



# **Friends Life and Pensions Limited**

**(formerly Friends Provident Pensions Limited)**

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Annual Return  
as at  
31st December 2011

Pursuant to the Interim Prudential Sourcebook

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## **Appendices**

### **9.1, 9.3, 9.4 and 9.6**

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

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# Friends Life and Pensions Limited

Year ended 31st December 2011

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**Statement of solvency - long-term insurance business**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R2</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	93539	131015
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	157624	124572
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	251163	255587

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	41812	54436
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	209351	201151

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	125435	163308
Resilience capital requirement	<b>32</b>		15000
Base capital resources requirement	<b>33</b>	3056	3040
Individual minimum capital requirement	<b>34</b>	125435	178308
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	125435	178308
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	188446	166433
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	157087	121856

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	125435	178308

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	125435	178308
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	125728	77279

**Contingent liabilities**

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

Name of insurer **Friends Life and Pensions Limited**  
Global business  
Financial year ended **31 December 2011**

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

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**A.M. Parsons**  
**Director**

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**V. Hames**  
**Signed on behalf of Friends Life**  
**Secretarial Services Limited**

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**Date: 20th March 2012**

**Components of capital resources**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
		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
		<b>1</b>		<b>2</b>	<b>3</b>	<b>4</b>

**Core tier one capital**

Permanent share capital	<b>11</b>		50000	50000	50000
Profit and loss account and other reserves	<b>12</b>		453660	453660	459043
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		503660	503660	509043

**Tier one waivers**

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

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>				
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>				
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		503660	503660	509043
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		12850	12850	5220
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		12850	12850	5220
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		490810	490810	503823

**Components of capital resources**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
		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
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>

**Tier two capital**

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

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

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>				
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>				



**Components of capital resources**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
		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
		<b>1</b>		<b>2</b>	<b>3</b>	<b>4</b>

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		490810	490810	503823
Inadmissible assets other than intangibles and own shares	<b>73</b>		239647	239647	248236
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		251163	251163	255587

**Available capital resources for GENPRU/INSRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		251163	251163	255587
Available capital resources for 50% MCR requirement	<b>82</b>		251163	251163	255587
Available capital resources for 75% MCR requirement	<b>83</b>		251163	251163	255587

**Financial engineering adjustments**

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

**Analysis of admissible assets**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**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	475201	GL	31	12	2011	£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		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	274	274
	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			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	33163	5005	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	12885	17569
	Other	46	29086	86333
Variable interest securities	Approved	47		
	Other	48		7409
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	88051	12680
	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 assets**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**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	475201	GL	31	12	2011	£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	
	due in more than 12 months	79	

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	225	342
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1034	2618
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	164718	132230
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**Analysis of admissible assets**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**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	475201	GL	31	12	2011	£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	164718	132230
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
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		
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		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(1245)	(7658)
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	163473	124572
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 assets**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	475201	GL	31	12	2011	£000	10
					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		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	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	101052	122175	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	4792	5394	
Rights under derivative contracts	44	7952	3846	
Fixed interest securities	Approved	45	762123	341252
	Other	46	1274373	745362
Variable interest securities	Approved	47	56923	81547
	Other	48	22695	1708769
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	670	80308
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	29428	16309
	Property linked	59	10506832	11049558

**Analysis of admissible assets**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	475201	GL	31	12	2011	£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	514	
	Intermediaries	72	50	429
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	47352	8125
	due in more than 12 months	79	24513	16040

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	25266	58976
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	33236	24933
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	50	85

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	12897821	14263108
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**Analysis of admissible assets**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	475201	GL	31	12	2011	£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)	<b>91</b>	12897821	14263108
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	239647	248236
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	4798047	6357183
Other asset adjustments (may be negative)	<b>101</b>		50
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)	<b>102</b>	17935515	20868577
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life and Pensions Limited**  
Global business  
Financial year ended **31 December 2011**  
Total business/Sub fund **Total Long Term Insurance Business**  
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	<b>11</b>	12780584	12427435	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	93540	131015	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	12874124	12558450	
Claims outstanding	Gross	<b>15</b>	13	100
	Reinsurers' share	<b>16</b>	100	106
	Net (15-16)	<b>17</b>	(87)	(6)
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	300	
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	14827	14788
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	360	1666693
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	8297	23183
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	23697	1704658	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	12897821	14263108	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	10506832	11049558

Total liabilities (11+12+49)	<b>71</b>	12804281	14132093
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	4798047	6357183
Other adjustments to liabilities (may be negative)	<b>74</b>	(12850)	(5170)
Capital and reserves and fund for future appropriations	<b>75</b>	346036	384471
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)	<b>76</b>	17935514	20868577



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

Global business

Financial year ended **31 December 2011**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R15</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
				<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
				<b>1</b>	<b>2</b>	

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	1245	7658
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	5849	
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	7094	7658
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	7094	7658

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(1245)	(7658)
Capital and reserves	<b>84</b>	157624	124572
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)	<b>85</b>	163473	124572

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

Global business

Financial year ended **31 December 2011**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
				<b>This financial year</b>			<b>Previous year</b>	
				<b>1</b>			<b>2</b>	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>					
	Equalisation provisions		<b>12</b>					
Transfer from the long term insurance business revenue account			<b>13</b>					
Investment income	Income		<b>14</b>			4605	7690	
	Value re-adjustments on investments		<b>15</b>				8637	
	Gains on the realisation of investments		<b>16</b>			255		
Investment charges	Investment management charges, including interest		<b>17</b>			404	478	
	Value re-adjustments on investments		<b>18</b>			158		
	Loss on the realisation of investments		<b>19</b>				1640	
Allocated investment return transferred to the general insurance business technical account			<b>20</b>					
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			4298	14209	
Tax on profit or loss on ordinary activities			<b>31</b>			1245	3978	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			3053	10231	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>					
Tax on extraordinary profit or loss			<b>42</b>					
Other taxes not shown under the preceding items			<b>43</b>					
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			3053	10231	
Dividends (paid or foreseeable)			<b>51</b>				50000	
Profit or loss retained for the financial year (49-51)			<b>59</b>			3053	(39769)	

**Analysis of derivative contracts**Name of insurer **Friends Life and Pensions Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R17</b>		<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year				Notional amount as at the end of this financial year		
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>			
Futures and contracts for differences	Fixed-interest securities	<b>11</b>						
	Interest rates	<b>12</b>						
	Inflation	<b>13</b>						
	Credit index / basket	<b>14</b>						
	Credit single name	<b>15</b>						
	Equity index	<b>16</b>	44			1993		
	Equity stock	<b>17</b>						
	Land	<b>18</b>						
	Currencies	<b>19</b>						
	Mortality	<b>20</b>						
	Other	<b>21</b>						
In the money options	Swaptions	<b>31</b>	7943			26500		
	Equity index calls	<b>32</b>						
	Equity stock calls	<b>33</b>						
	Equity index puts	<b>34</b>						
	Equity stock puts	<b>35</b>						
	Other	<b>36</b>						
Out of the money options	Swaptions	<b>41</b>						
	Equity index calls	<b>42</b>						
	Equity stock calls	<b>43</b>						
	Equity index puts	<b>44</b>						
	Equity stock puts	<b>45</b>						
	Other	<b>46</b>						
Total (11 to 46)		<b>51</b>	7987			28493		
Adjustment for variation margin		<b>52</b>	(35)					
Total (51 + 52)		<b>53</b>	7952					

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.

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	2067122	1657404
Investment income receivable before deduction of tax	12	455808	401012
Increase (decrease) in the value of non-linked assets brought into account	13	119167	55120
Increase (decrease) in the value of linked assets	14	(714741)	984232
Other income	15		
<b>Total income</b>	<b>19</b>	<b>1927356</b>	<b>3097768</b>

**Expenditure**

Claims incurred	21	1351056	1325514
Expenses payable	22	156709	161126
Interest payable before the deduction of tax	23	54712	67531
Taxation	24	(10039)	9123
Other expenditure	25	26680	26483
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>1579118</b>	<b>1589777</b>

Business transfers - in	31		
Business transfers - out	32	32564	
Increase (decrease) in fund in financial year (19-29+31-32)	39	315674	1507991
Fund brought forward	49	12558450	11050459
Fund carried forward (39+49)	59	12874124	12558450

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 Units **£000**

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

**Gross**

Regular premiums	11	937	1358962		1359899	1232424
Single premiums	12	282	1921374		1921656	804843

**Reinsurance - external**

Regular premiums	13		923		923	738
Single premiums	14		744947		744947	368884

**Reinsurance - intra-group**

Regular premiums	15		(1612)		(1612)	(1257)
Single premiums	16		470175		470175	11498

**Net of reinsurance**

Regular premiums	17	937	1359651		1360588	1232943
Single premiums	18	282	706252		706534	424461

**Total**

Gross	19	1219	3280336		3281555	2037267
Reinsurance	20		1214433		1214433	379863
Net	21	1219	2065903		2067122	1657404

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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	48	22926		22974	24481
Disability periodic payments	12	319	160		479	609
Surrender or partial surrender	13	1312	1252358		1253670	1258798
Annuity payments	14	1	199479		199480	192126
Lump sums on maturity	15		16093		16093	18119
<b>Total</b>	<b>16</b>	<b>1680</b>	<b>1491016</b>		<b>1492696</b>	<b>1494133</b>

**Reinsurance - external**

Death or disability lump sums	21		243		243	745
Disability periodic payments	22	191	118		309	349
Surrender or partial surrender	23					
Annuity payments	24		108917		108917	119912
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>191</b>	<b>109278</b>		<b>109469</b>	<b>121006</b>

