insurance Capital Securities, issued by Friends Provident Plc on 18 November 2003, in respect of which the rights and obligations of Friends Provident plc were novated to Friends Provident Group plc on 6 July 2009.

***0301* Reconciliation of net admissible assets to total capital resources after deductions**

	<u>2009</u> <u>£000</u>	<u>2008</u> <u>£000</u>
Total admissible assets (long-term)	16,230,911	16,996,895
Total admissible assets (other than long-term)	1,133,566	937,782
Less:		
Mathematical reserves, after distribution of surplus (long-term)	(12,266,251)	(14,981,991)
Total other insurance and non-insurance liabilities (long-term)	(2,481,787)	(1,080,297)
Total liabilities (other than long-term)	(2,263)	(1,622)
Net admissible assets	2,614,176	1,870,767
Add:		
Capital requirements of regulated related undertakings	327,888	311,798
Total capital resources after deductions	2,942,064	3,732,882

***0304* Restriction of innovative tier one capital**

The amounts at line 25, 27, 43 and line 52 contain the 2003 STIC of £300m and 2005 STIC of £495m plus interest accrued of £15.8m. The amounts at line 27 are restricted to £476m with the remaining in £122m in line 43. The amounts at line 25 and 43 are £51m and £162m respectively.

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Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***0310* Valuation differences**

Positive valuation differences included within line 14 are:

In respect of assets and liabilities valued lower than in the Companies Act Accounts:

	<u>2009</u> £000	<u>2008</u> £000
Liability for future reinsurance premium payable	-	104,935
Realistic Balance Sheet Long Term Business Provision	1,105,748	453,659
Liability at amortised cost	-	12,345
Deferred front end fee	1,413	8,287
	1,107,161	579,226

In respect of assets and liabilities valued higher than in the Companies Act Accounts:

Removal of reinsurers' credit risk adjustment	4,824	4,688
Actuarial reserve for strategic review costs	10,000	51,360
Full allowance for the reinsurance of liabilities under the reinsurance agreement with Friends Provident Reinsurance Services Limited	-	3,118
Deferred tax	12,641	29,270
Liability at amortised cost	20,672	-
Valuation of assets	25,215	-
	73,352	88,436
Total equalling Form 3 Line 14	1,033,809	490,790

***0313* Reconciliation of profit and loss account and other reserves**

	<u>2009</u> £000
Profit and loss account reserves b/fwd	301,713
Profit and loss account reserves c/fwd	577,852
Movement	276,139
Remove FSA transfer from technical account to non technical account	124,239
Surplus arising on the long-term business technical account	(201,047)
Payment of 2005 STIC interest	31,510
Total equalling Form 16 line 59	230,841

***1111* Change to previous year figures**

The amounts shown in Column 2 differ from the corresponding amount shown in the previous year's return due to the implementation of an internal reinsurance treaty.

***1211* Change to previous year figures**

The amounts shown in Column 2 differ from the corresponding amount shown in the previous year's return due to the implementation of an internal reinsurance treaty.

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***1301* & *1308* Aggregate value of investments:**

- i) The company held unlisted equity, fixed & variable interest securities valued at £390m.
- ii) Lines 41, 46 & 48 include assets to the value of £91.9m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interest or remainders in property other than land or buildings.

***1302* & *1309* Hybrid securities**

The Company held hybrid securities valued at £459.4m in the long-term fund and £25.6m in the shareholder fund.

***1304* & *1310* Amounts receivable and payable**

Certain amounts have been set off to the extent permitted by generally accepted accounting principles.

***1305* & *1319* Maximum permitted counterparty limits**

The Company has operated its investment guidelines throughout the period in line with INSPRU 2.1.22R. Investments are managed with reference to the limits prescribed by counterparty and asset exposure limits. Circumstances can exist where, on occasion, the Company maintains holdings in excess of permitted asset and counterparty exposure limits; in these cases, the continued holding has to be reported to the Investment Committee and Actuarial Function Holder of the Company. The Company's principal fund manager, F&C Asset Management plc (F&C), maintains a list of approved counterparties with limits based on the degree of risk inherent in each counterparty. F&C monitors regularly that actual exposures fall within approved limits. These restrictions apply equally to counterparties other than approved counterparties.

Actual counterparty exposure is regularly monitored through reports to the investment committee.

There were no occasions during the financial year on which counterparty limits specified in the investment guidelines were exceeded.

***1306* & *1312* Exposure to large counterparties**

At 31 December 2009 the Company had no counterparty exposures exceeding the upper limit based on the long-term business amount.

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

1318 Other asset adjustments

	<u>2009</u> £000	<u>2008</u> £000
With Profit		
Reinsurers' share of Claims outstanding	-	1,134
Variation margin	21,393	72,585
Amounts owed to credit institutions	(5,429)	-
Intercompany	518	-
Taxation	(12,000)	(3,904)
	<hr/> 4,482	<hr/> 69,815
Non Profit		
Reinsurers' share of Claims outstanding	-	3,327
Intercompany	3,935	-
Taxation	-	(8,000)
Interfund	(3,459)	-
	<hr/> 476	<hr/> (4,673)
Shareholders		
Taxation	(9,578)	(8,923)
	<hr/> (9,578)	<hr/> (8,923)

1322 Total long term fund

The intra fund transactions between the With Profit fund and the Non Profit fund have been eliminated for the total long-term fund on Forms 13 and 14.

1323 Capital support account assets

The FSA issued to the firm in June 2008 a direction under section 148 of the Act. The effect of this direction is to allow the firm to include in its realistic balance sheet (at line 27 of Form 19 for the With Profit Fund) the Capital Support Account assets (as defined in the firm's Scheme pursuant to Section 49 of and Part I of Schedule 2C to the Insurance Companies Act 1982, under which part of Friends Provident Life & Pensions business was transferred to the firm). This additional amount corresponds to the support which the Capital Support Account assets which have not been transferred to the With Profit Fund give to the policies transferred under the scheme. These assets are also included in line 89 of Form 13 for the Non Profit Fund

1324 Market risk and counterparty limits

The FSA issued to the firm in June 2009 a direction under section 148 of the Act. The direction allowed for the amendment of rule INSPRU 2.1.22R by the addition of the following subparagraph (7)

“(7) For the purpose of this rule, a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury.”

1401 & *1501* Provision for reasonably foreseeable adverse variations

The Company's assets are valued on a mark to market basis. Where this is not possible, mark to model is calculated on a prudent basis and incorporate all necessary valuation adjustments to GENPRU 1.3.30R to GENPRU 1.3.33R.

The contracts for differences shown in Form 17 lines 12 to 13 are held as part of the Company's arrangements to hedge against liabilities arising under guaranteed annuity options. The contracts for differences are covered and therefore there is no requirement for a provision for reasonably foreseeable adverse variances under INSPRU 3.2.17R

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***1402* & *1502* Contingent liabilities and guarantees**

- 1) No charge has been made on the assets of the Company (other than liabilities under an insurance contract).
- 2) Provision has been made for the total potential liability of £7.9m (2008: £0.5m) relating to taxation on unrealised capital gains arising in linked funds. There are no further contingent liabilities relating to tax on unrealised capital gains .
- 3) In accordance with guidance issued by the Financial Services Authority, the Company has reviewed the appropriateness of advice given to policyholders who purchased personal pensions contracts after 1988.

These reviews have now been substantially completed. £4m (2008: £4m) remains within the long-term business provision in respect of residual associated costs and contingencies. During the year £nil (2008: £nil) was released into surplus.

- 4) The Company has made provision for the estimated cost of settling complaints in respect of past sales. Although the provisions are regularly reviewed, the final outcome could be different from the provisions established as these costs cannot be calculated with certainty and are influenced by external factors beyond the control of management. Such uncertainties include future regulatory actions, media attention and investment performance. The majority of the uncertainty relates to endowment mortgages although a number of other products are being reviewed as an ongoing process. It is expected that the majority of endowment cases requiring compensation will be settled in the year.
- 5) The Company has no other contingent liabilities
- 6) The Company has the following guarantees:

- (i) 6.875% Step-up Tier one Insurance Capital Securities (STICS) issued by Friends Provident plc¹ (2003 STICS)

On 21 November 2003, Friends Provident plc issued £300m of STICS, which bear interest from 21 November 2003 to 20 November 2019 at a rate of 6.875%. The 2003 STICS have no maturity date but are redeemable at the option of the issuer on 21 November 2019 and thereafter on the coupon payment date falling on or nearest successive fifth anniversaries of this date. The 2003 STICS are perpetual securities and are not redeemable at the option of the holder at any time. The 2003 STICS are irrevocably guaranteed on a subordinated basis by the Company.

The guarantee is intended to provide the holder with rights against the Company in respect of the guaranteed payments which are as nearly as possible equivalent to those which they would have had if the 2003 STICS had been directly issued preference shares of the Company.

This guarantee does not meet the definition of a financial guarantee under FRS 26 as the Company is able to defer its obligation to make payments under the guarantee to holders of STICS for an unlimited period, and the holders have no right to enforce the obligation on the Company.

- (ii) 6.292% Step-up Tier one Insurance Capital Securities (STICS) issued by Friends Provident plc¹ (2005 STICS)

On 27 June 2005, Friends Provident plc issued £500m of STICS, which bear interest from 30 June 2005 to 30 June 2015 at a rate of 6.292%. The 2005 STICS have no maturity date but are redeemable at the option of the issuer on 1 July 2015 and thereafter on every fifth anniversary of this date. The 2005 STICS are perpetual securities and are not redeemable at the option of the holder at any time. The 2005 STICS are guaranteed on a limited and subordinated basis by the Company.

This guarantee does not meet the definition of a financial guarantee under FRS 26 as the Company is able to defer its obligation to make payments under the guarantee to holders of 2005 STICS for an unlimited period, and the holders have no right to enforce the obligation on the Company.

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

1402 & *1502* Contingent liabilities and guarantees (continued)

On 21 May 2009, Friends Provident plc carried out a financial restructuring by exchanging £90m of its £300m 6.875% Step-Up Tier one Insurance Capital Securities issued on 21 November 2003 (the 2003 STICS) and £232m of its £500m 6.292% Step-Up Tier one Insurance Capital Securities issued on 30 June 2005 (the 2005 STICS) for £162m 12% Sterling Denominated Fixed Rate Subordinated Guaranteed Notes due 2021, irrevocably guaranteed on a subordinated basis by Friends Provident Life and Pensions Limited.

On 6 July 2009, as part of its reorganisation of the Group, Friends Provident Group plc was substituted for Friends Provident plc as the issuer of the 2003 STICS and 2005 STICS.

¹ Friends Provident plc was re-registered as a private limited company in November 2009.

- 7) The Company is not aware of any other fundamental uncertainties.
- 8) The Company has made provision for the estimated cost of settling complaints in respect of past sales. Although the provisions are regularly reviewed, the final outcome could be different from the provisions established as these costs cannot be calculated with certainty and are influenced by external factors beyond the control of management. Such uncertainties include future regulatory actions, media attention and investment performance. The majority of the uncertainty relates to endowment mortgages although a number of other products are being reviewed as an ongoing process. It is expected that the majority of endowment cases requiring compensation will be settled in the year.

1405 Other Liabilities

	2009	2008
	£000	£000
With Profit		
Deferred taxation	12,000	3,904
Long term business provision	(1,104,520)	(451,234)
Provision for subsidiary undertaking	-	(41,974)
Reinsurers' share of Claims outstanding	-	(1,134)
Intercompany with Non Profit funds	(11,676)	122,591
Amounts owed to credit institutions	5,429	
Intercompany	(518)	
Variation margin	(21,393)	(72,584)
	<hr/>	<hr/>
	(1,120,678)	(440,431)
Non Profit		
Deferred taxation	-	8,000
Long term business provision	34,268	44,396
Intercompany	(3,935)	-
Reinsurers' share of Claims outstanding	-	(3,327)
Intercompany with With Profit funds	11,676	(122,591)
Interfund	3,459	
Deferred front end fees	(1,413)	(8,287)
	<hr/>	<hr/>
	44,055	(81,809)

1507 Other adjustments

	2009	2008
	£000	£000
Shareholders		
Provision for a subsidiary undertaking (FPRE)	-	62,961
Taxation	(9,578)	(8,923)
	<hr/>	<hr/>
	(9,578)	54,038

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***1601* & *4005* Foreign currency translation**

Rates of exchange prevailing at the time of the transaction have been used to translate amounts of income and expenditure in overseas currencies relating to long-term insurance business. Other amounts are included in the return at the rates of exchange ruling at the end of the year.

***1700* Forms omitted from the return**

Form 17 for other than long-term insurance business has been omitted because all entries would be blank. Form 17 for long-term insurance business – non profit fund has been omitted because all entries would be blank.

***1701* Variation margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £20,849k. Variation margin of £172,825k has been included in Form 13 line 44.

***1702* Quasi-derivatives**

The aggregate value of quasi-derivatives did not exceed 2.5 per cent of the assets at line 89 of Form 13

***1811* Capital support account assets**

The FSA issued to the firm in June 2008 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in line 65, the value, in the most adverse scenario, of future repayments from the With Profits Fund of Friends Provident Life and Pensions Limited ("FPLP") to the Non Profit Fund in respect of any amounts outstanding under any Contingent Loans (as defined in the Scheme pursuant to Schedule 2C of The Insurance Companies Act 1982 dated 26 April 2001, and amended on 29 July 2004, by which the long term business of Friends Provident Life Office was transferred to FPLP) made by the Non Profit Fund to the With Profits Fund.