**Reinsurance - intra-group**

Death or disability lump sums	31		266		266	336
Disability periodic payments	32					
Surrender or partial surrender	33		14659		14659	11819
Annuity payments	34		17039		17039	35098
Lump sums on maturity	35		207		207	360
<b>Total</b>	<b>36</b>		<b>32171</b>		<b>32171</b>	<b>47613</b>

**Net of reinsurance**

Death or disability lump sums	41	48	22417		22465	23400
Disability periodic payments	42	128	42		170	260
Surrender or partial surrender	43	1312	1237699		1239011	1246979
Annuity payments	44	1	73523		73524	37116
Lump sums on maturity	45		15886		15886	17759
<b>Total</b>	<b>46</b>	<b>1489</b>	<b>1349567</b>		<b>1351056</b>	<b>1325514</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 Units **£000**

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

**Gross**

Commission - acquisition	11		17671		17671	18785
Commission - other	12		9623		9623	9485
Management - acquisition	13		62902		62902	54927
Management - maintenance	14		38937		38937	39061
Management - other	15		25155		25155	35904
<b>Total</b>	<b>16</b>		<b>154288</b>		<b>154288</b>	<b>158162</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31		(2437)		(2437)	(2964)
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34		16		16	
Management - other	35					
<b>Total</b>	<b>36</b>		<b>(2421)</b>		<b>(2421)</b>	<b>(2964)</b>

**Net of reinsurance**

Commission - acquisition	41		20108		20108	21749
Commission - other	42		9623		9623	9485
Management - acquisition	43		62902		62902	54927
Management - maintenance	44		38921		38921	39061
Management - other	45		25155		25155	35904
<b>Total</b>	<b>46</b>		<b>156709</b>		<b>156709</b>	<b>161126</b>

**Long-term insurance business : Linked funds balance sheet**

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11	7009822	7273270
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	3490664	3845546
<b>Total assets (excluding cross investment) (11+12+ 13)</b>	<b>14</b>	<b>10500486</b>	<b>11118816</b>
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	23497	107749
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>10476989</b>	<b>11011067</b>

**Directly held linked assets**

Value of directly held linked assets	21	29843	34579
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**Total**

Value of directly held linked assets and units held (18+21)	31	10506832	11045646
Surplus units	32		
Deficit units	33		3912
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>10506832</b>	<b>11049558</b>



**Long-term insurance business : Revenue account for internal linked funds**Name of insurer **Friends Life and Pensions Limited**

Total business

Financial year ended **31 December 2011**Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	2060963	1605345
Investment income attributable to the funds before deduction of tax	12	303874	275959
Increase (decrease) in the value of investments in the financial year	13	(709986)	978945
Other income	14		
<b>Total income</b>	<b>19</b>	<b>1654851</b>	<b>2860249</b>

**Expenditure**

Value of total cancellation of units	21	2064078	1510713
Charges for management	22	109482	102105
Charges in respect of tax on investment income	23	6532	8982
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	8838	9939
<b>Total expenditure</b>	<b>29</b>	<b>2188930</b>	<b>1631739</b>

Increase (decrease) in funds in financial year (19-29)	39	(534079)	1228510
Internal linked fund brought forward	49	11011067	9782557
Internal linked funds carried forward (39+49)	59	10476988	11011067

**Long-term insurance business : Summary of new business**

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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		76493		76493	61444
Single premium business	12		43367		43367	36606
<b>Total</b>	<b>13</b>		<b>119860</b>		<b>119860</b>	<b>98050</b>

**Amount of new regular  
premiums**

Direct insurance business	21		335645		335645	274935
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>		<b>335645</b>		<b>335645</b>	<b>274935</b>

**Amount of new single  
premiums**

Direct insurance business	25		741724		741724	575238
External reinsurance	26					
Intra-group reinsurance	27		6461		6461	4226
<b>Total</b>	<b>28</b>		<b>748185</b>		<b>748185</b>	<b>579464</b>

**Long-term insurance business : Analysis of new business**

Name of insurer

**Friends Life and Pensions Limited**

Total business

Financial year ended

**31 December 2011**

Units

**£000**

UK Pension / 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
400	Annuity non-profit (CPA)			12738	201349
525	Individual pensions UWP		15	3	154
535	Group money purchase pensions UWP	32	406	5	298
725	Individual pensions property linked	3893	5923	4171	91729
735	Group money purchase pensions property linked	72568	329302	26450	448194

**Long-term insurance business : Analysis of new business**

Name of insurer

**Friends Life and Pensions Limited**

Total business

Financial year ended

**31 December 2011**

Units

**£000**

UK Pension / Reinsurance accepted intra-group

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
400	Annuity non-profit (CPA)				6461

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

Name of insurer **Friends Life and Pensions Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2011**  
 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	768448	768448	28345	2.77	
Other fixed interest securities	13	1300744	1300744	73072	5.60	
Variable interest securities	14	80036	80036	336	3.29	
UK listed equity shares	15	94902	98589	4546	7.40	
Non-UK listed equity shares	16	6150	6724	123	3.60	
Unlisted equity shares	17					
Other assets	18	111281	107020	429	0.40	
<b>Total</b>	<b>19</b>	<b>2361561</b>	<b>2361561</b>	<b>106852</b>	<b>4.44</b>	

**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					
<b>Total</b>	<b>29</b>					

**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 Life and Pensions Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2011**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	647414	14.63	2.63	2.63
<b>Other approved fixed interest securities</b>	<b>21</b>	121034	11.31	3.49	3.35
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	148627	11.76	4.40	4.27
AA/Aa	<b>32</b>	275181	11.64	4.52	3.99
A/A	<b>33</b>	662426	10.18	5.43	4.43
BBB/Baa	<b>34</b>	151185	7.73	8.87	4.64
BB/Ba	<b>35</b>	21007	8.44	9.83	5.86
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	42318	8.65	5.90	4.91
<b>Total other fixed interest securities</b>	<b>39</b>	1300744	10.31	5.60	4.38
<b>Approved variable interest securities</b>	<b>41</b>	57229	13.19	2.71	2.71
<b>Other variable interest securities</b>	<b>51</b>	22808	20.56	4.74	3.73
<b>Total (11+21+39+41+51)</b>	<b>61</b>	2149229	11.85	4.50	3.74

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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		2005357	2005357	3230579
Form 52	13		125062	125062	129308
Form 53 - linked	14		15167725	15167725	15082016
Form 53 - non-linked	15		237106	237106	223333
Form 54 - linked	16		29428	29428	102072
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>		17564679	17564679	18767308

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22				1588838
Form 52	23				
Form 53 - linked	24		4197904	4197904	3591538
Form 53 - non-linked	25		(13853)	(13853)	(11852)
Form 54 - linked	26				72541
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>		4184051	4184051	5241065

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		13009	13009	516269
Form 52	33		124045	124045	128396
Form 53 - linked	34		462990	462990	440919
Form 53 - non-linked	35				
Form 54 - linked	36				13223
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>		600044	600044	1098808

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42		1992348	1992348	1125471
Form 52	43		1017	1017	912
Form 53 - linked	44		10506832	10506832	11049558
Form 53 - non-linked	45		250959	250959	235185
Form 54 - linked	46		29428	29428	16308
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>		12780584	12780584	12427435

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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
315	Individual deposit administration non-profit	39481	235645	3796				248471
320	Group deposit administration non-profit	1512	111566	1707				154922
390	Deferred annuity non-profit	4222	1922					42279
400	Annuity non-profit (CPA)	80538	89743					1559684

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

Name of insurer **Friends Life and Pensions Limited**  
Total business / subfund **Total Long Term Insurance Business**  
Financial year ended **31 December 2011**  
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
390	Deferred annuity non-profit		697					13009

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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	1855	26743	940	26502	26502	466	26967
535	Group money purchase pensions UWP	7052	97861	6443	97753	97753	342	98095

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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
574	UWP investment only reinsurance		124254		124254	124254	(209)	124045

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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	340522	3401158	73817	3367571	3366742	83006	3449748
735	Group money purchase pensions property linked	701712	8321953	1157443	8320455	8317765	56360	8374126
794	Property linked investment only reinsurance		3575535	45137	3483218	3483218	92739	3575958
800	Additional reserves property linked						5000	5000

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

Name of insurer	<b>Friends Life and Pensions Limited</b>
Total business / subfund	<b>Total Long Term Insurance Business</b>
Financial year ended	<b>31 December 2011</b>
Units	<b>£000</b>
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
794	Property linked investment only reinsurance		4197904		4197904	4197904	(13853)	4184051

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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
794	Property linked investment only reinsurance		462990		462990	462990		462990

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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	934	1106		29428	29428		29428

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
A E E U	12 - individual pension - balanced managed fund	1040	FP Accumulation 0.75% PRE	0.01	1.5804	1.4858	(5.98)
Balanced	12 - individual pension - balanced managed fund	4906497	Cross Holdings		1.6439	1.5607	(5.06)
Cash	13 - individual pension - defensive managed fund	483561	Cross Holdings		11.6595	11.7455	0.74
Guaranteed Deposit	13 - individual pension - defensive managed fund	4441	0	0.01	6.0223	6.0667	0.74
Equity	15 - individual pension - UK equity	2390384	Cross Holdings		1.7843	1.6995	(4.75)
European	16 - individual pension - overseas equity	269424	FP Accumulation 0.75% PRE	0.01	8.3461	7.0289	(15.78)
Fixed Interest	11 - individual pension - stock market managed fund	732489	Cross Holdings		2.4591	2.7168	10.48
Higher Equity	15 - individual pension - UK equity	34770	L&M 0.50%	0.01	4.5734	4.2820	(6.37)
Index Linked	11 - individual pension - stock market managed fund	109436	Cross Holdings		2.6495	3.1839	20.17
Global Equity	16 - individual pension - overseas equity	1821801	Cross Holdings		1.8900	1.7234	(8.81)
Investment Trust	11 - individual pension - stock market managed fund	208834	L&M 0.75%	0.01	62.5770	54.9750	(12.15)
JP Morgan Fleming Investment Trust	11 - individual pension - stock market managed fund	26961	-		5.4160	4.6020	(15.03)
Lower Equity	15 - individual pension - UK equity	75532	Cross Holdings		1.2106	1.2149	0.35
Thames River Equity Managed	14 - individual pension - other managed fund	7422	FP Accumulation 0.75% PRE	0.01	1.6013	1.3999	(12.58)
Manged Stewardship	14 - individual pension - other managed fund	562624	Cross Holdings		1.8213	1.7395	(4.49)
North American	16 - individual pension - overseas equity	96384	Cross Holdings		0.8932	0.8944	0.13
Pacific Basin	16 - individual pension - overseas equity	144712	Cross Holdings		2.1363	1.6828	(21.23)
Property	17 - individual pension - property	462990	Cross Holdings		2.3544	2.4995	6.17



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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
Pre-Retirement Fixed	11 - individual pension - stock market managed fund	411821	Cross Holdings		1.6209	2.0440	26.10
Schroder Managed	14 - individual pension - other managed fund	563	FP Accumulation 1.00% PRE	0.01	1.5349	1.4415	(6.08)
Stewardship	15 - individual pension - UK equity	1085018	FP Accumulation 0.75% PRE	0.01	16.0764	15.1173	(5.97)
UK Index Tracker	11 - individual pension - stock market managed fund	7571	FP Accumulation 0.75% PRE	0.01	1.5018	1.4264	(5.02)
FP Balanced Index Enhanced Fund of Funds	12 - individual pension - balanced managed fund	368223			1.5707	1.5220	(3.10)
FP Kames Strategic Bond	11 - individual pension - stock market managed fund	3749			1.2736	1.2810	0.58
FP Kames High Yield Bond	11 - individual pension - stock market managed fund	6205			1.3876	1.4218	2.46
FP Kames Sterling Corporate Bond	11 - individual pension - stock market managed fund	10113	Cross Holdings		1.1273	1.1834	4.98
FP Artemis European Growth	16 - individual pension - overseas equity	913			1.3612	1.1151	(18.07)
FP Artemis Global Growth	16 - individual pension - overseas equity	1628			1.3172	1.2436	(5.59)
FP Artemis Income	15 - individual pension - UK equity	7321			1.6010	1.6256	1.54
FP Artemis UK Growth	15 - individual pension - UK equity	1496			1.4399	1.4095	(2.11)
FP Artemis UK Smaller Companies	15 - individual pension - UK equity	933			1.0733	1.0991	2.41
FP Artemis UK Special Situations	15 - individual pension - UK equity	22968			1.6685	1.5497	(7.12)
FP Baillie Gifford 60:40 Worldwide Equity Pension	16 - individual pension - overseas equity	10558	Cross Holdings		1.4394	1.3811	(4.05)
FP Baillie Gifford Japanese Equity Pension	16 - individual pension - overseas equity	21806	Cross Holdings		1.1192	1.0466	(6.48)
FP Baillie Gifford North American Equity Pension	16 - individual pension - overseas equity	16857			1.3927	1.4299	2.67
FP Baillie Gifford Overseas Equity Pension	16 - individual pension - overseas equity	1107			1.5545	1.4451	(7.04)

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP Blackrock All Stocks	11 - individual pension - stock market managed fund	40403	Cross Holdings		1.2433	1.3379	7.60
FP Blackrock Cash	13 - individual pension - defensive managed fund	65994	Cross Holdings		1.2122	1.2206	0.69
FP Blackrock Fixed Interest Tracking	11 - individual pension - stock market managed fund	30757	Cross Holdings		1.2908	1.4399	11.55
FP Cazenove European	16 - individual pension - overseas equity	18326			1.5901	1.3711	(13.77)
FP F&C Cautious Managed	13 - individual pension - defensive managed fund	64726			1.2267	1.2311	0.36
FP Thames River Balanced Managed	12 - individual pension - balanced managed fund	11832			1.5192	1.3846	(8.86)
FP Thames River Cautious Managed	13 - individual pension - defensive managed fund	4464			1.3797	1.3151	(4.69)
FP Thames River Distribution	11 - individual pension - stock market managed fund	5669			1.1729	1.1348	(3.25)
FP Thames River Equity Managed	11 - individual pension - stock market managed fund	7356			1.6263	1.4305	(12.04)
FP UK Smaller Companies	15 - individual pension - UK equity	18756			1.8242	1.7278	(5.28)
FP Stewardship Income	15 - individual pension - UK equity	25012			1.2937	1.2777	(1.23)
FP F&C Strategic Bond	11 - individual pension - stock market managed fund	23268	Cross Holdings		1.4270	1.4148	(0.86)
FP Fidelity Moneybuilder Income	11 - individual pension - stock market managed fund	6710			1.3881	1.4939	7.63
FP Capital International Euro Bond	16 - individual pension - overseas equity	437			1.5131	1.5466	2.21
FP Capital International European Growth and Income	16 - individual pension - overseas equity	10638			1.4538	1.3260	(8.79)
FP Capital International Global Equity	16 - individual pension - overseas equity	22105			1.1908	1.1011	(7.53)
FP Capital International Global High Income Opportunities	11 - individual pension - stock market managed fund	8932			1.9128	1.9685	2.91
FP Capital International US Growth and Income	16 - individual pension - overseas equity	5987			1.4075	1.3823	(1.79)

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
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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
FP AXA Framlington Health	15 - individual pension - UK equity	822			1.2468	1.3319	6.83
FP AXA Framlington Managed Balanced	12 - individual pension - balanced managed fund	10904			1.4767	1.4410	(2.42)
FP AXA Framlington Monthly Income	15 - individual pension - UK equity	180			0.9292	0.8887	(4.37)
FP AXA Framlington UK Select Opportunities	15 - individual pension - UK equity	1674			1.5699	1.5872	1.10
FP AXA Framlington UK Smaller Companies	15 - individual pension - UK equity	385			1.0823	1.0841	0.16
FP BlackRock (40:60) Global Equity Index (Aquila HP)	16 - individual pension - overseas equity	116185			1.5562	1.4734	(5.32)
FP Hargreaves Lansdown Multi-Manager Income & Growth Portfolio	15 - individual pension - UK equity	5762			1.3443	1.3447	0.03
FP Hargreaves Lansdown Multi-Manager Special Situations	12 - individual pension - balanced managed fund	7414			1.4273	1.2829	(10.12)
FP Hargreaves Lansdown Multi-Manager Balanced Managed	15 - individual pension - UK equity	3832			1.3488	1.2653	(6.20)
FP Invesco Perpetual Asian	16 - individual pension - overseas equity	1518			2.9411	2.5180	(14.39)
FP Invesco Perpetual Corporate Bond	11 - individual pension - stock market managed fund	30766			1.4421	1.4325	(0.66)
FP Invesco Perpetual Distribution	11 - individual pension - stock market managed fund	4706			1.4747	1.4962	1.46
FP Invesco Perpetual Global Bond	11 - individual pension - stock market managed fund	2067			1.5527	1.6448	5.94
FP Invesco Perpetual High Income	15 - individual pension - UK equity	92964			1.7741	1.9643	10.72
FP Invesco Perpetual Income	15 - individual pension - UK equity	7243			1.5307	1.6857	10.13
FP Invesco Perpetual Japan	16 - individual pension - overseas equity	858			1.8116	1.3756	(24.07)
FP Invesco Perpetual UK Equity Pension	15 - individual pension - UK equity	1696			1.3353	1.4231	6.57
FP Invesco Perpetual UK Aggressive	15 - individual pension - UK equity	1713			1.3133	1.2819	(2.39)

## 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
FP Investec Cautious Managed	13 - individual pension - defensive managed fund	12618			1.5502	1.5397	(0.67)
FP BlackRock Japanese Equity Index (Aquila HP)	16 - individual pension - overseas equity	22508	Cross Holdings		1.3357	1.1394	(14.70)
FP JPM Cautious Total Return	13 - individual pension - defensive managed fund	6868			1.2077	1.1622	(3.77)
FP JPM Japan	16 - individual pension - overseas equity	1175			0.8207	0.8309	1.24
FP JPM Natural Resources	16 - individual pension - overseas equity	22917			2.7708	1.9719	(28.83)
FP Jupiter Financial Opportunities	15 - individual pension - UK equity	1737			1.6058	1.2281	(23.53)
FP Jupiter Income	15 - individual pension - UK equity	1545			1.2196	1.2367	1.40
FP Legg Mason US Equity	16 - individual pension - overseas equity	416			0.7817	0.7558	(3.31)
FP M&G Property Portfolio	17 - individual pension - property	13064			0.9426	0.9914	5.18
FP M&G Recovery	15 - individual pension - UK equity	4914	Cross Holdings		1.5341	1.4596	(4.86)
FP BlackRock Gold and General	15 - individual pension - UK equity	5334			3.0611	2.5363	(17.14)
FP Blackrock Special Situations	15 - individual pension - UK equity	6121			1.0859	1.0058	(7.37)
FP BlackRock UK Dynamic	15 - individual pension - UK equity	8019			1.5296	1.3903	(9.11)
FP BlackRock UK Smaller Companies	15 - individual pension - UK equity	13075			1.2891	1.1512	(10.69)
FP Henderson European Growth	16 - individual pension - overseas equity	2178			1.7426	1.5398	(11.64)
FP Henderson High Yield Bond	11 - individual pension - stock market managed fund	2072			1.3653	1.3493	(1.17)
FP Henderson Managed Distribution	13 - individual pension - defensive managed fund	631			1.1320	1.1079	(2.14)
FP Henderson UK Property	17 - individual pension - property	5048			1.0703	1.0847	1.34