***1911* Capital support account assets**

The FSA issued to the firm in June 2008 a direction under section 148 of the Act. The effect of this direction is to allow the firm to include in its realistic balance sheet (at line 27) the Capital Support Account assets (as defined in the firm's Scheme pursuant to Section 49 of and Part I of Schedule 2C to the Insurance Companies Act 1982, under which part of Friends Provident Life & Pensions business was transferred to the firm). This additional amount corresponds to the support which the Support Account assets which have not been transferred to the With-Profits Fund give to the policies transferred under the scheme. These assets are also included in line 89 of Form 13 for the Non Profit Fund

***4002* Other income and expenditure**

Other income in the With Profits Fund comprises of:

	2009	2008
	£000	£000
FPP management charges	19,751	23,097
FPLP management charges	11,669	13,219
Policy loan income	121	128
Total other income	31,541	36,444

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

Other expenditure in the Non Profit Fund relates to:

	2009	2008
	£000	£000
FPLP management charges	24,458	24,741
FPLAL management charges	98,508	-
Other	72	-
Total other expenditure	123,038	24,741

***4004* Transfer from Long-term Insurance Business Fund to Shareholder Fund**

Assets transferred from long term insurance business fund to shareholder fund totalled £80m; this is reflected in Form 13 Line 43, Form 13 Line 54 and Form 13 Line 81.

***4006* Principles and methods of apportioning between long term funds**

There are separate pools of assets for the With Profits and Non Profit Funds. Income earned and other expenses incurred are borne directly in each fund with no apportionment taking place.

Investment income and expenses:

Investment income earned on the assets of each fund and investment expenses are borne directly by the relevant fund.

Expenses:

(i) Directly attributable expenses are charged to the individual fund.

(ii) An expense agreement was set up in 2001 allowing the Non Profit Fund to charge the With Profits Fund management expenses in connection with the administration of With Profits policies. This agreement is formalised in Schedule 2 of the Scheme, which sets out the specific charging arrangements which define the expenses that the With Profits Fund can suffer.

Increase or decrease in the value of non-linked assets brought into account:

The amounts brought into account in each fund have regard to the nature of the changes in the Long Term liabilities of that fund including liabilities in respect of the current bonus declaration.

Taxation:

Taxation is computed separately for the With Profits and Non Profit funds. Taxation in respect of realised investment appreciation is charged to the investment reserve for non-linked assets; other taxation is charged to the revenue account and is determined by reference to the income and expenses of each fund.

***4008* Management services**

Management services were provided during the year by Friends Provident Management Services Limited, a wholly owned subsidiary of Friends Provident Holdings (UK) Limited. Friends Provident Holdings (UK) Limited is the parent Company of Friends Provident Life and Pensions Limited.

Investment management and advisory services were provided during the year by F&C Asset Management Limited (formerly FP Fund Managers Limited) and F&C Property Asset Management, both wholly owned subsidiaries of F&C Asset Management plc.

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***4009* Material connected party transactions**

Reassurance agreements with Friends Provident Life Assurance Limited (FPLAL)

Unit linked life business written pre 2004 in FPLP are reinsured to the company under an agreement dated 28 October 2009. The aggregate amount reassured in 2009 was (£1,808m).

***4012* Total long term fund**

The intra fund transactions between the With Profit fund and the Non Profit fund have been eliminated for the total long-term fund on Forms 40, 41 and 42.

***4401* Basis of asset valuation within internal linked funds**

Assets within this form have been valued as follows:

- (a) Land and buildings have been valued at open market value.
- (b) Listed investments have been valued at market prices consistent with the pricing basis within those funds.
- (c) OEICs are carried at the market value at the balance sheet date.

All other investments have been valued on a prudent basis having regard to their likely realisable value.

***4402* Rights and liabilities under derivative contracts**

At the end of 2009 the internal linked funds held rights of £1,320,046 and liabilities of £245,512 under derivative contracts.

***4502* Other expenditure – Linked funds**

Other expenditure consists of

	2009	2008
	£000	£000
Reinsurance with FPLAL	1,518,921	-
Interest on reinsurance	98,508	-
Investment related costs	810	1,069
Total other expenditure	1,618,239	1,069

Amounts in other expenditure include reinsurance of unit linked liabilities of £1,519m to FPLAL, the assets backing these liabilities have been immediately deposited back by way of a loan. Also included is an amount of £99m relating to interest on the loan and a further £1m in relation to the purchase and sales of investments.

***4802* Interest in default**

Where the payment of income is in default, the expected income in Form 48 is nil.

***4804* Derivative yields**

Lines 28.1 and 25.2 for the With Profits Fund contain put options with a value of £114.6m. These combine with equity having a value of £962.2m with yield 7.26% to give a combined value of £1,076.8m with yield 4.36%.

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***4806* Assets used to calculate investment returns**

The investment returns in lines 21-29 column 5 for the With Profits Fund have been based upon a specific portfolio of assets identified to back asset shares and on which the return credited to asset shares is based. The main exclusions from the assets in Form 48 backing with profits liabilities are derivatives and other assets earmarked to back guarantees.

***4901* Rating agencies**

The majority of ratings used in Form 49 were provided by either Standard & Poor's or Moody's. Where ratings were not available from these agencies, ratings provided by Fitch rating agency have been used where available.

***5010* Inter-Fund Reinsurance**

The figures given include any inter-fund reinsurance arrangements within FPLP. This has the effect of increasing the gross figures by the total amount reinsured. This is offset by the same total being added in the intra-company reinsurance section, thus giving the correct overall net position. The amounts reinsured within FPLP at the end of December 2009 were:

Form 52:

UK Life	83.6m
UK Pension	51.5m
Overseas	92.7m

Form 53 - Linked:

UK Life	1,228.1m
Overseas	118.6m

***5600* Index-linked assets**

Index-linked assets do not exceed £100m, and consequently there is no requirement to complete Form 56.

***5701* Negative reserves**

The interest rate shown in Form 57 is that in respect of positive liabilities. The interest rate for policies with negative liabilities is shown in the response to question 4(2) of Appendix 9.4.

Where positive mathematical reserves have been entirely offset by negative reserves, the yield on backing assets is shown as the INSPRU 3.1.45 yield on which the valuation interest rate is based.

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return Friends Provident Life and Pensions Limited Global business Financial year ended 31 December 2009

***5702* Risk adjusted yield**

The FSA, on application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2009. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

Product Group	With Profit Fund		Non Profit Fund	
	Yield	Risk Adjusted Yield	Yield	Risk Adjusted Yield
UK F51 L&GA WP	4.96%	4.46%		
UK F51 L&GA NP	4.96%	4.46%	3.97%	3.97%
UK F51 L&GA NP			4.53%	3.97%
UK F52 L&GA	4.96%	4.46%	5.05%	4.50%
UK F53 L&GA NL	4.96%	4.46%	3.97%	3.97%
UK F51 Pensions WP	4.96%	4.46%		
UK F51 Pensions NP	4.96%	4.46%	3.97%	3.97%
UK F51 Pensions NP	6.22%	5.34%		
UK F52 Pensions	4.96%	4.46%	5.05%	4.50%
UK F53 Pensions NL	4.96%	4.46%	3.97%	3.97%
OS F51 NP	4.97%	4.46%	3.97%	3.97%
OS F52	4.96%	4.46%	5.05%	4.50%
OS F53 NL	4.96%	4.46%	3.97%	3.97%
Miscellaneous UK F51 L&GA WP	4.96%	4.46%		
Miscellaneous UK F51 L&GA NP	4.96%	4.46%	3.97%	3.97%
Miscellaneous UK F52 L&GA	4.96%	4.46%		
Miscellaneous UK F53 L&GA NL	4.96%	4.46%	3.97%	3.97%
Miscellaneous UK F51 Pensions WP	4.96%	4.46%		
Miscellaneous UK F51 Pensions NP	5.41%	4.69%	3.97%	3.97%
Miscellaneous UK F52 Pensions	4.96%	4.46%		
Miscellaneous F53 Pensions NL	3.97%	3.97%		
Miscellaneous OS F53 NL	4.96%	4.46%	3.97%	3.97%

**Additional information on derivative and quasi-derivative contracts
(IPRU (INS) rule 9.29)
Friends Provident Life and Pensions Limited
Financial year ended 31 December 2009**

Derivative Contracts

The following information is included pursuant to IPRU (INS) 9.29.

- a) **Investment Guidelines.**
Investment guidelines operated by the company during 2009 were to use derivative contracts only for the purpose of efficient portfolio management or a reduction in investment risk. Derivatives are not permitted to be used without specific authority of senior management. All obligations arising out of derivative contracts are required to be covered. All over the counter derivatives are collateralised to minimise counterparty default risk
- b) **Guidelines in respect of derivatives not likely to be exercised.**
The guidelines make no explicit provision for the use of derivatives which the Company has a right or obligation to acquire or dispose of assets which are not, at the time when the contract is entered into, reasonably likely to be exercised. Therefore, providing such derivatives meet the over arching investment guidelines stated above, that they are held for efficient portfolio management or a reduction in investment risks, they are permitted.
- c) **Use of derivatives not likely to be exercised.**
The long-term fund held derivatives during the year, which at the time when acquired were not likely to be exercised. These were held for purpose of protecting the fund from falling equity markets & interest rate sensitivity.
No other contracts were entered into during the financial year that were not, at the time of entry, reasonably likely to be exercised.
- d) **The Company held no derivative contracts during the financial year other than permitted derivative contracts under permitted links rules, and nor did any contracts require a significant provision to be made under INSPRU 3.2.17R.**
- e) **The company did not grant rights under derivative contracts during the financial year.**

Returns under the Interim Prudential Sourcebook for Insurers

Statement of additional information on controllers required by IPRU (INS) 9.30 Friends Provident Life and Pensions Limited Financial year ended 31 December 2009

The following information is included pursuant to IPRU (INS) 9.30.

(a) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

- (i) Friends Provident plc
- (ii) Friends Provident Group plc
- (iii) Friends Provident Limited
- (iv) Friends Provident Holdings (UK) Limited
- (v) Resolution Holdings (Guernsey) Limited – from 4 November 2009
- (vi) Resolution Holdco No1LP – from 4 November 2009
- (vii) Resolution Limited – from 4 November 2009

(b) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:

- (i) Resolution Limited

As at 31 December 2009, Resolution Limited owned 99.99% of the Shares of Resolution Holdco No1LP, a company of which Friends Provident Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

No shareholder owns 10% or more of the shares or votes in Resolution Limited.

- (ii) Resolution Holdco No1LP

As at 31 December 2009, Resolution Holdco No1LP owned 100% of the Shares of Resolution Holdings (Guernsey) Limited, a company of which Friends Provident Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iii) Resolution Holdings (Guernsey) Limited

As at 31 December 2009, Resolution Holdings (Guernsey) Limited owned 100% of the Shares of Friends Provident Holdings (UK) Limited, a company of which Friends Provident Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iv) Friends Provident Holdings (UK) Limited

As at 31 December 2009, Friends Provident Holdings (UK) Limited owned 100% of the Shares of Friends Provident Group plc, a company of which Friends Provident Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (v) Friends Provident Group plc

As at 31 December 2009, Friends Provident Group plc owned 100% of the Shares of Friends Provident Limited, a company of which Friends Provident Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (vi) Friends Provident Limited

As at 31 December 2009, Friends Provident Limited owned 100% of Friends Provident Pensions Limited and was able to exercise 100% of the voting power at any general meeting.

ABSTRACT OF VALUATION REPORT ACCORDING TO APPENDIX 9.4 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS.

1. Introduction

- (1) The investigation relates to 31st December 2009.
- (2) The previous investigation related to 31st December 2008.
- (3) Not applicable.

2. Product Range

The With Profits Fund is open to new with-profits business reinsured from Friends Provident Life Assurance Limited (FPLAL) and Friends Provident Pensions Limited (FPP).

New products

The following products were introduced in FPLAL in 2009 and reinsured to Friends Provident Life and Pensions Limited:

1. Tesco Life Insurance Products

A range of Tesco Life Insurance and Critical Illness products designed for personal, family or mortgage protection, were launched through Friends Provident on 4th December 2009. The three product cover options available are:

- **Tesco Life Insurance**, a regular premium, term assurance product which is designed to provide a lump sum on death within the specified policy term.
- **Tesco Life Insurance with Critical Illness Cover**, a regular premium product, designed to provide a lump sum on death or diagnosis of a specified critical illness in accordance with Friends Provident's critical illness definitions, within the policy term.
- **Tesco Critical Illness Cover**, a regular premium product, designed to provide a lump sum on diagnosis of a specified critical illness or disability in accordance with Friends Provident's critical illness definitions, within the policy term.

All products can be set up to provide cover on a level or a decreasing basis and are available on a single life or joint life, first-death basis. A terminal illness benefit is included with the two Life Insurance products above.

Premiums are guaranteed for the Tesco Life Insurance product, but are reviewable on the 5th and each subsequent policy anniversary for the other two products.

An optional Waiver of Premium benefit is available on all products at the application stage only. Subject to underwriting, further options may also be included to extend or take out additional cover. These options are available on the occurrence of specified events, or on the increase/extension of a mortgage held by the life or lives assured and can only be included at the application stage.

2. Tesco Over 50s Plan

The Tesco's Over 50's plan was launched through Friends Provident on 4th December 2009. This is a whole of life product, which provides a guaranteed cover amount on the death of the life assured. Cover is available on a single life basis only.

The product is available to permanent UK residents aged between 50 and 75 and offers guaranteed acceptance for all eligible applicants. There is no underwriting involved, and there is no requirement for applicants to undergo any form of medical examinations or tests during the application process. Consequently, there is a two year moratorium period, during which the chosen cover amount is only payable if the death is the result of an accident. In all other instances, a return of premiums is payable.

The product offers pure protection only and as such no surrender value exists. Once taken out, no amendments can be made to a policy.

3. Virgin Money Life Cover

The Virgin Life Cover plan was launched on 14th September 2009. This is a standard Friends Provident term assurance product, but with Virgin branding. The product is designed to provide a lump sum on death within a specified policy term and can be used for family or mortgage protection.

The product can be set up to provide cover on a level or a decreasing basis and is available on a single life or joint life, first-death basis. A terminal illness benefit is included in all contracts.

Premiums are payable monthly only and are guaranteed for the duration of the policy.