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
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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
FP Henderson Sterling Bond	11 - individual pension - stock market managed fund	814			1.0826	1.1834	9.31
FP Baillie Gifford International	16 - individual pension - overseas equity	43658			1.5776	1.4682	(6.93)
FP Baillie Gifford Managed	12 - individual pension - balanced managed fund	73578			1.7372	1.6713	(3.79)
FP Baillie Gifford UK Equity Pension	15 - individual pension - UK equity	34982	Cross Holdings		1.9080	1.8958	(0.64)
FP Balanced Index Fund of Funds	12 - individual pension - balanced managed fund	399605			1.8765	1.8131	(3.38)
FP Balanced Fund of Funds	12 - individual pension - balanced managed fund	45594			1.7125	1.6600	(3.06)
FP BlackRock Consensus (Aquila HP)	12 - individual pension - balanced managed fund	249632			1.6451	1.5685	(4.65)
FP Cautious Index Fund of Funds	11 - individual pension - stock market managed fund	120799			1.7358	1.7625	1.54
FP Cautious Fund of Funds	13 - individual pension - defensive managed fund	12188			1.5900	1.5956	0.35
NGP Deposit	13 - individual pension - defensive managed fund	417699			1.6071	1.6189	0.74
NGP Equity	15 - individual pension - UK equity	303492			1.4081	1.3412	(4.75)
NGP European	16 - individual pension - overseas equity	122177			1.6690	1.4167	(15.12)
FP BlackRock European Equity Index (Aquila HP)	11 - individual pension - stock market managed fund	112493	Cross Holdings		1.7966	1.5153	(15.66)
FP Composite Fidelity Special Situations	16 - individual pension - overseas equity	4989			2.3732	2.0067	(15.44)
FP First State Asia Pacific Leaders	16 - individual pension - overseas equity	73966			4.2277	3.9430	(6.73)
FP First State Global Emerging Markets Leaders	16 - individual pension - overseas equity	71031			4.3397	4.1147	(5.18)
NGP Fixed Interest	11 - individual pension - stock market managed fund	213281			1.9962	2.2054	10.48
FP BlackRock (50:50) Global Equity Index (Aquila HP)	16 - individual pension - overseas equity	1254800			2.3042	2.1538	(6.53)

## 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
FP Global Equity Fund of Funds	16 - individual pension - overseas equity	38693			1.8518	1.7574	(5.10)
FP BlackRock Long Term (60:40) Index (Aquila HP)	11 - individual pension - stock market managed fund	862553			2.4344	2.2823	(6.25)
FP HSBC Amanah Global Equity Index	16 - individual pension - overseas equity	6049			1.6725	1.6866	0.84
NGP Indexed Linked	11 - individual pension - stock market managed fund	95527			2.0351	2.4456	20.17
NGP Global Equity	16 - individual pension - overseas equity	125369			1.5335	1.3984	(8.81)
FP Investec UK Blue Chip	15 - individual pension - UK equity	16595			1.9964	1.8931	(5.17)
FP Lazard European Alpha	16 - individual pension - overseas equity	25592			2.1979	1.9452	(11.50)
FP Lazard UK Income	15 - individual pension - UK equity	21181			1.8717	1.8407	(1.66)
NGP Managed	14 - individual pension - other managed fund	3161964			1.5215	1.4446	(5.05)
NGP Managed Stewardship	14 - individual pension - other managed fund	539625			1.5561	1.4865	(4.47)
FP BlackRock UK Equity	15 - individual pension - UK equity	43013			1.8091	1.7089	(5.54)
FP Newton Balanced	12 - individual pension - balanced managed fund	113437			1.8225	1.7542	(3.75)
FP Newton Income	15 - individual pension - UK equity	20272			1.8557	1.6579	(10.66)
FP Newton International Growth	16 - individual pension - overseas equity	27706			1.8402	1.6797	(8.72)
NGP North American	16 - individual pension - overseas equity	73156			1.0056	1.0071	0.15
FP BlackRock Over 15 Year Gilt Index (Aquila HP)	11 - individual pension - stock market managed fund	98635			1.4623	1.8768	28.34
NGP Pacific Basin	16 - individual pension - overseas equity	103455			2.1146	1.6665	(21.19)
NGP Property	17 - individual pension - property	353282			2.1268	2.2580	6.17

## 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
NGP Pre-Retirement Fixed	11 - individual pension - stock market managed fund	383732			1.7807	2.2455	26.10
NGP Stewardship	15 - individual pension - UK equity	353076			1.4863	1.4082	(5.26)
FP BlackRock Over 15 Year Corporate Bond Index (Aquila HP)	11 - individual pension - stock market managed fund	107777			1.5790	1.7861	13.12
FP BlackRock UK Equity Index (Aquila HP)	15 - individual pension - UK equity	570514	Cross Holdings		2.3027	2.2009	(4.42)
FP BlackRock Over 5 Year Index-Linked Gilt Index (Aquila HP)	11 - individual pension - stock market managed fund	123391			1.6362	2.0538	25.52
FP BlackRock US Equity Index (Aquila HP)	11 - individual pension - stock market managed fund	136828	Cross Holdings		1.2794	1.3083	2.26
FP BlackRock World (Ex-UK) Equity Index (Aquila HP)	16 - individual pension - overseas equity	62929			1.7494	1.6487	(5.76)
FP Old Mutual Corporate Bond	11 - individual pension - stock market managed fund	984			1.1723	1.2156	3.69
FP Old Mutual UK Select Smaller Companies	15 - individual pension - UK equity	427			1.9458	1.8059	(7.19)
FP BlackRock Pacific Rim Equity Index (Aquila HP)	16 - individual pension - overseas equity	50697	Cross Holdings		2.4408	2.1165	(13.28)
FP Schroder Life Managed Balanced	12 - individual pension - balanced managed fund	966			1.4047	1.3217	(5.91)
FP Schroder Tokyo	16 - individual pension - overseas equity	3610			1.1567	1.0870	(6.03)
FP St James's Place International	16 - individual pension - overseas equity	389			1.5124	1.3464	(10.98)
FP St James's Place UK and General Progressive	11 - individual pension - stock market managed fund	250			1.2686	1.2625	(0.48)
FP Strategy 03	15 - individual pension - UK equity	508			1.2622	1.3070	3.55
FP Strategy 02	15 - individual pension - UK equity	3836			1.3128	1.3199	0.54
FP Strategy 01	15 - individual pension - UK equity	34090			1.3699	1.3372	(2.39)
FP Kames Ethical Corporate Bond	11 - individual pension - stock market managed fund	760			1.1329	1.2159	7.33

## 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
FP M&G American	16- individual pension - overseas equity	5207	Cross Holdings		1.2469	1.1712	(6.07)
FP Newton Global Balanced	16- individual pension - overseas equity	79			1.4705	1.4141	(3.83)
FP Newton Higher Income	11 - individual pension - stock market managed fund	971			1.0499	1.0648	1.41
FP Newton Global Higher Income	16- individual pension - overseas equity	249			1.3884	1.4484	4.32
FP Newton Phoenix Multi-Asset	11 - individual pension - stock market managed fund	11			1.1503	1.1462	(0.36)
FP Newton International Bond	11 - individual pension - stock market managed fund	44			1.6563	1.7784	7.37
FP Barclays Dynamic Tracker	13 - individual pension - defensive managed fund	28			1.2312	1.2658	2.81
FP Barclays Dynamic 70 Tracker	13 - individual pension - defensive managed fund	49			1.0493	1.0491	(0.02)
FP Barclays Dynamic 80 Tracker	13 - individual pension - defensive managed fund	290			1.0436	1.0393	(0.41)
FP Barclays Dynamic 90 Tracker	13 - individual pension - defensive managed fund	15			1.0648	1.0623	(0.23)
FP Lazard UK Omega Fund	15 - individual pension - UK equity	5	Cross Holdings		1.0933	0.9946	(9.03)
FP River and Mercantile UK Equity Smaller Companies	15 - individual pension - UK equity	215			1.1199	1.0235	(8.61)
FP M&G Polled Pensions Recovery	15 - individual pension - UK equity	655			1.1899	1.1529	(3.11)
FP Baillie Gifford Long Term Global Growth Pension	16- individual pension - overseas equity	9447	Cross Holdings		1.3899	1.2684	(8.74)
FP Schroder Life Intermediated Diversified Growth	15 - individual pension - UK equity	14035	Cross Holdings		1.2379	1.1884	(4.00)
FP JPM Life Global Equity	16- individual pension - overseas equity	2125			1.1248	1.0425	(7.32)
FP JPM Life Global Dynamic	16- individual pension - overseas equity	9606	Cross Holdings		1.2046	1.0948	(9.12)
FP JPM Life All-Emerging Markets Equity	16- individual pension - overseas equity	21948	Cross Holdings		1.7725	1.4846	(16.25)