An optional Waiver of Premium benefit is available at the application stage only. Subject to underwriting, further options may also be included to extend or take out additional cover. These options are available on the occurrence of specified events, or on the increase/extension of a mortgage held by the life or lives assured and can only be included at the application stage.

Products Withdrawn

The following products withdrawn in 2009:

- Group Personal Pension Plan (GPPP) Series 2 – product closed to new business on 1st June 2009.
- Versatile Group Personal Pension (VGPP) – product closed to new business on 1st June 2009.

3. **Discretionary Charges and Benefits**

- (1) Market value reduction (MVR) factors have applied during periods of 2009 to unitised with-profits contracts. MVR's have applied to certain policy years of entry, with the maximum rates being as follows:

Unitised With Profits - Pensions

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2009 to 8/1/2009	14%	Single Premium Policies Regular Premium Policies	1987 to 2007 inclusive (excluding 1991-1992 and 2002-2004)
9/1/2009 to 2/8/2009	15%	Single Premium Policies Regular Premium Policies	1987 to 2002 (excluding 1991) and 2005 to 2008 inclusive
3/8/2009 to 10/9/2009	13%	Single Premium Policies Regular Premium Policies	1987 to 2002 (excluding 1991) and 2005 to 2008 inclusive
11/9/2009 to 31/12/2009	10%	Single Premium Policies Regular Premium Policies	1987 to 2001 (excluding 1991, 1992 and 1995) and 2006 to 2007 inclusive

Unitised With Profits - Life

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2009 to 8/1/2009	9%	Single Premium Policies	1999 to 2000 inclusive
9/1/2009 to 2/8/2009	10%	Single Premium Policies Regular Premium Policies	1998 to 2001 and 2007 inclusive
3/8/2009 to 10/9/2009	8%	Single Premium Policies Regular Premium Policies	1998 to 2001 and 2007 inclusive
11/9/2009 to 31/12/2009	No MVR applying		

Unitised With Profits - OLAB

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2009 to 8/1/2009	13%	Single Premium Policies Regular Premium Policies	1999 to 2000 and 2006 to 2007 inclusive
9/1/2009 to 2/8/2009	13%	Single Premium Policies Regular Premium Policies	1999 to 2000 and 2006 to 2008 inclusive
3/8/2009 to 10/9/2009	9%	Single Premium Policies	1999 to 2000 and 2006 to 2008 inclusive
11/9/2009 to 31/12/2009	5%	Single Premium Policies	2000 only

- (2) There have been no changes to premiums on reviewable protection policies during the year.
- (3) Not applicable.
- (4) Policy fees for certain products are linked to the RPI; the charges in 2009 were 4.2% greater than in 2008. The relevant business is:

- Series 2 Pensions sold through IFAs
- All former London and Manchester Assurance products

Policy fees for certain products are linked to the National Average Earnings Index; the charges for 2009 were 3.2% greater than in 2008. The relevant business is:

- Retirement Investment Bond
- Series 1 Pensions
- Series 2 Pensions sold directly

Policy fees for the Universal Pension Account are subject to discretionary increases; the charges in 2009 were 4.2% greater than in 2008.

- (5) There have been no changes to benefit charges (mortality, morbidity, etc) on linked policies during the year.
- (6) There have been no changes to unit management charges or notional charges to accumulating with-profit policies during the year.
- (7) Unit pricing

(a) Description of methods

- (i) Units are allocated to policies at offer price and cancelled at bid price.
- (ii) Normally the valuation will take into account the cost of acquisition or sale of the constituent assets and any taxes, duties, charges or other expense payable on purchase/sale.

If a fund is being priced on a ‘creation’ or ‘steady state’ basis (see (iii) below), the offer price is calculated by adjusting the unit price calculated on that basis, including any initial charge, to allow for the accrued annual management charge and any tax provision on gains and rounding. The bid price is then calculated by deducting the initial management charge, if any.

If a fund is being priced on a ‘cancellation’ basis, the bid price is calculated by adjusting the unit price calculated on that basis to allow for the accrued annual management charge, provision for tax on gains and rounding. The offer price is then calculated by adding the initial management charge, if any.

- (iii) The net asset value of units is determined at valuations of the appropriate funds, required to be made at least once each calendar month but normally made daily at midnight. The use of a ‘creation’ or ‘steady state’ or ‘cancellation’ basis depends on whether or not the Company considers that a fund is growing, steady or declining. For the ‘creation’ basis, asset valuations will be based on the prices at which the funds can buy assets in the market. For the ‘cancellation’ basis, asset valuations will be based on the prices at which funds can sell assets in the market. For the ‘steady state’ basis, asset valuations will be based on a mid market value.
- (iv) Regular premiums are allocated at the current day’s price, based on the previous midnight pricing valuation point. Single premiums are allocated in accordance with policy conditions, which vary by product, and are generally based on previous day or current day’s price. Switches are generally dealt with as follows:

- If the request is received by post, the current day’s price is used.
- If the request is received online, by fax, or by email, the next day’s price is used.

- (b) There is no variation between the pricing bases used for different policies other than through the use of different initial and annual management charges.

- (c) For collective investment schemes, the processes are similar to those for internal linked funds.

- (8) The tax liability is withdrawn from the internal linked funds with respect to realised gains net of realised losses in April following the year of realisation. With respect to Unit Trust and Open-Ended Investment Companies (OEICs) investments, where notional gains are subject to Capital Gains Tax, the tax liability withdrawn from the internal linked fund in April is that relating to one seventh of the current year notional gain, plus a seventh of each prior period gain remaining in the liability. Realised losses are offset against realised gains, including those brought forward from previous years that have yet to fall into the company’s actual tax computation. The tax liability for unrealised gains net of unrealised losses continues to be held in the internal fund and is not discounted. Instead assets are held in the internal fund of an equal value to the tax liability, which yield an investment return for the fund. Unrealised losses are offset against unrealised gains falling into the current tax computation and any excess unrealised losses are carried forward. The relevant tax rates used are:

Cash	0%
Fixed Interest	20%
Index Linked	20%
Other	20%

- (9) For each internal linked fund the provision for tax on realised and unrealised capital gains is determined daily by adjusting the previous day’s provision by a percentage of the chargeable gain or loss over the previous day. The percentage is regularly reviewed and where necessary adjusted to reflect the actual liability for tax on realised

and unrealised gains, where the liability for unrealised gains is calculated as the capital gains tax liability that would be incurred if all assets were sold at the valuation date.

During 2009 the percentage was applied in order to achieve tax provisions on gains as follows:

Cash	0%
Fixed Interest	20%
Index Linked	20%
Other	20%

- (10) Where internal linked funds invest in permitted scheme interests that are exclusively authorised OEICs managed by F&C Asset Management Limited, the internal linked fund receives a management charge rebate up to 1.1% to ensure that the overall annual management charge to the policyholders is maintained.

4. Valuation Basis (Other Than for Special Reserves)

Except as noted below, all policies have been valued using prospective methods.

(1) Valuation Methods Used

(a) General Method

- (i) For conventional with-profit and non-profit business a gross premium valuation has been adopted, in accordance with INSPRU 1.2.35G, given FPLP is a realistic basis life company.
- (ii) The valuation liabilities for unit-linked contracts shown in Form 53 are equal to the value of units allocated together with mortality and sterling reserves where appropriate. The method for calculating sterling reserves is that described in JIA Vol. 105 Part III, except that a prudent allowance is made for policies becoming paid-up. Sterling reserves are calculated allowing for any surrender penalties. If a negative sterling reserve is calculated then the amount is limited to the size of the surrender penalty.
- (iii) The reserve for accumulating with-profits contracts is determined by calculating
 - the face value of the contract (allowing for guaranteed bonus rates where applicable) and
 - the amount that would reasonably be expected to be paid in the event of a significant level of policy discontinuances. This amount is calculated taking into account any circumstances in which an MVR is guaranteed not to apply and allowing for future reversionary bonus implicit in treating customers fairly in the event that experience were to follow the valuation basis.

The lower of these two is compared with the result of a bonus reserve valuation and the reserve is taken to be the higher.

(b) General Principles

- (i) All policies are individually valued and, apart from non-profit protection products, any negative reserves arising on individual contracts as the result of the valuation method adopted have been eliminated. As a result these contracts are not treated as an asset. For conventional non-profit life, critical illness, and income protection policies, negative reserves are permitted.
- (ii) For conventional non-profit life, critical illness and income protection policies, a prudent allowance for lapses has been made. In addition a prudent allowance is made for regular withdrawals on products where this increases the liability.
- (iii) The reserves have a lower limit, at a contract level, of any guaranteed surrender values.
- (iv) The valuation liabilities ceded to external reinsurers, where positive, have been reduced by 5% to allow for credit risk. Where reserves ceded are negative, there is no credit risk. Credit risk is quantified by projecting reinsurance credit risk exposures, multiplying by a prudent estimate of the probability of default and then discounting to the valuation date to arrive at the total cost.

(c) Conservative Approximations

- (i) For all deferred annuity business where there is either a return of fund or a return of premiums with interest on death, mortality is ignored in the valuation.
- (ii) Maxidowment Plus plans are endowment policies and are valued as if the death benefit is equal to the maturity benefit, although in practice the death benefit is lower.

(d) Non Standard Methods

Exceptions where a non standard method has been used are as follows:

- The reserves for certain decreasing term assurances attaching to with-profit mortgage endowments have been set at 4.5 times the office premium. The reserves for certain other decreasing term assurances, family income benefits and risk premium reassurances accepted are

taken as one year's office premium and for increasing family income benefits as 1.5 times the office premium. The reserves for risk premium reassurances ceded are taken as zero.

- For late retirements where the benefit is equal to the cash option at retirement plus interest, the reserves have been calculated by accumulating the cash option with interest at a rate not less than the average rate earned by existing policyholders.
- Friends Provident London and Manchester Assurance (FPLMA) individual income protection and waiver of premium reserves are taken as a proportion of total premiums paid. Reserves for FPLMA group income protection have been taken as one year's annual premium. Other annual premium income protection business is valued using a gross premium method. In all cases claims in payment are valued in addition to the above. Hospitalisation benefits are allowed for by reducing the valuation premium.
- For single premium income protection business, other than FPLMA, the liability in respect of benefits secured by premiums paid during the preceding three years is 90% of those premiums. Where claims are in course of payment after three years, they are valued individually as life annuities ceasing on the earlier of recovery, death or ceasing age. For FPLMA business the liability is equal to one year's premium plus the value of all claims in payment.
- Where an extra premium is payable on a life assurance policy to cover additional mortality risk, a reserve of three times the extra premium is held. For income protection business, where an extra premium is payable the assumed inception rates are increased by a proportion equal to twice the extra premium divided by the total premium.

(2) Valuation Interest Rates

Interest rates assumed for policies where negative reserves are not permitted:

	31.12.2009				31.12.2008			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Annuities in possession (Pre-July 2001)	3.00	4.28	5.21		3.60	4.33	4.52	
Annuities in possession (Post-July 2001)	3.00	4.28	4.33		3.60	4.33	4.33	
Other non-profit business	3.00	3.80	3.80	3.80	2.70	3.40	3.40	3.40
With-profits deferred annuities								
in deferment	3.30		4.20		3.00		3.75	
in possession	3.30		4.20*		3.00		3.75	
Other conventional with-profits business	3.30		4.20		3.00		3.75	
Unitised with-profits	3.30	4.20	4.20		3.00	3.75	3.75	

In possession assumes a reinvestment rate. This is equal to 97.5% of the rates derived from the forward gilt yield curve.

Interest rates assumed for policies where negative reserves are permitted:

	31.12.2009				31.12.2008			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Low rate	2.50	3.30	3.30	3.30	2.20	2.90	2.90	2.90
High rate	5.40	5.40	5.40	5.40	4.70	4.70	4.70	4.70

The low rate is applied to product types with an overall positive liability and the high rate is applied to product types with an overall negative liability.

(3) Adjustment of Yields for Risk

- (a) Yields on British Government and Approved (issued by approved UK and international public sector bodies) fixed-interest and index linked securities are assumed to be free of default risk and therefore no adjustments are made to their yields.
- (b) The internal rates of return on corporate bonds have been reduced to make a prudent allowance for the risk of default. This allowance assumes a long-term expected level of defaults, based on an analysis of the historical losses and recoveries over the period 1920-2008, plus a margin for prudence. In addition, a further short-term deduction has been applied to the yields to reflect the increased likelihood of defaults given the recent stressed conditions within the credit markets.

The table below sets out the short-term and long-term default deductions used by credit rating. The deduction for individual bonds may be restricted such that the risk-adjusted yield is not less than that on a British Government security of equivalent duration.

Credit Rating	Long Term Default Deduction (bps)	Short Term Default Deduction (bps)	Total (bps)
AAA	21	2	23
AA	30	27	57
A	38	52	90
BBB	74	108	182
Lower Ratings	294	181	475
Unrated	57	65	122

In aggregate, this resulted in an average deduction of 108 bps from the overall yield on the corporate bond portfolio as at 31 December 2009.