## 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
FP JPM Life UK Small Cap Equity	15 - individual pension - UK equity	106			0.9879	0.8730	(11.63)
FP JPM Life UK Disciplined Equity	15 - individual pension - UK equity	655			1.0172	0.9655	(5.08)
FP JPM Life Continental Europe Select Equity	16- individual pension - overseas equity	533			1.0317	0.8808	(14.63)
FP JPM Life US Research Enhanced Index 250	16- individual pension - overseas equity	520			1.2560	1.2866	2.43
FP JPM Life Asia Equity	16- individual pension - overseas equity	462			1.4836	1.2047	(18.80)
FP JPM Life Global ex-UK Opportunities	16- individual pension - overseas equity	238			1.1753	1.0785	(8.24)
FP JPM Life Growth	16- individual pension - overseas equity	2970			1.0886	0.9759	(10.35)
FP JPM Life UK Long-dated Bond	11 - individual pension - stock market managed fund	184			1.2992	1.6351	25.85
FP JPM Life UK Index-linked Long-dated Bond	11 - individual pension - stock market managed fund	96			1.3344	1.6595	24.36
FP JPM Life Global ex-UK Bond	16- individual pension - overseas equity	111			1.1105	1.1748	5.80
FP JPM Life UK Liquidity	13 - individual pension - defensive managed fund	610			1.0964	1.1050	0.79
FP JPM Life Moderate	12-individual pension - balanced managed fund	3706			1.1036	1.0375	(5.98)
FP Aberdeen World Equity	16- individual pension - overseas equity	2596			1.3392	1.3277	(0.85)
FP Aberdeen Multi-Asset	12-individual pension - balanced managed fund	15056			1.1697	1.1820	1.05
FP Enhanced Cash Pension Fund	11 - individual pension - stock market managed fund	150914	Cross Holdings		10.7397	10.7101	(0.27)
FP Stewardship International	16- individual pension - overseas equity	473			1.1094	1.0200	(8.06)
FP Blackrock Aquila Life All Stocks UK Gilts	11 - individual pension - stock market managed fund	72536	Cross Holdings		1.2003	1.3873	15.59
FP Blackrock Aquila Life Overseas Bond Index	11 - individual pension - stock market managed fund	72413	Cross Holdings		1.4957	1.6067	7.42

## 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
FP CF Odey Opus	16- individual pension - overseas equity	10	Cross Holdings		1.2109	1.0573	(12.69)
FP Neptune Global Equity	16- individual pension - overseas equity	8	Cross Holdings		1.0562	0.8852	(16.19)
FP Capital International Emerging Markets	16- individual pension - overseas equity	2691			1.4883	1.1815	(20.62)
FP Capital International Global Growth and Income	16- individual pension - overseas equity	3177			1.3682	1.2989	(5.07)
FP Martin Currie North American	16- individual pension - overseas equity	715			1.1384	1.0846	(4.73)
FP T. Rowe Price Global Aggregate Bond	11 - individual pension - stock market managed fund	341			1.4734	1.5469	4.99
FP T. Rowe Price European Equity	16- individual pension - overseas equity	252			1.0748	0.9822	(8.61)
FP T. Rowe Price Global Emerging Markets Equity	16- individual pension - overseas equity	3112			1.2938	1.0696	(17.33)
FP T. Rowe Price Global Equity	16- individual pension - overseas equity	2989			1.0603	0.9476	(10.63)
FP Jupiter Ecology	16- individual pension - overseas equity	467			1.4197	1.2955	(8.75)
FP BlackRock Sterling Liquidity First	13 - individual pension - defensive managed fund	14859			1.0106	1.0185	0.79
FP M&G Optimal Income	11 - individual pension - stock market managed fund	1506			1.4151	1.5136	6.96
FP Towry Law Defensive	13 - individual pension - defensive managed fund	14			1.1890	1.2039	1.26
FP Towry Law Mixed	12-individual pension - balanced managed fund	687			1.3295	1.3029	(2.00)
FP Towry Law Growth	12-individual pension - balanced managed fund	951			1.4281	1.3558	(5.06)
FP M&G All Stocks Corporate Bond	11 - individual pension - stock market managed fund	6169	Cross Holdings		1.1854	1.2956	9.30
FP M&G Global Leaders	16- individual pension - overseas equity	84			1.5376	1.3650	(11.22)
FP Premier Sentinel Defensive	13 - individual pension - defensive managed fund	361			1.1895	1.2026	1.10

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP Premier Sentinel Enterprise	12-individual pension - balanced managed fund	462			1.5009	1.2754	(15.02)
FP Premier Sentinel Universal	12-individual pension - balanced managed fund	735			1.3162	1.2351	(6.16)
FP T. Rowe Price Global High Yield Bond	11 - individual pension - stock market managed fund	95			1.4161	1.4810	4.58
FP T. Rowe Price Global Natural Resources Equity	16- individual pension - overseas equity	57			1.5595	1.3454	(13.73)
FP T. Rowe Price Middle East & Africa Equity	16- individual pension - overseas equity	53			1.3979	1.1911	(14.80)
FP T. Rowe Price US Large Cap Value Equity	16- individual pension - overseas equity	4	Cross Holdings		1.4338	1.4229	(0.75)
FP T. Rowe Price Asian ex-Japan Equity	16- individual pension - overseas equity	149			1.6232	1.4446	(11.00)
FP T. Rowe Price European Smaller Companies Equity	16- individual pension - overseas equity	199			1.5803	1.3311	(15.77)
FP T. Rowe Price US Smaller Companies Equity	16- individual pension - overseas equity	9			1.6735	1.6912	1.06
FP MFS Global Equity	16- individual pension - overseas equity	1240			1.2327	1.1866	(3.75)
FP Defensive	11 - individual pension - stock market managed fund	2506			1.1151	1.2985	16.45
FP Moderate	11 - individual pension - stock market managed fund	15206			1.3083	1.3677	4.54
FP Growth	11 - individual pension - stock market managed fund	30496			1.4222	1.3476	(5.24)
FP BNY Mellon Long Term Global Equity	16- individual pension - overseas equity	16335			1.2257	1.2004	(2.06)
FP Standard Life Global Absolute Return	13 - individual pension - defensive managed fund	61563	Cross Holdings		1.1114	1.1517	3.63
FP Standard Life UK Smaller Companies	15 - individual pension - UK equity	526			1.5459	1.4147	(8.49)
FP Newton Real Return	11 - individual pension - stock market managed fund	761			1.1211	1.1302	0.81
FP Blackrock Emerging Markets (Aquila HP)	16- individual pension - overseas equity	10927	Cross Holdings		1.0290	0.8423	(18.15)

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP Blackrock Diversified Growth	11 - individual pension - stock market managed fund	1359			1.0213	1.0146	(0.66)
FP Capital International Emerging Markets Total Opportunities	16- individual pension - overseas equity	1422			1.0517	0.9902	(5.85)
FP Artemis Strategic Bond	11 - individual pension - stock market managed fund	762			1.0751	1.0613	(1.29)
FP Absolute Insight Currency	13 - individual pension - defensive managed fund	28			1.0132	1.0249	1.16
FP Absolute Insight Emerging Market Debt	13 - individual pension - defensive managed fund	52			1.0275	1.0372	0.94
FP Absolute Insight	13 - individual pension - defensive managed fund	166			1.0443	1.0583	1.34
FP Absoulte Insight UK Equity Market Neutral	15 - individual pension - UK equity	37			1.0163	1.0486	3.18
FP Growth Blend	11 - individual pension - stock market managed fund	1469			1.0732	1.0369	(3.38)
FP Balanced Blend	12-individual pension - balanced managed fund	2362			1.0758	1.0911	1.43
FP Cautious Blend	13 - individual pension - defensive managed fund	464			1.0710	1.1990	11.95
FP BlackRock Market Advantage Strategy	13 - individual pension - defensive managed fund	373			1.1231	1.1411	1.61
FP Tailored Adventurous Portfolio	11 - individual pension - stock market managed fund	49			1.1278	1.0897	(3.38)
FP Tailored Balanced Portfolio	12-individual pension - balanced managed fund	15153			1.1086	1.1245	1.43
FP Tailored Defensive Portfolio	13 - individual pension - defensive managed fund	131			1.0536	1.1800	12.00
FP Investec Sterling Bond	11 - individual pension - stock market managed fund	5537	Cross Holdings		1.0641	1.0811	1.60
FP LIP Cash	13 - individual pension - defensive managed fund	714			1.0008	1.0087	0.79
FP LIP Diversified	13 - individual pension - defensive managed fund	37431			1.0005	1.0368	3.63
FP LIP Global Equity	11 - individual pension - stock market managed fund	72138			1.0518	0.9648	(8.26)

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP LIP Pre-Retirement	11 - individual pension - stock market managed fund	8553			1.0035	1.2102	20.60
FP Life Plan Pre-Retirement	11 - individual pension - stock market managed fund	1	Cross Holdings		0.9958	1.1719	17.69
FP Nomura Interest Rate Investment Strategy (IRIS)	11 - individual pension - stock market managed fund	272			1.0042	0.9893	(1.48)
FP Nomura Balanced Index	12-individual pension - balanced managed fund	300			1.0239	0.9353	(8.66)
FP Nomura Global Emerging Markets III 80pc Protected	16- individual pension - overseas equity	121			1.0657	0.9233	(13.36)
FP Nomura S&P Diversified Trends Indicator	12-individual pension - balanced managed fund	39			1.0491	0.9631	(8.20)
FP Old Mutual UK Select Mid Cap	15 - individual pension - UK equity	15587			1.0808	0.9874	(8.65)
FP Psigma Inflation Plus	13 - individual pension - defensive managed fund	10	Cross Holdings		1.1462	1.0977	(4.23)
FP AQA Pension Scheme - UK Equity	15 - individual pension - UK equity	343			1.1196	1.2396	10.72
FP AQA Pension Scheme - Global Equity	16- individual pension - overseas equity	436			1.1592	1.1158	(3.75)
FP Momentum Diversified Target Return	12-individual pension - balanced managed fund	415			1.1109	1.0770	(3.05)
FP Stewardship Corporate Bond	11 - individual pension - stock market managed fund	146			0.9791	1.0553	7.79
FP Baker Tilly Adventurous Growth Strategy	11 - individual pension - stock market managed fund	1123			1.0850	0.9980	(8.03)
FP Baker Tilly Diversified Growth Strategy	11 - individual pension - stock market managed fund	2459			1.0774	1.0293	(4.47)
FP Baker Tilly Moderate Strategy	12-individual pension - balanced managed fund	2130			1.0674	1.0676	0.02
FP Baker Tilly Cautious Strategy	13 - individual pension - defensive managed fund	388			1.0648	1.1707	9.95
FP Baker Tilly Defensive Strategy	13 - individual pension - defensive managed fund	122			1.0528	1.1986	13.85
FP Thesis Charlotte Square Allweather	15 - individual pension - UK equity	1269			1.0996	1.0413	(5.30)

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP SSgA Asia Pacific Enhanced Equity Index	16- individual pension - overseas equity	981	Cross Holdings		1.0765	0.9510	(11.66)
FP L&G Ethical UK Equity Index	15 - individual pension - UK equity	9	Cross Holdings		1.0000	0.9327	(6.73)
FP L&G Global Real Estate Equity Index	16- individual pension - overseas equity	48			1.0000	0.9316	(6.84)
FP L&G Private Equity Passive	15 - individual pension - UK equity	8	Cross Holdings		1.0000	0.7876	(21.24)
FP L&G Infrastructure Index	15 - individual pension - UK equity	10	Cross Holdings		1.0000	1.0180	1.80
FP BlackRock (30:70) Currency Hedged Global Equity Index (Aquila HP)	16- individual pension - overseas equity	3606			1.0000	0.9303	(6.97)
FP G4S Long Term Capital Growth	11 - individual pension - stock market managed fund	15371			1.0000	1.0403	4.03
FP Adventurous Index Fund of Funds	11 - individual pension - stock market managed fund	73			1.0000	0.9522	(4.78)
FP Defensive Index Fund of Funds	13 - individual pension - defensive managed fund	133			1.0000	1.0665	6.65
FP DS Smith Balanced	12-individual pension - balanced managed fund	9975			1.0000	0.9809	(1.91)
FP DS Smith Cautious	13 - individual pension - defensive managed fund	496			1.0000	1.0854	8.54
FP DS Smith Adventurous	11 - individual pension - stock market managed fund	1263			1.0000	0.9001	(9.99)
FP DS Smith Growth	12-individual pension - balanced managed fund	4419			1.0000	0.9427	(5.73)
FP Capital International Global Bond	11 - individual pension - stock market managed fund	433			1.0000	1.0431	4.31
FP Mercer Active Emerging Markets Equity	16- individual pension - overseas equity	9	Cross Holdings		1.0000	0.8207	(17.93)
FP Mercer Active Global Equity	16- individual pension - overseas equity	10	Cross Holdings		1.0000	0.9426	(5.74)
FP Mercer Active UK Bond	11 - individual pension - stock market managed fund	11	Cross Holdings		1.0000	1.0707	7.07
FP Mercer Active UK Equity	15 - individual pension - UK equity	10	Cross Holdings		1.0000	0.9607	(3.93)

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP Mercer Cash	13 - individual pension - defensive managed fund	5	Cross Holdings		1.0000	1.0035	0.35
FP Mercer Diversified Growth	11 - individual pension - stock market managed fund	365	Cross Holdings		1.0000	0.9550	(4.50)
FP Mercer Mixed Investment Pension Fund 1	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.0929	9.29
FP Mercer Mixed Investment Pension Fund 2	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	0.9815	(1.85)
FP Mercer Mixed Investment Pension Fund 3	11 - individual pension - stock market managed fund	674			1.0000	0.9484	(5.16)
FP Mercer Mixed Investment Pension Fund 4	11 - individual pension - stock market managed fund	2	Cross Holdings		1.0000	0.9288	(7.12)
FP Mercer Passive Emerging Markets Equity	16- individual pension - overseas equity	1	Cross Holdings		1.0000	0.8341	(16.59)
FP Mercer Passive Over 15 Year Gilt	11 - individual pension - stock market managed fund	21	Cross Holdings		1.0000	1.2140	21.40
FP Mercer Passive Over 5 Year Index-Linked Gilt	11 - individual pension - stock market managed fund	4	Cross Holdings		1.0000	1.1496	14.96
FP Mercer Passive Overseas Equity	16- individual pension - overseas equity	91	Cross Holdings		1.0000	0.9330	(6.70)
FP Mercer Passive UK Corporate Bond	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.0117	1.17
FP Mercer Passive UK Equity	15 - individual pension - UK equity	266	Cross Holdings		1.0000	0.9408	(5.92)
FP Mercer Target Retirement Pension Fund A 2013	11 - individual pension - stock market managed fund	5			1.0000	1.1276	12.76
FP Mercer Target Retirement Pension Fund A 2014	11 - individual pension - stock market managed fund	11			1.0000	1.0960	9.60
FP Mercer Target Retirement Pension Fund A 2015	11 - individual pension - stock market managed fund	10			1.0000	1.0539	5.39
FP Mercer Target Retirement Pension Fund A 2016	11 - individual pension - stock market managed fund	10			1.0000	1.0016	0.16
FP Mercer Target Retirement Pension Fund A 2017	11 - individual pension - stock market managed fund	22			1.0000	0.9484	(5.16)
FP Mercer Retirement Pension Fund A	11 - individual pension - stock market managed fund	6			1.0000	1.1589	15.89

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP Mercer Target Retirement Pension Fund B 2013	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.1490	14.90
FP Mercer Target Retirement Pension Fund B 2014	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.1137	11.37
FP Mercer Target Retirement Pension Fund B 2015	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.0663	6.63
FP Mercer Target Retirement Pension Fund B 2016	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.0075	0.75
FP Mercer Target Retirement Pension Fund B 2017	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	0.9483	(5.17)
FP Mercer Retirement Pension Fund B	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.1841	18.41
FL United Biscuit Diversified Strategy	11 - individual pension - stock market managed fund	3			1.0000	1.0032	0.32
FL Spicers Adventerous	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.0157	1.57
FL Spicers Balanced	12-individual pension - balanced managed fund	1	Cross Holdings		1.0000	1.0159	1.59
FL Spicers Cautious	13 - individual pension - defensive managed fund	1	Cross Holdings		1.0000	1.0099	0.99
FL Spicers Growth	11 - individual pension - stock market managed fund	1	Cross Holdings		1.0000	1.0205	2.05
FP NGS Davies 1968 Y	11 - individual pension - stock market managed fund	2	Series 1	0.55%	1.0592	1.0058	(5.04)
FP NGS Riley 1976 G	11 - individual pension - stock market managed fund	3	Series 1	0.75%	1.0527	1.0908	3.62
FP NGS Riley 1976 H	13 - individual pension - defensive managed fund	12	Series 1	0.75%	1.0212	0.9938	(2.68)
FP NGS Davies 1968 C	12-individual pension - balanced managed fund	7	Series 1	0.55%	1.0756	1.0385	(3.45)
FP NGS Davies 1968 Z	11 - individual pension - stock market managed fund	3	Series 1	0.55%	1.0545	1.0025	(4.93)
FP NGS Toby 2006 L	11 - individual pension - stock market managed fund	1	Series 1	0.95%	1.0000	1.0331	3.31
FP NGS Toby 2010 M	11 - individual pension - stock market managed fund	2	Series 1	0.95%	1.1358	1.0446	(8.03)



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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FP NGS Riley 1985 J	11 - individual pension - stock market managed fund	6	Series 1	0.75%	1.1034	1.1183	1.35
FP NGS Riley 1985 K	13 - individual pension - defensive managed fund	6	Series 1	0.75%	1.0740	1.0570	(1.58)
FP NGS Davies 1999 V	11 - individual pension - stock market managed fund	2	Series 1	0.55%	1.1289	1.0717	(5.07)
FP NGS Davies 1999 F	12-individual pension - balanced managed fund	5	Series 1	0.55%	1.1647	1.1172	(4.08)
FP NGS Davies 1999 W	11 - individual pension - stock market managed fund	3	Series 1	0.55%	1.0704	1.0254	(4.21)
FP Cheviot Cautious	13 - individual pension - defensive managed fund	21155	Series 1	1.00%	1.0000	1.0821	8.21
FP Cheviot Growth	11 - individual pension - stock market managed fund	11564	Series 1	1.00%	1.0000	0.9625	(3.75)
FP Cheviot Lifestyle	12-individual pension - balanced managed fund	4373	Series 1	1.00%	1.0000	1.1793	17.93
FP Cheviot Moderate	12-individual pension - balanced managed fund	13534	Series 1	1.00%	1.0000	0.9910	(0.90)
FP Cheviot Retirement Protection	13 - individual pension - defensive managed fund	1032	Series 1	1.00%	1.0000	1.1791	17.91
FP NGS Davies 1968 A	12-individual pension - balanced managed fund	7	Series 1	1.00%	1.0000	1.0449	4.49
FP NGS Davies 1968 X	11 - individual pension - stock market managed fund	2	Series 1	1.00%	1.0000	1.0344	3.44
FP NGS Davies 1968 B	12-individual pension - balanced managed fund	5	Series 1	1.00%	1.0000	1.0310	3.10
FP NGS Davies 1999 U	11 - individual pension - stock market managed fund	2	Series 1	1.00%	1.0000	1.0266	2.66
FP NGS Davies 1999 D	11 - individual pension - stock market managed fund	8	Series 1	1.00%	1.0000	1.0236	2.36
FP NGS Davies 1999 E	12-individual pension - balanced managed fund	4	Series 1	1.00%	1.0000	1.0219	2.19
FuturePlanner Global Equity Fd	11 - individual pension - stock market managed fund	1527	Series 1	1.00%	1.0000	0.9893	(1.07)
FuturePlanner Corporate Bd Fd	12-individual pension - balanced managed fund	345	Series 1	1.00%	1.0000	1.0017	0.17