- (c) In compliance with INSPRU 3.1.37R, the running yield on equities is calculated as the greater of the dividend yield and the average of the dividend yield and the earnings yield. This yield and the yield on property have been adjusted by 10% for the risk of reduced dividend yield, earnings yield and rental yield, and further capped at the long-term gilt yield plus 2%p.a.
- (4) The mortality tables used in the valuation are as follows (ultimate mortality except where stated):

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
All lives except as noted below	120% AMC00	120% AFC00	120% AMC00	120% AFC00
Linked Business				
- Life (Regular Premium)	130% AMC00	130% AFC00	130% AMC00	130% AFC00
- Life (Other)	110% AMC00	110% AFC00	110% AMC00	110% AFC00
Regular Premium Income Protection				
- Lives not claiming	60% AM80	60% AF80	60% AM80	60% AF80

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
- Lives claiming	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives
Term assurances paying death benefits only				
- Smokers	93% TMS00(5)	88% TFS00(5)	93% TMS00(5)	88% TFS00(5)
- Non-Smokers	93% TMN00(5)	86% TFN00(5)	93% TMN00(5)	86% TFN00(5)
- Non-Differentiated ⁽¹⁾	105% TMN00(5)	105% TFN00(5)	105% TMN00(5)	105% TFN00(5)
Deferred annuities				
- in deferment	65% AMC00	55% AFC00	65% AMC00	55% AFC00
- non-profit pension annuity options on vesting (individual)	67-94% PCMA00	75-94% PCFA00	80% RMV92 c2025	80% RFV92 c2025
- other annuity options on vesting (group)	67-94% PCMA00	75-94% PCFA00	95% PMA92 c2025	95% PFA92 c2025
Annuities in possession- individual contracts				
- Life business	95% IM92 U2005 Ultimate	95% IF92 U2005 Ultimate	95% IM92 U2005 Ultimate	95% IF92 U2005 Ultimate
- Pension business (Pre-July 2001)	83-94% RMV00	87-94% RFV00	83-94% RMV00	87-94% RFV00
- Pension business (Post-July 2001)	56-94% RMV00	58-94% RFV00	56-94% RMV00	58-94% RFV00
Annuities in possession - group contracts				
- Pension business (Pre-July 2001)	81-94% PCMA00	90-94% PCFA00	81-94% PCMA00	90-94% PCFA00
- Pension business (Post-July 2001)	67-94% PCMA00	75-94% PCFA00	67-94% PCMA00	75-94% PCFA00
With Profit Business – Life Fund				
- Assurances	120% AMC00 Ultimate	120% AFC00 Ultimate	120% AMC00 Ultimate	120% AFC00 Ultimate
With Profit Business – Annuity Fund				
- Individual deferred annuity (in deferment)	65% AMC00 Ultimate	55% AFC00 Ultimate	65% AMC00 Ultimate	55% AFC00 Ultimate
- Individual deferred annuity (in possession)	67-94% PCMA00	75-94% PCFA00	95% IM92 c2025 Ultimate	95% IF92 c2025 Ultimate
With Profit Business – Pension Fund				
- Individual deferred annuity (in deferment)	65% AMC00 Ultimate	55% AFC00 Ultimate	65% AMC00 Ultimate	55% AFC00 Ultimate
- Individual deferred annuity (in possession)	56-94% RMV00	58-94% RFV00	56-94% RMV00	58-94% RFV00
- Scheme deferred annuity (in deferment)	65% AMC00 Ultimate	55% AFC00 Ultimate	65% AMC00 Ultimate	55% AFC00 Ultimate
- Scheme deferred annuity (in possession)	67-94% PCMA00	75-94% PCFA00	67-94% PCMA00	75-94% PCFA00
- Term assurance	105% TMN00 (5)	105% TFN00 (5)	105% TMN00 (5)	105% TFN00 (5)

⁽¹⁾Non-differentiated produces higher rates due to different underlying business and underwriting.

Where a range of percentages is shown the percentage varies by age.

For annuities in payment and annuities in deferment, the complete expectation of life assumed by the above mortality tables, having applied the percentages given, is shown below:

Deferred annuities – individual contracts – pension business (Pre-July 2001)
Modified RMV00/RFV00

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	26.82	28.40	26.72	28.30
55	65	25.44	27.33	25.30	27.22
65	65	24.00	26.24	23.86	26.14
75	75	15.09	16.71	14.96	16.61

Deferred annuities – With-profits pensions annuity options on vesting (executive pensions)
Modified PCMA00/PCFA00

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	26.79	27.48	26.65	27.37
55	65	25.31	26.33	25.16	26.22
65	65	23.80	25.17	23.65	25.06
75	75	14.79	15.95	14.65	15.85

Annuities in possession – individual contract - Life business
IM92/IF92 U2005 Ultimate

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	19.49	22.69	19.49	22.69
55	65	19.49	22.69	19.49	22.69
65	65	19.49	22.69	19.49	22.69
75	75	12.00	13.99	12.00	13.99

Annuities in possession - individual contracts - pension business (Post-July 2001)
and
Deferred annuities – With Profits pension annuity options on vesting (individual)
Modified RMV00/RFV00

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	27.90	29.18	27.77	29.08
55	65	26.56	28.16	26.43	28.05
65	65	25.22	27.13	25.08	27.03
75	75	15.71	17.22	15.59	17.13

Annuities in possession - group contracts - pension business (Post-July 2001) and
Deferred annuities - Non-profit pension annuity options on vesting (individual) and
Deferred annuities - Other annuity options on vesting (group) and
With Profit Business – Annuity Fund – Individual deferred annuity (in possession)
Modified PCMA00/PCFA00

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	27.33	27.99	27.19	27.88
55	65	25.88	26.87	25.73	26.75
65	65	24.42	25.74	24.27	25.63
75	75	15.12	16.29	14.99	16.19

Modifications to standard tables for the 31.12.2009 valuation are based on CMI Working Paper 1 entitled "An interim basis for adjusting the '92' series mortality projections for cohort effects", allowance is made for future improvement using percentages of the average of the Medium Cohort and Long Cohort, with a minimum annual rate of improvement of 1.5%pa for males and 1.25%pa for females (as in 2008). The percentages are 100% for males and 75% for females for both 2009 and 2008.

(5) The morbidity tables assumed in the valuation of the various categories of contracts are shown below.

- (a) For Income Protection business, except as noted below, the inception and recovery rates used are those published in CMI Report No. 12. The inception rates for occupation class 1 have been adjusted by the following proportions, for business with a deferred period of 13 weeks, which is the most common deferred period:

	31.12.2009	31.12.2008
Males Smokers	53%	53%
Males Non-smokers	46%	46%
Males Unclassified	48%	48%
Females Smokers	122%	122%
Females Non-smokers	106%	106%
Females Unclassified	111%	111%

The recovery rates have been adjusted by the following proportions:

Policy Year	31.12.2009	31.12.2008
1	32%	32%
2	59%	59%
3-5	68%	68%
6+	41%	41%

- (b) The valuation of single premium Income Protection claims in payment (both in 2009 and 2008 valuations) are assumed to have 40% of the ultimate recovery rates and 40% of the mortality rates for sick lives published in CMI Report No. 12.
- (c) The mortality and morbidity tables for critical illness used in the 2009 valuation are as follows:

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
Accelerated Critical Illness Mortality				
- Smokers	89% CIBT02 (2) mort	111% CIBT02 (2) mort	89% CIBT02 (2) mort	111% CIBT02 (2) mort
- Non-Smokers	45% CIBT02 (2) mort	51% CIBT02 (2) mort	45% CIBT02 (2) mort	51% CIBT02 (2) mort
Standalone Critical Illness Morbidity				
- Smokers	87% CIBT02 (2)	89% CIBT02 (2)	87% CIBT02 (2)	89% CIBT02 (2)
- Non-Smokers	51% CIBT02 (2)	64% CIBT02 (2)	51% CIBT02 (2)	64% CIBT02 (2)

In policy year one and two, the rates shown above are reduced by 20% and 5% respectively.

Future deterioration is allowed for by applying the factors below to the basic critical illness morbidity rates:

	Per annum Deterioration Factors (no Maximum Values)	
	31.12.2009	31.12.2008
Males	1.25%	1.25%
Females	1.50%	1.50%

(d) For valuing FPLMA group Income Protection the following termination rates have been used

Term from Commencement of Disability to Retirement	31.12.2009			31.12.2008		
	Under 2	2-5	Over 5	Under 2	2-5	Over 5
Up to 10 years	7%	3%	1%	7%	3%	1%
Over 10 years	12%	5%	2%	12%	5%	2%

(6) Expense Bases

Renewal commission is allowed for at the actual rate payable for each business type.

Tax relief in the life fund is assumed to be:

- 20% for maintenance expenses
- 16% for acquisition expenses

The expenses shown below are in respect of all maintenance expenses for conventional business and attributable expenses for unitised business.

With Profit Fund

With-Profit Fund		31.12.2009				31.12.2008			
		Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	25.17	0.122	0	N/a	25.54	0.122	0
	Otherwise	N/a	17.62	0.122	0	N/a	17.88	0.122	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	25.17	0.122	0	N/a	25.54	0.122	0
	Otherwise	N/a	17.62	0.122	0	N/a	17.88	0.122	0
CWP Pensions (155 / 165)	Premium Paying	N/a	30.21	0.122	0	N/a	30.64	0.122	0
	Otherwise	N/a	22.66	0.122	0	N/a	22.98	0.122	0
Term Assurance (325 / 330)	Premium Paying	N/a	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise	N/a	15.10	0.122	0	N/a	15.32	0.122	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise	N/a	15.10	0.122	0	N/a	15.32	0.122	0
Annuity (400)	All	N/a	17.66	0.059	0	N/a	20.43	0.059	0
UWP Bond (500)	All	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Savings Endowment (510)	Premium Paying	N/a	32.80	0.122	0	N/a	33.28	0.118	0
	Otherwise	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP target Cash Endowment (515)	Premium Paying	N/a	32.80	0.122	0	N/a	33.28	0.118	0
	Otherwise	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	41.27	0.122	0	N/a	41.86	0.118	0
	Otherwise	N/a	33.02	0.122	0	N/a	33.49	0.118	0
UWP Single Premium Pension (525 / 545)	All	N/a	31.55	0.122	0	N/a	32.01	0.118	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	64.55	0.122	0	N/a	65.47	0.118	0
	Otherwise	N/a	51.03	0.122	0	N/a	50.92	0.118	0
UWP Group Single Premium Pension (535)	All	N/a	46.02	0.122	0	N/a	46.68	0.118	0
UL Bond (700)	All	N/a	23.28	0.129	0	N/a	23.17	0.250	0
UL Savings Endowment (715)	Premium Paying	N/a	32.26	0.129	0	N/a	32.11	0.250	0
	Otherwise	N/a	23.28	0.129	0	N/a	23.17	0.250	0
UL Target Cash Endowment (720)	Premium Paying	N/a	32.36	0.129	0	N/a	32.11	0.250	0
	Otherwise	N/a	23.28	0.129	0	N/a	23.17	0.250	0
UL Regular Premium Pension (725)	Premium Paying	N/a	36.73	0.129	0	N/a	36.56	0.250	0
	Otherwise	N/a	29.28	0.129	0	N/a	29.14	0.250	0
UL Single Premium Pension (725)	All	N/a	27.39	0.129	0	N/a	27.27	0.250	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	19.65	0.129	0	N/a	19.56	0.250	0
	Otherwise	N/a	14.69	0.129	0	N/a	14.62	0.250	0
UL Group Single Premium Pension (735)	All	N/a	13.40	0.129	0	N/a	13.34	0.250	0

Non Profit Fund

Non-Profit Fund		31.12.2009				31.12.2008			
Class		Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
Term Assurance (325 / 330)	Premium Paying	N/a	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise	N/a	15.1	0.122	0	N/a	15.32	0.122	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise	N/a	15.1	0.122	0	N/a	15.32	0.122	0
Income Protection (360 / 365)	All	N/a	27.32	0.122	0	N/a	25.54	0.122	0
Income Protection Claims in Payment (385)	All	N/a	N/a	N/a	8% of claims	N/a	N/a	N/a	8% of claims
Annuity (400)	All	N/a	17.66	0.059	0	N/a	20.43	0.059	0
UWP Bond (500)	All	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Savings Endowment (510)	Premium Paying	N/a	32.80	0.122	0	N/a	33.28	0.118	0
	Otherwise	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Target Cash Endowment (515)	Premium Paying	N/a	32.80	0.122	0	N/a	33.28	0.118	0
	Otherwise	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	41.27	0.122	0	N/a	41.86	0.118	0
	Otherwise	N/a	33.02	0.122	0	N/a	33.49	0.118	0
UWP Single Premium Pension (525 / 545)	All	N/a	31.55	0.122	0	N/a	32.01	0.118	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	29.13	0.122	0	N/a	26.34	0.118	0
	Otherwise	N/a	19.92	0.122	0	N/a	19.75	0.118	0
UWP Group Single Premium Pension (535)	All	N/a	16.41	0.122	0	N/a	15.50	0.118	0
UL Bond (700)	All	N/a	12.96	0.118	0	N/a	12.37	0.118	0
UL Savings Endowment (715)	Premium Paying	N/a	15.83	0.129	0	N/a	16.03	0.129	0
	Otherwise	N/a	12.96	0.129	0	N/a	12.37	0.129	0
UL Target Cash Endowment (720)	Premium Paying	N/a	15.83	0.129	0	N/a	16.03	0.129	0
	Otherwise	N/a	12.96	0.129	0	N/a	12.37	0.129	0
UL Regular Premium Pension (725)	Premium Paying	N/a	14.01	0.100	0	N/a	12.44	0.118	0
	Otherwise	N/a	9.85	0.100	0	N/a	9.36	0.118	0
UL Single Premium Pension (725)	All	N/a	7.90	0.100	0	N/a	7.49	0.118	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	14.01	0.100	0	N/a	12.44	0.118	0
	Otherwise	N/a	9.85	0.100	0	N/a	9.36	0.118	0
UL Group Single Premium Pension (735)	All	N/a	7.90	0.100	0	N/a	7.49	0.118	0

- (7) The unit growth rates for gross and net linked business (before management charges) and the inflation rates assumed for future expenses and future increases in policy charges are shown below:

	31.12.2009			31.12.2008		
	Unit Growth % p.a.		Expense Inflation % p.a.	Unit Growth % p.a.		Expense Inflation % p.a.
	Gross	Net		Gross	Net	
Conventional Non Profit Ex- FPLMA	N/a	N/a	4.1	N/a	N/a	3.0
Conventional Non Profit Other	N/a	N/a	4.7	N/a	N/a	3.7
Conventional With Profit Ex- FPLMA	N/a	N/a	4.1	N/a	N/a	3.0
Conventional With Profit Other	N/a	N/a	4.7	N/a	N/a	3.7
Unitised	3.8	3.0	4.7	3.4	2.7	3.7

- (8) For policies with explicit policy charges, these charges increase in line with the RPI or the National Average Earnings Index. Future RPI is assumed to be 3.7% p.a., and future NAE is assumed to be 1% higher at 4.7% p.a. The future bonus rates used in valuing with-profits business are the minimum guaranteed bonus rates. These are zero except as follows:

Unitised With Profits Policies

Life		Pensions					
Series 1	Ex FPLMA Life	Series 1	Series 7,11,21	New Generation Pre-demut	New Generation Post -demut	Ex FPLMA Pensions	Ex UKP
% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
3.00	1.00	4.00	0.95	0.92	0.97	1.00	5.00

(9) A summary of the lapse assumptions is shown below:

Product		Average lapse / surrender / paid-up rate for policy years			
		1-5	6-10	11-15	16-20
		% p.a.	% p.a.	% p.a.	% p.a.
Level term – low rate	Lapse	8.0	4.3	2.5	2.5
Level term – high rate	Lapse	14.8	7.9	4.6	4.6
Decreasing Term – low rate	Lapse	8.3	6.6	4.6	4.6
Decreasing Term – high rate	Lapse	15.3	12.2	8.5	8.5
Income protection – low rate	Lapse	7.4	6.2	4.6	4.6
Income protection – high rate	Lapse	13.8	11.6	8.5	8.5
UWP bond	Surrender	N/a	N/a	N/a	N/a
UWP bond	Partial Surrender	5.0	5.0	5.0	5.0
UWP Individual Pension	PUP	16.1	7.3	5.2	5.2
UL bond	Surrender	N/a	N/a	N/a	N/a
UL bond	Partial Surrender	5.0	5.0	5.0	5.0
UL Individual Pension	PUP	16.1	7.3	5.2	5.2
UL Group Pension	PUP	21.3	15.6	15.6	15.6

For products where negative reserves are permitted we use the combination of lapse rates shown above and interest rates in 4 (2) that produce the most prudent result. Where negative reserves are not permitted the lapse rates are assumed to be zero.

The lapse / surrender rates for all other products are assumed to be zero.

(10) There are no other material assumptions.

(11) Derivatives are shown at market value using quoted prices where exchange-traded and prices from counterparties otherwise. Combined yields are calculated for assets with covering derivatives, whether in-the-money or out-of-the-money, in accordance with INSPRU 3.1.30R. The interest rates used in the valuation of liabilities are consistent with the yields on backing assets, reflecting covering derivatives if appropriate.

An inflation rate swap formalises an expense agreement made with the with-profits policyholders at the time of demutualisation. This agreement is already reflected in the valuation assumptions so the swap has no impact on the determination of the liabilities.

(12) Changes in valuation methodology arising from the application of PS06/14 were made in 2006 and 2007. The following table states the effect on mathematical reserves of the changes made during each calendar year as at the end of the year. These values are the reduced amounts recognised each year, and are not cumulative.

	31/12/06	31/12/07
Allowance for lapses on valuation of protection business	£24m	£29.9m
Allowance for negative reserves on valuation of protection business	£31.6m	£38.7m
Allowance for lapses on valuation of unit-linked business	-	-
Allowance for negative reserves on valuation of unit-linked business	£0.9m	-

5. Options and guarantees

(1) Guaranteed Annuity Rate Options

- (a) Deferred annuities are valued as the greater of the present value of the annuity or, if appropriate, the alternative cash fund available at vesting for the purchase of an annuity. It has been assumed that all cashable deferred annuities have such a guarantee. GAO take-up rates increase, as required by INSPRU 1.2.66G to 95% over 20 years, with the following starting rates:

With Profits:	
Individual ex-FP and UK Provident (UKP)	75%
UKP Executive Pensions	73%
Other Deferred Annuities	75%
Accumulating With Profits	
Group Final Salary	94%
Group Money Purchase	70%
Executive Pensions	82%

- (b) The table below shows details of the options:

Product Name (i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Rate (v)	Increments allowed (vi)	Annuity Form (vii)	Retirement Ages (viii)	
Self Employed Deferred Annuities	1,109	Up to 21 years	577	FP: 11.6%	No	Single life, annual in arrears, no guarantee	FP: 60-70	
				UKP: 12.2%			UKP: 60 – 75	
Group Deferred Annuities (other than EBP and PTP below)				10.0%			Single life, monthly in advance, guaranteed 5 years	50-75
Executive Benefit Plan (EBP) and Pension Transfer Plan (PTP)				10.0%			Single life, monthly in advance, guaranteed 5 years	Only applies at specified NRD
UKP Executive Pensions				11.1%			Single life, monthly in advance, guaranteed 5 years	Applies at specified NRD or on similar terms for early retirement
FPLMA Retirement Annuity Contracts				10.8%	No	Single life, annual in arrears, no guarantee	60-75	

(2) Guaranteed Surrender and unit-linked maturity values

(a) For contracts with guaranteed surrender values, the calculated reserve is increased to the guaranteed surrender value if greater. There are no significant unit-linked maturity guarantees.

(b) A table showing details is given below:

Product Name	Basic Reserve	Outstanding Durations	Guarantee Reserve	Guaranteed Amount	MVA Free Conditions	In-force Premiums	Increments
(i)	(ii) £m	(iii)	(iv) £m	(v)	(vi)	(vii) £m	(viii)
Friends Flexible Savings Plan	118	Up to 21 years	12	Scheduled proportion of the maturity benefit (including declared bonuses).	n/a	3.0	No
Multidowment and 10/25 Savings Plan		Up to 1 year		Scheduled proportion of the maturity benefit (including declared bonuses).	n/a		No
Planned Investment and Planned Investment Plus		Up to 1 year		Scheduled proportion of the maturity benefit (including declared bonuses).	n/a		No

(3) Guaranteed Insurability Options

(a) No additional reserve is held in respect of Guaranteed Insurability Options (GIO). The total sum insured on these contracts falls below £1bn.

(4) Other Guarantees and Options

(a) Small additional reserves are held in respect of other options and guarantees.

6. Expense reserves

- (1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £84.8m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below.

Homogeneous Risk Group	Implicit Allowances £m	Explicit Allowance (investment) £m	Explicit Allowances (other) £m	Non-Attributable Expenses £m	Total £m
Unitised Life (Post July 2001)		0.0	1.1	0.7	1.8
Unitised Overseas (Post July 2001)		0.3	0.4	0.3	1.0
Unitised Life (Pre July 2001)		1.6	3.1		4.7
Unitised Pensions (Pre July 2001)		4.8	9.0		13.8
All Expenses Attributable (All other business)	2.4	13.6	47.5		63.5
Total	2.4	20.2	61.1	1.0	84.8

- (2) The implicit expense allowance relates to Group Income Protection business where a proportion of premium is held for the first three years and claims reserves thereafter. The allowances are covered from margins in the reserving basis.
- (3) The maintenance expenses in line 14 of Form 43 are £85.0m.

Line 14 includes £3.3m in respect of expenses related to purchase of investments; £2.7m from with-profits business and £0.6m relating to linked funds. For with-profits business, given the discretionary nature of such expenses and a declining fund, these are not provided for in the allowances set out in 6(1) above. The transaction costs in linked funds are charged directly to those funds and therefore offset by equal reductions in the unit liability; hence no additional reserves are held.

An additional £10m reserve is held for expenses. No credit has been taken for this reserve in allowances set out in 6(1) above.

- (4) The value of profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is required.
- (5) Actual expenses and commission have been estimated for 2010 if the Company ceased to transact new business on 1st January 2010. Estimated expenses in 2010, on this basis, are less than the loadings expected from in-force business in 2010 and therefore no additional reserve is required.
- (6) Non-attributable expenses have only been calculated for unit-linked products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation, the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

7. Mismatching reserves

- (1) The value of mathematical reserves (other than liabilities for property-linked benefits) for the With Profits Fund, together with value of assets matching those liabilities, are analysed below by reference to currency.

Currency	Value of liabilities (£m)	Value of assets (£m)
Sterling	10,295	11,380
Euro	0	241
Dollar	0	117
Australian Dollar	0	76
Other	0	208
Total	10,295	12,022

The value of mathematical reserves (other than reserves for property-linked benefits) for the Non Profit Fund was £241m denominated entirely in sterling, and this was wholly matched by sterling-denominated assets.

- (2) As noted above, FPLP has no liabilities denominated in currencies other than sterling.
- (3) There are sufficient sterling assets to cover the sterling liabilities. Consequently, no reserve for currency mismatching is considered necessary.
- (4) Not a regulatory reporting company and therefore not applicable.
- (5) Not a regulatory reporting company and therefore not applicable.
- (6) Not a regulatory reporting company and therefore not applicable.
- (7) The nature and term of the assets matching liabilities is regularly reviewed to ensure continued appropriateness and no additional provision was required at the valuation date to ensure that the company could meet its obligations as they arise.

8. Other special reserves

Other special reserves in excess of £10m have been held as follows:

- (1) Provision of £18m for the potential uncertainty surrounding the long-term level of maintenance expenses.
- (2) A reserve of £26m as expenses charged to the With Profit Fund (WPF) are governed by the demutualisation Scheme, hence any excess of the assumed expenses of the WPF policies over the maximum chargeable under the Scheme, are held separately in the Non Profit Fund.
- (3) A reserve of £10m to cover investment expenses not explicitly attributable to specific product lines.

9. Reinsurance

- (1) No premiums for reinsurance ceded on a facultative basis were paid during 2009 to reinsurers who are not authorised to carry on insurance business in the United Kingdom.
- (2) (a), (b) & (c) The reinsurance treaties meeting the stated conditions are described in the table below, except as detailed here.
 - (d) The name of the reinsurer is quoted in the table.
 - (e) The nature and extent of cover is quoted in the table.
 - (f) The premiums paid in 2009 are quoted in the table.
 - (g) A deposit back arrangement exists on the reinsurance of all unit linked life business within the Non Profit Fund (excluding any units relating to the Property Fund) to Friends Provident Life Assurance Ltd, whereby the unit element is deposited back to Friends Provident Life & Pensions Ltd, immediately following the payment of the reinsurance premium.
 - (h) Availability to new business is quoted in the table.
 - (i) There are no undischarged obligations of the insurer.
 - (j) The mathematical reserves ceded under the treaty are quoted in the table. Apart from any reserves ceded internally, these have been reduced to allow for credit risk.
 - (k) Retentions on new business are quoted in the table.
 - (l) All reinsurers quoted in the table are authorised to carry on insurance business in the UK.
 - (m) Connections of any reinsurer to the Company are quoted in the table.
 - (n) Apart from any reserves ceded internally the mathematical reserves shown in the table have been reduced by £4.8m to allow for credit risk.
 - (o) No provision has been made for the Company's liability to refund reinsurance commission in the event of lapse or surrender of the contracts reinsured. This is because the premiums recoverable will exceed any commission refundable.
 - (p) None of the treaties are financing arrangements.

9. Reassurance Treaty Information (Sections a,b,c,g,i,l,n,o and p covered above)

(d) Reinsurer	(e) Nature and extent of cover under the treaty	(f) Premiums payable £m	(h) New business	(j) Mathematical reserves £m	(k) Retention for new policies	(m) Connected Company
Swiss Re Life & Health Ltd	2 nd surplus reinsurance for £1.5m for conventional life and pensions business and for all unitised business on risk premium or original terms.	1	Closed	3	N/A	Not connected
	1 st surplus reinsurance for Individual Income Protection for £33,000p.a.		Closed			
	1 st surplus reinsurance for Individual Income Protection for £300p.w. up to a maximum sum assured of £40,000p.a.		Closed			
	Quota share reinsurance for non-linked life business for 65% up to a maximum retention of £50,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect July 2005 percentage reassured changed from 65% to 75%.		Closed			
	1st surplus reinsurance for Group Income Protection in excess of the greater of £60,000 p.a. and the policy's free cover limit up to a limit of £300,000 p.a.	Closed	The greater of £60,000 p.a. and the policy's free cover limit.			
	1 st surplus reinsurance for Individual Income Protection for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). Max retention £125,000 p.a. D4 included and benefit increased to £2,700 p.w. with effect 26/1/2007.	17	Closed	31	N/A	Not connected
	1 st surplus reinsurance for Executive Income Protection for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business). Max retention £125,000 p.a. plus £50,000 for NI and pension contributions.		Closed			
Quota share reinsurance for Term Assurance Life and Critical Illness and Stand Alone Critical Illness for 80% up to £625,000, 100% above £625,000 to a maximum of £1m. (With effect from 9 th December 2002, 75% up to £500,000, 100% above £500,000 to a maximum of £1m.) Original terms and risk premium.	N/A					
Friends Provident Pensions Ltd	All Main Series investment benefits under pension business internal linked funds. All investment benefits under specific pensions plans; Peace and Quiet, Secure Growth Personal Retirement Plan, Blueprint and Individual Retirement Plans for the Self Made Man and Executive Director.	243	Closed	3,723	N/A	Wholly Owned Subsidiary
	All pension business written in the Non Profit Fund prior to 31 December 2001.	84	Closed	1,002	N/A	
	Deferred and in-payment annuities under Investment Trust Retirement Annuity plans on original terms.	Nil	Closed	27	N/A	

9. Reinsurance Treaty Information (Sections a,b,c,g,i,l,n,o and p covered above)

(d) Reinsurer	(e) Nature and extent of cover under the treaty	(f) Premiums payable £m	(h) New business	(j) Mathematical reserves £m	(k) Retention for new policies	(m) Connected Company
Friends Provident Life Assurance Ltd	All liabilities for benefits relating to the value of Property Fund units.	(72)	Open	265	Nil	Wholly Owned Subsidiary
	All unit linked life business within the Non Profit Fund (excluding any units related to the Property Fund).	1,785	Closed	1,618	N/A	
Friends Provident Reinsurance Services Ltd	Outstanding liabilities under non-profit, unit-linked and unitised with-profits life and pensions transferred from FPLO to the With Profits Fund of FPLP at demutualisation.	4	Closed	0	N/A	Wholly Owned Subsidiary
Munich Reinsurance Co	1 st surplus reinsurance for £2m for Individual Life (excluding commodity term assurance and Milestones Term Assurance) and Group Life. 1 st surplus reinsurance for £375,000 for critical illness and permanent disability benefits.	16	Closed	48	N/A	Not connected
	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £2m, 100% above £2m to a maximum sum reinsured of £2m.				N/A	
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.		Closed		N/A	
	1 st surplus reinsurance for Group Income Protection for £200,000 per annum.		Closed		N/A	

10. Reversionary bonus

- (1) The bonus series meeting the stated conditions are shown in the table below.
- (2) For all unitised with-profits funds, the bonus is applied as an increase in the value of units attached to the policy.
- (3) Reversionary bonuses have been shown in the table as “rate applying to basic benefit” / “rate applying to bonus already declared”.
- (4) Bonus rates do not vary between policies within a class.