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

Name of insurer **Friends Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 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
FuturePlanner Government Bd Fd	12-individual pension - balanced managed fund	426	Series 1	1.00%	1.0000	1.0751	7.51
FuturePlanner Gov Idx Lnkd Bd	12-individual pension - balanced managed fund	14	Series 1	1.00%	1.0000	1.0383	3.83
FuturePlanner Cash Fund	13 - individual pension - defensive managed fund	465	Series 1	1.00%	1.0000	1.0007	0.07
P-Solve Long Term Growth Fund	11 - individual pension - stock market managed fund	4070	Series 1	1.00%	1.0000	1.0053	0.53
P-Solve Stable Growth Fund	12-individual pension - balanced managed fund	7197	Series 1	1.00%	1.0000	1.0065	0.65
P-Solve Pre-Retirement Wealth	12-individual pension - balanced managed fund	8193	Series 1	1.00%	1.0000	1.0414	4.14
P-Solve Retirement Protection	13 - individual pension - defensive managed fund	1199	Series 1	1.00%	1.0000	1.0528	5.28

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **Friends Life and Pensions Limited**  
 Total business **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 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 Pensions NP	1559518	3.57%	3.57%	3.79%
UK F51 Pensions NP	36345	2.10%	2.10%	2.24%
UK F51 Pensions NP	38180	2.40%	2.40%	2.50%
UK F51 Pensions NP (Secure Growth Fund)	358139			4.38%
UK F52 Pensions	1017	2.90%	2.90%	3.81%
UK F53 Pensions NL	45138	2.40%	2.40%	2.50%
UK F53 Pensions NL	8573	2.10%	2.10%	2.24%
UK F53 Pensions NL (Secure Growth Fund)	146714			4.38%
Miscellaneous UK F51 Pensions NP	166	n/a	n/a	1.98%
Miscellaneous UK F53 Pensions NL	50534	n/a	n/a	1.98%
<b>Total</b>	2244324			

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life and Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2011**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	12874124	12558450
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	12874124	12558450
Mathematical reserves	21	12780584	12427435
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	93540	131015

**Composition of surplus**

Balance brought forward	31	131015	147101
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(37475)	(16086)
Total	39	93540	131015

**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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	93540	131015
Total (48+49)	59	93540	131015

**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 capital requirement**

Name of insurer **Friends Life and Pensions Limited**  
 Global business  
 Financial year ended **31 December 2011**  
 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%				
Classes I (other), II and IX	12	0.1%				100
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				1766
Classes III, VII and VIII	15	0.3%	2886	2886	1.00	9
<b>Total</b>	<b>16</b>		2886	2886		9

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					97
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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%	2143898	2006844	0.94	20068
Classes III, VII and VIII (investment risk)	33	1%	308171	308171	1.00	3082
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	2426874	2426874	1.00	24269
Classes III, VII and VIII (other)	35	25%				8557
Class IV (other)	36	1%				55
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					55976

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	2143898	2006844	0.94	60205
Classes III, VII and VIII (investment risk)	43	3%	308171	308171	1.00	9245
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	2426874	2426874		
Classes III, VII and VIII (other)	45	0%	12685736	8038696		
Class IV (other)	46	3%				165
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		17564679	12780584		69450

<b>Long term insurance capital requirement</b>	<b>51</b>					125435
						163308

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return

Friends Life and Pensions Limited

Global Business

Financial Year End 31 December 2011

#### **\*0301\* Reconciliation of net admissible assets to the total capital resources**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Total admissible assets (other than long-term)	166,297	132,230
Total admissible assets (long-term)	12,918,828	14,263,108
	<hr/> 13,085,125	<hr/> 14,395,338
Less:		
Mathematical reserves after distribution of surplus	12,780,584	12,427,435
Other insurance & non-insurance liabilities	44,703	1,704,658
Liabilities other than long-term business	8,675	7,658
Net admissible assets	<hr/> 251,163	<hr/> 255,587
Form 3 Line 79 Capital resources after deductions	<hr/> 251,163	<hr/> 255,587

#### **\*0310\* Valuation Differences**

Negative valuation differences included within line 14 are:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
In respect of liabilities valued lower than in the Companies Act accounts		
Deferred taxation	14,395	15,409
Deferred front end fees	7,399	6,931
Value of unfunded units	2,899	5,811
	<hr/> 24,693	<hr/> 28,151
In respect of liabilities valued higher than in Companies Act accounts		
Further provision for mortality (non-linked)	18,690	6,166
Additional reserves in respect of reinsurer credit risk (non-linked)	13,853	17,205
Other actuarial reserve	5,000	10,000
	<hr/> 37,543	<hr/> 33,371
Total equalling Form 3 Line 35	<hr/> 12,850	<hr/> 5,220

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

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Profit and loss account reserves b/fwd	459,043	(203,243)
Profit and loss account reserves c/fwd	453,660	459,043
Movement	(5,383)	662,286
Share capital reduction	-	(723,000)
Capital injection	(30,000)	-
Deficit on UK GAAP basis	38,436	20,945
Total equalling Form 16 line 59	<hr/> 3,053	<hr/> (39,769)

#### **\*1112\* & \*1212\* Class IV business**

Forms 11 and 12 have been omitted from the return as the Class IV business previously carried on by the Company which gave rise to the need to prepare these forms was transferred under the Part VII Scheme referred to in supplementary note 4004.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return

Friends Life and Pensions Limited

Global Business

Financial Year End 31 December 2011

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

- i) The Company held unlisted fixed interest securities valued at £1.0m.
- ii) Lines 41, 46 & 48 include assets to the value of £10.7m 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.
- v) Line 48 has decreased in 2011 due to the asset backing a reinsurance treaty being transferred under the Part VII Scheme referred to in supplementary note 4004.

#### **\*1302\* & \*1309\* Aggregate value of hybrid securities**

The Company held hybrid securities valued at £88.74m in the long-term fund and £3.2m in the shareholder fund.

#### **\*1304\* & \*1310\* Extent to which amounts have been set off**

Certain amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.

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

The Company has operated its investment guidelines throughout the period in line with INSPRU 2.1.22R. Investments are managed with reference to the limited 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 Oversight 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 Oversight Committee. There were no occasions during the financial year on which counterparty limits specified in the investment guidelines were exceeded.

#### **\*1318\* Details of amounts in line 101**

	Long term insurance business 2011 £000	Other than long term insurance business 2011 £000	Long term insurance business 2010 £000	Other than long term insurance business 2010 £000
Variation margin	-	-	50	-
Taxation creditors netted off in accounts		(1,245)	-	(7,658)
<b>Total line 101</b>	<b>-</b>	<b>(1,245)</b>	<b>50</b>	<b>(7,658)</b>

## **Returns under the Interim Prudential Sourcebook for Insurers**

### **Supplementary Notes to the Return**

Friends Life and Pensions Limited

Global Business

Financial Year End 31 December 2011

#### **\*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 incorporates all necessary valuation adjustments required by GENPRU 1.3.30R to GENPRU 1.3.33R.

All obligations arising out of derivative contracts were required to be covered and accordingly no provision was made for any adverse change in the value of assets, of indices of assets to which the contract relates or for any change in the value of any asset held by the company.

#### **\*1402\* & \*1502\* Contingent Liabilities**

- i) No charge has been made on the assets of the Company to secure the liabilities of any other person.
- ii) No provision has been made (2010 £nil) for liability to tax on capital gains which would arise if the Company disposed of its total business assets. The potential liability is £nil.
- iii) The Company has a contingent liability in respect of compensation that could become payable to certain policyholders who effected personal pension contracts and who may have been given inappropriate advice in relation thereto.

The company has a provision of £nil (2010 £0.2m) in line 11 of Form 14 for the expected costs of the compensation. The final costs may be in excess of this figure and there may also be a contingent liability in respect of the Financial Services Compensation Scheme.

- iv) The Company has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of insurance business and in respect of related companies.
- v) The FSA and other regulatory bodies may wish, in future, to examine the suitability of past sales and associated administration of products that could affect the Company and the industry in general. The directors of the Company also conduct ongoing reviews of such products. As a result, it is possible that additional unprovided liabilities could arise.
- vi) There are no other fundamental uncertainties.



## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return

Friends Life and Pensions Limited

Global Business

Financial Year End 31 December 2011

#### **\*1405\* & \*1507\* Other adjustments to liabilities**

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Long term</b>	<b>Other than</b>	<b>Long term</b>	<b>Other than</b>
	<b>insurance</b>	<b>long term</b>	<b>insurance</b>	<b>long term</b>
	<b>business</b>	<b>insurance</b>	<b>business</b>	<b>insurance</b>
	<b>business</b>	<b>business</b>	<b>business</b>	<b>business</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Deferred tax	14,395	-	15,409	-
Deferred front-end fees	7,400	-	6,931	-
Companies Act accounts fair value adjustment to liabilities	(34,645)	-	(27,560)	-
Variation margin	-	-	50	-
Taxation creditors netted off in accounts	-	(1,245)	-	(7,658)
Assets included in Companies Act accounts, excluded for FSA purposes	<b>(12,850)</b>	<b>(1,245)</b>	<b>(5,170)</b>	<b>(7,658)</b>

#### **\*1601\* & \*4005\* Basis of conversion for foreign currency**

Assets and liabilities held in foreign currencies are expressed in sterling at rates ruling at the balance sheet date.