Name of Bonus Series	Amount of Mathematical Reserves £m	Reversionary Bonus Rate for the		Guaranteed Bonus Rate for the Year %
		Current Year %	Preceding Year %	
<u>Main Series – Life policies</u>				
Conventional Life Fund Policies (All except Series 9)	1,954	Nil / 0.25	Nil / 0.25	0.00 / 0.00
Series 9		0.25 / 0.25	0.25 / 0.25	0.00 / 0.00
<u>Unitised With Profits Funds</u>				
Series 1,21	431	3.00	3.00	3.00
Series 2,3,4,6 and Inward Reinsurance	685	0.50	0.75	0.00
Series 9,10,11,12,22,23,24,26 and Inward Reinsurance	20	0.75	1.00	0.00
Series 5	7	0.25	0.25	0.00
Series 8, 25	6	0.25	0.50	0.00
Series 14	59	1.00	1.25	0.00
<u>Main series – Pension Fund</u>				
<u>Conventional Policies</u>				
Individual Plans	495	Nil/Nil	Nil/Nil	0.00
Group Cashable Annuities	393	2.00 / 2.00	2.00 / 2.00	0.00
Executive Benefit Scheme Cashable Annuities	243	Nil / Nil	Nil/ Nil	0.00
<u>Unitised With Profits Funds</u>				
Series 1	1,400	4.00	4.00	4.00

Name of Bonus Series	Amount of Mathematical Reserves £m	Reversionary Bonus Rate for the		Guaranteed Bonus Rate for the Year %
		Current Year %	Preceding Year %	
Series 2,4	378	1.00	1.00	0.00
Series 9,10,22,24	54	1.00	1.25	0.00
Series 11,27	1	0.80	1.20	0.00
Series 21	181	1.00	1.25	0.00
Series C	13	0.00	0.00	0.00
Demutualisation Terminal Bonus	52	1.75	1.90	0.00
Pre-Demutualisation New Generation	264	1.75	1.90	Not less than AMC
Post-Demutualisation New Generation		1.75	2.15	Not less than AMC
<u>Main Series - OLAB Policies</u>				
<u>Unitised With Profits Funds</u>				
Series 1,2	200	1.00	1.00	0.00
Series 3,4,21,22	2	1.00	1.25	0.00
Series 5	7	1.75	1.75	0.00
<u>UKP Series – Life and General Annuity Policies</u>				
All Conventional Policies	147	0.10 / 0.10	0.10 / 0.10	0.00
<u>UKP Series – Individual and Group Deferred Annuities</u>				
Conventional With Profits Policies	598	Nil / Nil	Nil / Nil	0.00
<u>Ex-FPLMA Policies – Life Assurance Policies</u>				
All Conventional Policies	32	0.50 / 0.50	0.50 / 0.50	0.00
Unitised With Profits Funds	69	1.25	1.75	0.00
<u>Ex-FPLMA Policies – Individual and Group Deferred Annuities</u>				
Unitised With Profits Funds	250	1.75	2.00	0.00

ABSTRACT OF VALUATION REPORT FOR THE REALISTIC VALUATION OF THE WITH PROFITS FUND ACCORDING TO APPENDIX 9.4A OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS.

Introduction

1. The history of Friends Provident Life and Pensions Limited (FPLP) is described in the introduction to the abstract of the Valuation Report prepared under Appendix 9.4. The With Profits Fund comprises business written in the Main Series and the UKP Series of Friends Provident Life Office (FPLO) together with business written in Friends Provident London and Manchester Assurance (FPLMA) prior to its transfer in 2000. It also includes asset shares in respect of all the reassured with-profits business of Friends Provident Pensions Limited (FPP) and the reassured UWP business of Friends Provident Life Assurance Limited (FPLAL).
 - (1) The investigation relates to 31 December 2009.
 - (2) The previous investigation related to 31 December 2008.
 - (3) An interim valuation was carried out at 30 June 2009.

Assets

2. (1) For the purposes of valuing the non-profit insurance contracts which are written within the With Profits Fund, the following assumptions have been used:

	31 December 2009 (% pa)	31 December 2008 (% pa)
Risk Discount Rate	4.4	3.7
Investment returns before tax (all assets)	4.4	3.7
Future expense inflation	4.7	3.7
Corporation tax rate	28	28

- (2) Not applicable.
- (3) Not applicable because future profits from insurance contracts written outside the With Profits Fund are not included for the purpose of INSPRU 1.3.43R.
- (4) The same set of economic assumptions is used for all future profit calculations.

With-Profits Benefits Reserve Liabilities

3. (1) a. Policies are valued using a retrospective method except:
- Conventional whole life policies, where a retrospective method is inappropriate
 - Conventional policies paid up or altered before 1 August 2004, where the premium history is unavailable.

b. The with-profits benefits reserve and future policy related liability for each significant product group is listed in the table below.

Product Type	With-Profits Benefits Reserve		Future Policy Related Liabilities £m
	Prospective £m	Retrospective £m	
Conventional Whole of Life Pre-demutualisation	167	4	5
Conventional Savings Pre-demutualisation	120	2,233	59
Conventional Pension Pre-demutualisation	256	799	578
UWP Savings Pre-demutualisation	0	800	38
UWP Bonds Pre-demutualisation	0	734	10
UWP Pensions Pre-demutualisation	0	2,325	215
UWP Bonds Post-demutualisation	0	161	0
UWP Savings Post-demutualisation	0	40	1
UWP Pensions Post-demutualisation	0	214	2
Total	542	7,310	908

c. All products that are included in the realistic value of the liabilities of the With Profits Fund have been included in the table above.

- (2) The total of the amounts of the with-profits benefits reserve in 3 (1) (b) corresponds to line 31 of Form 19.

Reconciliation of the total future policy related liabilities in 3 (1) (b) back to Form 19 is shown below. The adjustments relate to liabilities that are not specific to individual policies.

Description	Amount (£m)
Total Future Policy Related Liabilities from 3 (1) (b)	908
Enhancement to WPBR not yet allocated to specific policies	306
Future costs of smoothing	(17)
Financing cost of contingent loan	52
Operational risk provision	17
Additional tax provision	9
Other	22
Total Future Policy Related Liabilities	1,297
Line 49 of Form 19: Total Future Policy Related Liabilities	1,297

With-Profits Benefits Reserve – Retrospective Method

4. (1) (a) & (b)

Retrospective Reserves	Proportion of With-Profits Benefits Reserve
Individual Basis	87.2%
Grouped Basis	6.0%

(c) (i) The contracts valued on a group basis are a selection of conventional pension deferred annuity contracts. The method applies grouped model point adjustments to individual mathematical reserves.

There are two methods used to value these policies. Either the policies are grouped by year/month of entry and premiums on each model point are assumed to be 50% level premiums and 50% single premiums, or premiums are grouped by year of payment.

(ii) 467 model points were used to represent 6,822 policies for the first method and 105 model points were used to represent 1,203 schemes for second method.

(iii) We have validated that a 50% single premium assumption is conservative. A reconciliation of movements is made between the current and the prior period's with-profits benefits reserve to ensure no significant data is lost.

(2) (a) No changes in the method during 2009

(b) N/a

(3) The basis of charging expenses to the With Profits Fund and to with-profits benefits reserves is described in the Demutualisation Scheme ('the Scheme') and the company's Principles and Practices of Financial Management. Charges to the With Profits Fund and to the with-profits benefits reserves are not based on actual expenses calculated in expense investigations.

For pre-demutualisation policies the expense charge to the With Profits Fund is based on the number of contracts multiplied by a charge per contract. The charge per contract is set out in the Scheme. It varies by contract type and since 2001 has been increased at the rate of 1%pa above the increase in the RPI. (Charges for ex-FPLMA business increases in line with the RPI.)

The Scheme also sets out a similar approach for calculating total charges to with-profits benefits reserves. In apportioning these costs between individual policies:

- Where policyholders have previously been given the expectation that the contractual charges are the costs that will be taken into account in calculating discretionary benefits as well as contractual benefits (e.g. New Generation Pensions where the only expense charge is an annual management charge), then it is the contractual expense charge that is deducted from the with-profits benefits reserve.
- Where differences in contractual charges imply a different allocation of expenses to policies of the same type, for example because more expenses are allocated to large policies than to small ones, then the costs deducted from the with-profits benefits reserve will, where reasonably possible, reflect this difference.

For the pre-demutualisation maintenance expenses below, the expenses are shown before netting down for tax relief where appropriate.

For UWP post-demutualisation with-profits policies, the expenses charged to the with-profits benefits reserve are based on the charges specified within the contract.

Type of Policies	Maintenance Expenses in 2009 (£m)
Pre-demutualisation	25.1
Post-demutualisation	4.4

- (4) For post-demutualisation with profits contracts there is a charge for the cost of the guarantee that the UWP unit price will not fall. The charge varies depending on the original term and the bonus series.

For pre-demutualisation business there was a deduction from the with-profits benefits reserve at a rate of 0.45%pa to achieve a fair distribution of the fund's assets over the remaining lifetime of policies. This charge allowed for the cost of guarantees.

Type of Policies	2009 Guarantee Charge	2008 Guarantee Charge
Pre-demutualisation	£30.8 million	£36.0 million
Post-demutualisation	£0.3 million	£0.3 million

- (5) There were no charges deducted from the fund for non-insurance risk.
- (6) The table below shows the ratio of claims paid out on with-profits insurance contracts to the with-profits benefits reserve held for those claims:

	2009	2008	2007
Ratio of Claims to Reserves	102%	107%	101%

- (7) The investment return allocated to the with-profits benefits reserve for the period 1 January to 31 December 2009 was 9.5% before deduction of tax and expenses. The same return was allocated to all with profits contracts.

There were adjustments to ex-FPLMA policies of +1.2% pa and to ex-UKP policies of -0.25% pa, which reflect the terms of the transfers of these companies under the schemes of transfer to FPLO.

With-Profits Benefits Reserve – Prospective Method

5. (1) A bonus reserve valuation is used for conventional whole life policies and conventional policies that have been made paid-up or have altered since inception.
- (a) For life business a risk discount rate of 3.9% pa is used, for pensions business a risk discount rate of 4.4% pa is used. These are the earned rates derived from the economic assumptions in (b).
- (b) The gross investment return is assumed to be 4.4% pa for all asset categories.
- (c) Expense inflation is assumed to be 4.7% pa.
- (d) Assumed conventional annual bonuses are shown in the table below. Final bonuses were assumed to be a proportion of current final bonuses that are consistent with the rate that would be paid on a similar premium paying policy. Samples of current final bonus rates are shown in the following table:

	Annual Bonus (% pa)	Final Bonus by Term (%) (FP/UKP: expressed as a % of the total regular and interim bonus at the date of claim LMA: expressed as a % of the basic sum assured plus regular and interim bonus at the date of claim)					
		<=10	15	20	25	30	35+
UKP Series 1,7	0.1	0	0	50	30	37.5	110
UKP Series 3,4	0	0	0	0	0	0	0
FP Series 1,8	0.25	0	65	52.5	25	22.5	80
FP Series 2,4,6,9	0.25	0	0	52.5	25	22.5	80
FP Series 3	0	0	0	10	0	10	12.5
FP Series 5	0	0	44	0	5	42	110
FP Series 7	0.25	0	60	65	50	50	50
LMA Series 1	0.5	20.5	22	32.5	44	69	109.5

(e) The Scheme of Demutualisation sets out the expenses that should be charged to the with-profits benefits reserve from 9 July 2001 to 31 December 2009 (Expenses are assumed to continue in line with these after 2009). These expenses are also used within the retrospective with-profits benefits reserve calculation.

2009 Expenses	Regular Premium	Paid-Up
Life	£21.39	£14.97
Pension (Individual)	£25.67	£19.25

(f) No lapses are assumed within the prospective with-profits benefits reserve calculation.

(2) Not applicable.

Cost of guarantees, options and smoothing

6. (1) Not applicable.

(2) The cost of options and guarantees are valued using a Monte Carlo simulation approach using The Smith Model (TSM) Plus as the stochastic asset model. The outputs from this asset model are input into a dynamic financial analysis model (Prophet ALS) to calculate the value of options and guarantees.

(a) All products are valued using the Monte Carlo method although there are some adjustments made outside the model.

(b) (i) Not applicable.

(b) (ii) All costs have been valued on a grouped basis.

(b) (iii) Grouping of Data: A set of rules is used to group policies with similar characteristics while aiming to preserve the intrinsic value of the guarantees. The rules used to group policies in 2009 were unchanged from 2008. The table below shows the level of grouping split by product group.

		Policies before grouping	Policies after grouping	Compression
Conventional Life (Pre Demut)	WOL	22,420	282	1.26%
	Savings	199,950	1,208	0.60%
Conventional Pensions (Pre Demut)		26,232	151	0.58%
Unit Linked Life (Pre Demut)	Bonds	75,033	229	0.31%
	Savings	96,746	677	0.70%
Unit Linked Pensions (Pre Demut)		403,816	2,112	0.52%
Unit Linked Life (Post Demut)	Bonds	4,335	89	2.05%
	Savings	10,286	217	2.11%
Unit Linked Pensions (Post Demut)		31,150	488	1.57%
Total		911,135	5,942	0.65%

Impact of grouping on embedded maturity guarantees

Onerous policy groups are identified by comparing the grouped cost of maturity guarantees and the compression ratios. The effect of grouping data on embedded maturity guarantee liabilities is examined by calculating the liabilities for these onerous policy groups on an individual policy level. This is then compared against the liability calculated using grouped data. An additional reserve of £14.5m is held to cover the difference between the two approaches.

Impact of grouping on financial options

An implicit adjustment within the stochastic model, which is proportionate to the grouped liabilities for financial options is held. An additional reserve of £2.7m is held to cover lost value.

Impact of grouping on other liabilities

A calibration process was performed to ensure that liability cashflows and values, on a deterministic basis, emerging from the Monte Carlo model using grouped data replicated the cashflows and values obtained from the embedded value model using individual policy data. An additional reserve is not required.

The process segmented the liabilities by business type (CWP and UWP) then further split by material product lines. The key output from both models, split by segment, was compared over a 40-year projection period. The analysis included comparisons of:

- Number of maturities and maturity payments;
- Number of surrenders and surrender payments;
- Number of deaths and death payments;
- With-profits benefits reserve in-force;
- Number of policies in-force; and
- Expenses, investment income and in force premium income.

(c) There are no significant approximations used in valuing products.

(3) No changes were made to the modelling of financial options and guarantees during 2009.

(4)(a) (i) The options and guarantees are fully disclosed in the abstract to the valuation report (Appendix 9.4). The tables below show the extent to which the guarantees and options, split by major product groups, are in or out the money at the valuation date.

Split of maturity guarantees		Total (£m)
Conventional Pension	Intrinsic	100
	Time	56
Conventional Life	Intrinsic	4
	Time	43
Unitised With-Profits Pension	Intrinsic	29
	Time	126
Unitised With-Profits Life	Intrinsic	6
	Time	21
Total	Intrinsic	140
	Time	246
	Total	386

Split of financial options		Total (£m)
Conventional Pension	Intrinsic	427
	Time	0
Total	Intrinsic	427
	Time	0
	Total	427

(ii) The asset model used is TSM Plus. It is a macro-economic scenario generator developed by Deloitte and describes how the economy may evolve over time, using a combination of historic statistical information, current market prices, implied volatilities and fundamental economic principles.

Equity implied volatility is calibrated to replicate the implied volatility of FTSE 100 put options. This has been compared to options owned by the fund, which are described in section 12.

Corporate bonds are modelled using a modified version of the Merton Model. Various checks were carried out in order to be satisfied that the calibration is appropriate. These are:

- Checks on the volatility of corporate bonds;
- Checks on the correlation of annual corporate bond returns and gilt returns;
- Checks on default rates;
- Checks on option prices using a rolling portfolio of bonds; and
- Check on the value of a put option using a fixed portfolio of bonds.

Property is modelled as a separate asset class. The volatility of property returns is not easily observed within the market. A best estimate initial volatility of 15% pa has been assumed for property total return.

Correlations between 6-year bonds, equities and the RPI are calibrated to 10 years of historical data using Datastream as the source of data. Correlations vary by term, sample average correlations over the first 15 years from the asset model output are shown below:

	6 Year Bond Return Index	Equity Total Return	RPI	Property Total Return	15 Year Corporate Bond Return Index
6 Year Bond Return Index	1.00	(0.13)	(0.18)	(0.15)	0.57
Equity Total Return	(0.13)	1.00	0.21	0.66	0.41
RPI	(0.18)	0.21	1.00	0.40	(0.22)
Property Total Return	(0.15)	0.66	0.40	1.00	0.21
15 Year Corporate Bond Return Index	0.57	0.41	(0.22)	0.21	1.00

Risk-free rates are calibrated to the UK Government gilt yield curve, extrapolated to tend to a long term assumption of 4.0% pa at terms greater than 35 years.

K n	Asset type (all UK assets)	(£)	1				2				3				4			
			0.75				1.0				1.5							
			5	15	25	35	5	15	25	35	5	15	25	35				

Strikes														
p	1.0	871,759	1,502,908	2,341,353	3,383,083	1,162,346	2,003,877	3,121,804	4,510,778	1,743,519	3,005,816	4,682,706	6,766,166	
	0.8	846,225	1,311,194	1,872,279	2,515,914	1,128,300	1,748,258	2,496,371	3,354,552	1,692,450	2,622,388	3,744,557	5,031,829	
r	Annualised compound equivalent of the risk free rate assumed for the period	3.05%	4.74%	4.66%	4.40%	3.05%	4.74%	4.66%	4.40%	3.05%	4.74%	4.66%	4.40%	
1	Risk-free zero coupon bond	860,329	499,033	320,328	221,691	*	*	*	*	*	*	*	*	
2	FTSE All Share Index (p=1)	83,059	220,266	318,654	398,005	209,225	378,230	498,049	590,439	581,673	757,846	897,334	1,007,149	
3	FTSE All Share Index (p=0.8)	74,623	167,562	221,344	260,822	191,824	294,247	352,689	393,324	544,724	605,029	652,470	683,859	
4	Property (p=1)	35,666	136,234	228,308	296,390	141,624	275,847	388,622	473,495	526,985	644,522	767,746	870,579	
5	Property (p=0.8)	30,202	94,097	145,326	176,313	125,208	200,024	258,122	292,194	487,488	492,198	532,655	561,367	
6	15 year risk-free ZCBs (p=1)	5,015	5,600	12,423	23,281	70,946	70,521	85,703	105,296	481,346	461,535	459,503	454,552	
7	15 year risk-free ZCBs (p=0.8)	3,493	1,175	1,083	2,247	57,222	24,687	20,640	22,090	438,543	285,086	205,505	168,049	
8	15 year corporate bonds (p=1)	6,308	25,549	64,149	102,364	78,474	118,147	178,456	232,089	498,041	505,956	550,088	595,472	
9	15 year corporate bonds (p=0.8)	4,626	10,960	25,401	38,167	63,963	60,368	81,931	99,734	455,019	336,353	308,561	305,327	
10	Portfolio of 65% equity and 35% property (p=1)	58,290	178,402	271,606	349,310	175,490	327,902	442,492	533,757	552,636	701,223	831,332	939,462	
11	Portfolio of 65% equity and 35% property (p=0.8)	51,334	130,486	182,011	219,770	158,509	247,507	303,683	344,856	514,777	549,190	591,834	624,225	
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)	27,840	106,686	178,011	241,537	128,522	239,370	328,495	405,501	516,428	605,147	701,188	785,402	
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)	23,099	68,755	105,372	134,224	112,460	166,503	205,339	237,705	476,744	452,603	468,075	488,099	
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)	15,634	76,548	142,491	199,920	104,558	199,030	283,467	356,115	504,511	566,424	651,396	728,597	
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)	12,220	44,745	77,884	102,332	88,977	130,109	167,349	196,334	463,258	410,901	419,835	436,371	

L	15				20				25			
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16	Receiver swaptions	4.41%	7.05%	6.40%		5.86%	8.68%			7.34%	9.95%		
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(4)(a) (iii) Within line 16 of the previous table swaption data is limited to L+n <=40, as there is limited liability arising from financial options above these terms.

(iv) The average initial equity and property rental yields are:

Initial UK equity yield	= 3.28% pa
Initial property rental yield	= 6.72% pa
Initial EUR equity yield	= 3.72% pa

(v)

Asset type (EUR assets)

K
n

1	2	3	4
1			
5	15	25	35

Strikes

p	1.0		1,092,587	1,760,257	2,775,401	3,977,890
	0.8		1,073,542	1,574,693	2,270,371	3,031,097
r	Annualised compound equivalent of the risk free rate assumed for the period		1.79%	3.84%	4.17%	4.02%
1	Risk-free zero coupon bond		*	*	*	*
2	FTSE EUR Index (p=1)		192,247	376,986	515,114	614,930
3	FTSE EUR Index (p=0.8)		181,947	306,609	382,833	426,969

(vi) There are no market instruments available that can be directly compared against the policyholder embedded maturity guarantees and financial option liabilities. The economic scenario generator is calibrated against actual market instruments held by the fund to hedge these liabilities.

The tables below show term structure and strikes of the guarantees and options split by significant product groups.

Split of guarantees by outstanding term	Years	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	Total (£m)
		(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	
Conventional Pension	Intrinsic	60	31	8	1					100
	Time	12	19	15	6	3	1			56
Conventional Life	Intrinsic	4								4
	Time	23	16	2	1	1			1	43
Unitised With-Profits Pension	Intrinsic	18	8	1	1		1			29
	Time	14	29	32	27	18	6			126
Unitised With-Profits Life	Intrinsic	1		1	1	1	1		1	6
	Time	7	10	3	1					21
Total	Intrinsic	83	40	9	4	2	1		1	140
	Time	56	75	51	34	22	6	1	1	246
	Total	140	114	61	38	23	8	1	2	386

Split of financial options by outstanding term	Years	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	Total (£m)
		(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	
Conventional Pension	Intrinsic	207	121	66	23	9	1			427
	Time									0
Total	Intrinsic	207	121	66	23	9	1			427
	Time									0
	Total	207	121	66	23	9	1	0	0	427

(vii) The economic scenario generator produces deflators in order to value cash flows. A check is performed to ensure all future cashflows from an asset deflate to the current market value of the asset

(viii) The liabilities are calculated using 6300 simulations. The TSM Plus file has undergone variance reduction in a single batch to ensure that the statistical means correspond closely to their theoretical values, this minimises the number of simulations required to achieve statistical accuracy. An analysis of statistical error shows that the standard error for liabilities converges at 6300 simulations.

(4)(b) No costs of options, guarantees or smoothing have been valued using market consistent cost of hedging.

(4)(c) No costs of options, guarantees or smoothing have been valued using a series of deterministic projections.

(5) (a) Dynamic decision rules

The decision rules that the model will follow in various economic scenarios have been subject to Board ratification. In stress scenarios the model will follow the same dynamic rule in deciding the bonus policy.

The decisions have been tested against the Principles and Practices of Financial Management (PPFM) and this gives greater flexibility than the decision rules followed by the model.

The dynamic bonus rule is summarised below.

Dynamic bonus decision rule

For each simulation, the model projects the guaranteed benefits allowing for future regular and final bonuses.

A rule has been built into the model that aims to pay a percentage of the final maturity benefit as final bonus. This percentage is 2 * policy term so that, for example, a 15 year policy is targeted to receive 30% of the maturity payout as final bonus.

For each future time period, the model then calculates, for each bonus series, the regular (or unitised) bonus rate such that the final bonus targets can be met. This may result in no regular bonus being declared (subject to minimum bonus rates where they apply) in certain time periods and simulations.

Certain other rules also apply to the regular bonus rates for each bonus series:

- At the start of the first projection year, the initial bonus rates reflect the actual rates.
- Rates are subject to a minimum change of 0.25% pa
- Increases or decreases to rates are limited to 1.5% pa

The actual benefit at maturity depends on a policy's with-profits benefits reserve at the time and the extent of any guaranteed benefits. The terminal bonus rule described above is only used for the purpose of determining regular bonus rates.

(b) Future equity backing ratio assumptions

The modelled assumptions for the proportion of equity and property backing asset shares at the valuation date and in all subsequent future years are as follows:

Asset Type	At valuation date	Long Term
UK Equity	12.3%	22.5%
Overseas Equity	4.4%	8.2%
Property	9.3%	9.3%
Total	26.0%	40.0%

The model assumes that the equity-backing ratio will move to the long-term assumption two months after the valuation date.

Best estimates of future bonus rates are:

Without adjustment to yield curve						
Product	As at 31 December 2009		As at 31 December 2014		As at 31 December 2019	
	Annual	Final	Annual	Final	Annual	Final
Pensions Regular Premium – Series 1	4.00%	0.00%	4.01%	8.32%	4.35%	22.27%
Pensions Regular Premium - Other	1.00%	0.00%	1.92%	26.41%	3.42%	50.77%
Pensions Single Premium – Series 1	4.00%	0.00%	4.07%	9.17%	4.63%	21.50%
Pensions Single Premium - Other	1.00%	0.00%	2.35%	19.02%	4.37%	48.02%
OLAB Single Premium	1.00%	0.00%	2.43%	N/A	3.69%	40.55%
Life Regular Premium – Series 1	3.00%	0.00%	3.01%	13.36%	3.15%	27.51%
Life Regular premium – Other	0.50%	0.00%	1.10%	28.01%	2.53%	49.41%
Life Single Premium	0.50%	0.00%	1.54%	39.84%	2.98%	74.09%

Increase in yield curve of 17.5% of the annualised 15 year gilt yield						
Product	As at 31 December 2009		As at 31 December 2014		As at 31 December 2019	
	Annual	Final	Annual	Final	Annual	Final
Pensions Regular Premium - Series 1	4.00%	0.00%	4.04%	8.55%	4.58%	25.62%
Pensions Regular Premium - Other	1.00%	0.00%	2.45%	25.51%	4.10%	51.13%
Pensions Single Premium – Series 1	4.00%	0.00%	4.14%	9.24%	4.93%	24.24%
Pensions Single Premium - Other	1.00%	0.00%	2.81%	18.21%	5.03%	48.53%
OLAB Single Premium	1.00%	0.00%	3.02%	N/A	4.31%	39.21%
Life Regular Premium – Series 1	3.00%	0.00%	3.02%	13.23%	3.26%	30.41%
Life Regular premium – Other	0.50%	0.00%	1.42%	27.37%	3.03%	50.48%
Life Single Premium	0.50%	0.00%	1.91%	37.83%	3.45%	73.11%

Decrease in yield curve of 17.5% of the annualised 15 year gilt yield						
Product	As at 31 December 2009		As at 31 December 2014		As at 31 December 2019	
	Annual	Final	Annual	Final	Annual	Final
Pensions Regular Premium - Series 1	4.00%	0.00%	4.00%	8.23%	4.18%	19.18%
Pensions Regular Premium - Other	1.00%	0.00%	1.44%	27.29%	2.78%	50.05%
Pensions Single Premium – Series 1	4.00%	0.00%	4.04%	9.27%	4.40%	18.96%
Pensions Single Premium - Other	1.00%	0.00%	1.94%	19.97%	3.74%	47.40%
OLAB Single Premium	1.00%	0.00%	1.89%	N/A	3.09%	41.74%
Life Regular Premium – Series 1	3.00%	0.00%	3.00%	13.64%	3.08%	25.18%
Life Regular premium – Other	0.50%	0.00%	0.81%	28.68%	2.09%	48.45%
Life Single Premium	0.50%	0.00%	1.19%	41.95%	2.54%	75.30%

Annual bonuses are compound. Final bonuses are expressed as a percentage of the projected maturity payout.

- (6) The assumed rates of mortality, morbidity, lapse¹, surrender, conversion to paid-up, early retirement and the proportion of guaranteed annuities that are sacrificed in order to receive tax-free cash, which are reviewed annually, have been derived from analyses of the Group's recent operating experience and industry studies.

Maintenance expenses are assumed to increase in the future at a rate of 1% pa in excess of the assumed long-term rate of RPI. Allowance for commission is based on the Group's recent experience.

The value of existing business makes no allowance for the payment of future premiums on recurring single premium contracts (except for stakeholder style pensions in which case, if a regular pattern in the receipt of premiums is established, the business is treated as regular premium business) or for non-contractual increments on existing policies.

A summary of the surrender and paid-up assumptions used to determine the costs in (4) (a), (b) and (c) is set out below:

Product		<u>Average surrender/paid-up rate for the policy years</u>			
		<u>(% pa)</u>			
		<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>
CWP savings endowment	surrender	7.1	5.8	3.0	3.0
CWP target cash endowment	surrender	8.7	9.4	7.0	7.0
UWP savings endowment	surrender	10.2	7.4	7.0	7.0
UWP target cash endowment	surrender	12.1	13.5	11.5	11.5
UWP bond	surrender	2.9	20.0	20.0	20.0
UWP bond	automatic withdrawals	2.6	2.6	2.6	2.6
CWP pension regular premium	PUP ²	0.0	0.0	0.0	0.0
CWP pension regular premium	surrender	1.0	1.2	2.0	5.0
CWP pension single premium	surrender	1.5	1.5	1.5	2.8
UWP individual pension regular premium	PUP	0.0	0.0	0.0	0.0
UWP individual pension regular premium	surrender	2.4	2.4	2.4	5.2
UWP individual pension single premium	surrender	2.6	3.9	3.5	6.5

The average surrender/paid up rates for policy years 16-20 include an allowance for early retirement rates.

¹ No allowance is made for partial withdrawals in the model

² PUP rates are set to zero as the model does not allow for conversions to paid-up. Instead an out of the model adjustment is made to the cost of guarantees for conversions to paid-up.

The assumed take-up rates for guaranteed annuity options are as follows:

<u>Product</u>	<u>GAR take up rate</u>
UKP Executive Conventional Pensions	73%
FP and UKP Individual Conventional Pensions	75%
FP Executive Conventional Pensions	82%
Group Conventional Money Purchase	78%

The value of financial options is calculated using the following annuitant mortality assumptions:

Individual Males	85% RMV92 U=2008 double entry plus 1% pa additional improvements
Individual Females	85% RFV92 U=2008 double entry
Group Males	85% RMV92 U=2008 double entry plus 1% pa additional improvements
Group Females	85% RFV92 U=2008 double entry

This basis represents a best estimate pricing basis for annuities in payment. It is further strengthened to represent the expenses and other margins incurred in providing the financial options.

- (7) An implicit allowance has been made for dynamic policyholder action in not exercising the guaranteed annuity option when the current market annuity rate is higher than the guaranteed rate.

Financing Costs

7. Contingent loan

- Under the scheme of Demutualisation, capital support is provided to the With Profits Fund by the Non Profit Fund. The minimum amount of capital support that the Non Profit Fund must provide, if required (the 'Capital Support Account'), is currently £100m. After 2009, this minimum reduces to nil over a 22-year period³.
- Capital support is provided by means of contingent loans where repayment is contingent on the With Profits Fund having sufficient assets to meet regulatory solvency needs and the reasonable expectations of policyholders.
- The Demutualisation Scheme requires that £50m is automatically advanced each year up to 2009 (reducing to nil over a 22 year period) and repaid with interest at the end of each year. The accumulated amount with interest at the end of 2009 was £61.7m. A further contingent loan of £38.3m is available if required. In some economic scenarios the current loan is repaid and in others the loan remains in the fund. The average deflated liability of the current loan plus interest is shown in line 45 of Form 19 and has been recalculated in the stress scenarios.
- A waiver in respect of the contingent loan was granted with effect from 31 July 2008. The waiver permits the inclusion on Form 19 Line 27 of the £38.3m of Capital Support Account assets that have not been advanced at the valuation date, but which are available if necessary.
- This arrangement provides the With Profits Fund with up to £100m of assets in the event that it is required to meet guarantees and discretionary benefits of policyholders, if necessary. In addition the investment policy of the fund assumes that the advanced contingent loan forms part of the fund. However, the fund is otherwise managed with the intention that the contingent loan will be repaid.

³ The capital support reduces by 10% every year from 2010 to 2030 and finally to zero in 2031

Other Long-Term Insurance Liabilities

8. This item includes the current prospective value of the various provisions that were set up on demutualisation to pay for the shareholders' interest in the With Profits Fund (created to avoid the benefit expectations of the pre demutualisation policies being affected by demutualisation), together with provisions set up since demutualisation. The following table shows more detail:

Line 47 Any other long-term insurance liabilities	Base
	£m
CWP provision	42
UWP provision	111
Other	56
Total	209

CWP provision: This shows the prospective value of the future transfers to shareholders in respect of 1/9th of the cost of future bonuses.

UWP provision: this is 100% of the value of charges less expenses for pre demutualisation UWP business. Line 22 (Present value of future profits on non-profit insurance contracts) contains 40% of this amount as an asset. The net liability is 60% of this amount, which is the entitlement of shareholders in respect of UWP policies under the Scheme of Demutualisation.

'Other' includes:

- FRS 17 provision (£7m); this provision was set up to pay for the difference between pension costs charged to the with-profits benefits reserve and those charged to the With Profits Fund.
- Mortgage endowment provision (£7m); this represents an actuarial provision in respect of future claims.
- An operational risk provision (£17m).
- A provision for tax on the assets backing the cost of guarantee and working capital (£9m).
- A provision for additional statutory liabilities backing with-profits contracts (£15m).
- Various other small provisions (£1m).

Realistic Current Liabilities

9. The following table shows the details:

Line 51 Realistic current liabilities	Base
	£m
Current liabilities	445
Provisions for Shareholder Tax	72
Other	11
Total	528

Provision for shareholder tax: Following demutualisation the taxation status of the surplus emerging within the With Profits Fund is under discussion with HMRC and the provision represents the tax that may be payable on future transfers to the Non Profit Fund and the Shareholder Fund.

Risk Capital Margin

10. (a) The risk capital margin for the fund is £157m. The most adverse scenarios is:
- (i) A decrease of 12.5% in property holdings and a decrease of 20% in equity holdings.
 - (ii) Yields fall by 17.5%, equivalent to the 15 year gilt yield falling from 4.45%pa to 3.67%pa
 - (iii) The weighted average change in spread on corporate bonds backing the with-profits business is 120 basis points which reduces the market value of these bonds by 7.6%. For non-profit business in the With Profits Fund the equivalent change in spreads was 129 basis points leading to a reduction in the market value of corporate bonds of 7.6%. A similar level of credit stress is applied to debts, reinsurance and derivative positions. There are no non-reinsurance financing arrangements.
 - (iv) Lapse and early retirement rates reduce from current levels by 32.5%, thus assuming a greater number of guarantees and options are exercised. The realistic liability increased by 1.14% under this stress.
 - (v) Not applicable
- (b) No additional management actions have been assumed.
- (c) (i) No shareholder support, other than the contingent loans, is required at 31 December 2009. The fund is fully covering the risk capital margin without the need for additional shareholder support. The RCM is assumed to be backed by approved fixed interest securities within the fund.
- (ii) Not applicable

Tax

11. (i) The modelling applies future tax to the with-profit benefits reserve in accordance with the Scheme, with life business taxed on an 'I-E' basis and pensions business taxed on profits. For life business an estimate for tax on assets backing the future costs of contractual guarantees (line 41), and any additional tax on the working capital, is calculated using an approximate method.
- (ii) The taxation status of the surplus emerging within the With Profits Fund is under discussion with HMRC.
- (iii) Realistic current liabilities allow for any current tax liability of the fund.

Derivatives

12. The With Profits Fund has the following major derivative positions:
- Short futures backing asset share of £735m notional at a level of 5362 in FTSE 100
 - Overseas short futures of £355m notional. The majority of these futures are Eurostoxx, S&P and Topix positions with levels of 2972, 1111 and 905 respectively.
 - A long FTSE 100 futures position of £71m notional and overseas sold positions of £42m notional to match the equity component of maturity guarantees.
 - FTSE 100 put options with a market value of £115m held to match the strike and term of the equity component of maturity guarantees. The fund currently holds 188,000 equity capital return put options with strikes ranging from 3,987 to 6,647 and 27,000 equity total return put options with strikes ranging from 2,000 to 8,000.
 - Swaptions held to match financial options with a market value of £12m. These swaptions have a nominal value of £1.1bn and strikes ranging from 7.8% to 11.1%.

- Interest rate swaps held to match financial options with a market value of £27m. This is split into receiver swaps (£45m) and payer swaps (-£19m). Receiver swaps have a nominal value of £435m and strikes ranging from 4.75% to 5.01%. Payer swaps have a nominal value of £230m and strikes ranging from 4.82% to 5.1%.
- Inflation rate swaps are held as part of the reinsurance agreement with Friends Provident Reinsurance Services Limited. These swaps protect the fund against significant rises in price inflation and have a market value of -£2m.

Analysis of Working Capital

13. The following shows an approximate analysis of working capital between 31 December 2008 and 31 December 2009.

	£m
Opening position at start of year	291
Modelling changes and opening adjustments	(56)
Expected Investment return on opening working capital	3
Mismatch profits or losses on assets backing future policy related liabilities	75
Assumption changes	
Economic	97
Non-economic	18
Other variances	
Economic	44
Non-economic	39
Changes in other liabilities of lines 47 and 51 of Form 19	14
Other	(13)
Closing position at end of year	513
Planned enhancements to future payouts	(306)
Reduction in future guarantee charges	(50)
Available contingent loan	38
Closing position at end of year as per line 68 of Form 19	195

Optional Disclosure

14. None.

RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS
Information on With Profits Actuary as required by IPRU (INS) 9.36.
Friends Provident Life and Pensions Limited
Financial year ended 31 December 2009

The Company has requested Mike Collins, the With Profits Actuary to provide particulars specified in IPRU(INS) Rule 9.36 and the following details for the full year to 31 December 2009 have been furnished pursuant to that request.

- (a) At 31st December 2009, the actuary had a direct interest in 3,941 ordinary shares of no nominal value in Resolution plc and 10,301 shares in the Share Incentive Plan. A further 8,255 ordinary shares in Resolution plc were held by the actuary's spouse.

Share options held and shares to be acquired under savings-related share schemes, Executive Share Option Schemes and Long Term Incentive Plans are:

	Held at 31/12/09	Exercised in 2009
Sharesave Scheme 2008	0	4,021
Executive Share Option Scheme 2002	0	0
Executive Share Option Scheme 2004	0	0

- (b) He had no interest at any time during the year in any shares in, or debentures of, the Company or its subsidiaries.
- (c) During the year:-
- (i) He had a sole pecuniary interest in one policy on his life administered by Friends Provident Pensions Limited (FPP). No premiums were paid during the year and the policy value at the end of the year was £24,400.
- (ii) The actuary and his spouse had a pecuniary interest in two policies on their joint lives administered by Friends Provident Life and Pensions Limited (FPLP) with annual premiums amounting to £916 and sum assured £37,492.
- (iii) The actuary's spouse had a pecuniary interest in one single premium policy on her life administered by FPLP. Income of £375 was received during the year and the policy value at the end of the year was £4,100.
- (d) The aggregate amount of remuneration and value of other benefits receivable by the With Profits Actuary (excluding pension contributions) was £136,807.
- (e) He is a member of the Friends Provident Pension Scheme, a UK defined benefit pension plan which during 2009 was a contributory scheme.
- (f) His other pecuniary benefits receivable are provided under the standard terms and conditions of the Group's permanent health insurance scheme.

**Directors' certificate required by rule 9.34 of the Accounts and Statements Rules
Friends Provident Life and Pensions Limited
Financial year ended 31 December 2009
Global Business**

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by waivers dated 12 December 2008, 10 June 2009, 6 July 2009 and 13 August 2009 issued under section 148 of the Financial Services and Markets Act 2000 which continue to have effect; and

(b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue to comply in future.

2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

(b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

(c) that the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3; and

(d) that we have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice in preparing the return from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

T.J. MATTHEWS
Director

D. MONGER
Secretary

E.B. BOURKE
Director

23 March 2010

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2009

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the reports required by IPRU(INS) rule 9.31 ("the valuation reports").

We are not required to examine and do not express an opinion on the following:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' 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 insurer for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary notes 0201, 1323, 1324, 1811, 1911 and 5702. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept adequate accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 23 March 2010. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP

Registered Auditor

London

23 March 2010