Income and expenditure denominated in foreign currencies are translated at rates ruling on the date on which the transaction occurs.

#### **\*1700\* Forms omitted from the return**

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

#### **\*1701\* Variation margin**

The aggregate value of excess variation margin needed to be repaid due to underlying market movements is £nil. Variation margin of £35,000 has been included in Form 13 line 54 and Form 14 line 38.

#### **\*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.

#### **\*4002\* Other Income and Expenditure**

Other expenditure comprises of

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Fund management charge rebate to Friends Life Limited ("FLL")	27,081	26,483
	<b>27,081</b>	<b>26,483</b>

## **Returns under the Interim Prudential Sourcebook for Insurers**

### **Supplementary Notes to the Return**

Friends Life and Pensions Limited

Global Business

Financial Year End 31 December 2011

#### **\*4004\* Business transfers-out**

On 1 December 2011 the company transferred part of its long-term fund to Friends Life Limited, in accordance with a Court Scheme under Part VII of the FSMA 2000. The policies transferred consisted of immediate pensions annuities, conventional life business and pensions protection business. The total amount of net assets transferred out of the long-term fund was £33m, which was equal to the net of reinsurance mathematical reserves transferred.

#### **\*4008\* Arrangements for provision of management services**

Management services were provided during the year by Friends Provident Management Services Limited, a wholly owned subsidiary of Friends Provident Holdings (UK) plc (formerly Friends Provident Holdings (UK) 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 REIT (formerly F&C Property Asset Management), both wholly owned subsidiaries of F&C Asset Management plc.

#### **\*4009\* Material connected party transactions**

##### Reassurance accepted from FLL

During the period 1 January 2011 to 31 December 2011 the company held several reinsurance agreements, exceeding 5% of the company's long-term insurance business liabilities, with its parent undertaking FLL, principally consisting of pension business written in FLL. During this period, the company had accepted £718m of reinsurance premiums and incurred £398m of reinsurance claims.

The movements above comprised the following:

The recapture of an existing reinsurance treaty, covering the reinsurance of immediate pension annuities from Friends Provident Life Assurance Limited to Friends Life and Pensions Limited occurred in June 2011; the movement in the year was £463m of reinsurance premiums.

A new reinsurance treaty was implemented in June 2011, covering the reinsurance of immediate pension annuities from Friends Life Limited (non profit fund) into Friends Life and Pensions Limited; the movement in the year was £73m of reinsurance premiums and incurred £3m of reinsurance claims.

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

Assets within this Form have been valued as follows:

- a) Listed investments have been valued at market prices consistent with the pricing basis within those funds.
- b) OEICs are carried at market value at the balance sheet date.
- c) 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 2011 rights of £2,053,000 and liabilities of £9,518,000 were held under derivative contracts.

#### **\*4403\* Variation margin**

There is a liability to repay a variation margin of £578,000 at the year-end

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return

Friends Life and Pensions Limited  
Global Business  
Financial Year End 31 December 2011

#### **\*4502\* Other expenditure**

Other expenditure consists of

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Transaction costs	8,218	9,214
Custodian charges	680	713
Interest payable	18	-
Miscellaneous charges	(78)	12
<b>Total other expenditure</b>	<b>8,838</b>	<b>9,939</b>

#### **\*4802\* Interest in default**

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

#### **\*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 ratings agency have been used where available. It was not possible to separately identify "CCC" rated bonds from those of non-investment grade. All "CCC" rated bonds have, therefore, been included in L38.

#### **\*5600\* Index-linked assets**

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

#### **\*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.

The yields in accordance with INSPRU 3.1.35R as amended, before and after risk adjustment, are shown below.

Product Group	Total Long Term Insurance Business	
	Yield	Risk Adjusted Yield
UK F51 Pensions NP	4.25%	3.79%
UK F51 Pensions NP	2.26%	2.24%
UK F51 Pensions NP	2.53%	2.50%
UK F51 Pensions NP (Secure Growth Fund)	4.83%	4.38%
UK F52 Pensions	4.27%	3.81%
UK F53 Pensions NL	2.53%	2.50%
UK F53 Pensions NL	2.26%	2.24%
UK F53 Pensions NL (Secure Growth Fund)	4.83%	4.38%
Miscellaneous UK F51 Pensions NP	2.00%	1.98%
Miscellaneous UK F53 Pensions NL	2.00%	1.98%

**Additional information on derivative and quasi-derivative contracts  
(IPRU (INS) rule 9.29)  
Friends Life and Pensions Limited  
Financial year ended 31 December 2011**

**Derivative Contracts**

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

- a) **Investment Guidelines.**  
Investment guidelines operated by the company during 2011 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.
- 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 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 Life and Pensions Limited**  
**Financial year ended 31 December 2011**

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 Life Limited (formerly Friends Provident Life and Pensions Limited);
- (ii) Friends Life FPL Limited (formerly Friends Provident Limited);
- (iii) Friends Life FPG Limited (formerly Friends Provident Group plc);
- (iv) Friends Life Group plc (formerly Friends Provident Holdings (UK) plc);
- (v) Resolution Holdings (Guernsey) Limited;
- (vi) Resolution Holdco No 1 LP;
- (vii) Resolution Limited;

(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 2011, Resolution Limited owned 99.99% of the Shares of Resolution Holdco No 1 LP, a company of which Friends Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (ii) Resolution Holdco No 1 LP

As at 31 December 2011, Resolution Holdco No 1 LP owned 100% of the Shares of Resolution Holdings (Guernsey) Limited, a company of which Friends 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 2011, Resolution Holdings (Guernsey) Limited owned 100% of the Shares of Friends Life Group plc, a company of which Friends Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iv) Friends Life Group plc

As at 31 December 2011, Friends Life Group plc owned 100% of the Shares of Friends Life FPG Limited, a company of which Friends Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (v) Friends Life FPG Limited

As at 31 December 2011, Friends Life FPG Limited owned 100% of the Shares of Friends Life FPL Limited, a company of which Friends Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (vi) Friends Life FPL Limited

As at 31 December 2011, Friends Life FPL Limited owned 100% of the Shares of Friends Life Limited, a company of which Friends Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (vii) Friends Life Limited

As at 31 December 2011, Friends Life Limited owned 100% of Friends Life and 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 31<sup>st</sup> December 2011.
- (2) The previous investigation related to 31<sup>st</sup> December 2010.
- (3) Not applicable.

### **2. Product Range**

#### New products

No new products were launched in 2011.

#### Changes to existing products

##### 1. NGP Group Personal Pension and Group Stakeholder Pension Plan

Change to the employee charge reduction (ECR) benefit to allow leavers to continue to benefit from a reduced annual management charge (AMC) provided a minimum level of contribution is maintained.

#### Products Withdrawn

No products were withdrawn in 2011. However, the following products were subject to a Part VII transfer to Friends Life Ltd (FLL):

- all pension immediate annuity policies externally reinsured to Windsor Life;
- all immediate annuities written by London & Manchester Pensions up to and including 31 December 1998;
- all annuities written by Friends Provident Corporate Pensions from and including 1 January 1999 to and including 8 July 2001;
- the immediate annuities reinsured from F&C Managed Pension Funds;
- all pension protection products; and
- all level term assurance, decreasing term assurance and life insurance products.

### **3. Discretionary Charges and Benefits**

- (1) No market value reduction (MVR) factors were applied during 2011 on unitised with-profits contracts.
- (2) Not applicable.

(3) The interest rate added during the year for non-profit deposit administration benefits was as follows:

Plan Type	Annual Rate of Interest Addition
	Applied from 01.01.2011 to 31.12.2011
Transplan	3.5%
Compass (88) Pension Plan, Passbook Pension Plan, Passbook (92) Pension Plan, Transplan (88), Bespoke, Total Pension Plan, Executive Total Pension Plan, Transplan Plus, Group Personal Pension Plan, Group Money Purchase Plan, Group Money Purchase Plan Executive Option, Trustees' Investment Plan, Multibenefit Pension Solutions, Transplan GMP, Transplan Protected Rights Bulk Buyout, Personal Pension Plan – New Generation, Money Purchase plan – New Generation, Premier Retirement Plan, Group Secure Growth Plan, Voluntary Benefits Plan, Secure Growth Investment Only Plan, Compass Pension Plan, Combine Pension Plan, Combine (86) Pension Plan, Combine (90) Pension Plan, Combine GMP, Combine Final Salary and Combine Multibenefit	5.5% before charges

(4) Policy fees for certain products are linked to the RPI. The RPI from October 2009 to October 2010 was 4.5%, but due to freezing the charges last year when there was negative inflation (-0.8%), the charges in 2011 were 3.7% higher than in 2010. The relevant business is:

- Passbook Pension Plan
- Passbook (88)
- Passbook (92)
- Compass Pension Plan
- Combine Pension Plan
- Combine (86)
- Combine (90)
- Combine Final Salary
- Combine Group Money Purchase
- Combine Money Purchase
- Combine Multibenefit
- Total Pension Plan
- Executive Total Pension Plan
- Bespoke
- Group Personal Pension Plan
- Multibenefit Pension Solutions
- Transplan Group Money Purchase Plan
- Personal Pension Plan Series 2 sold through IFAs
- Money Purchase Plan

Policy fees for certain products had to be reduced in line with inflation last year, so the full increase of 4.5% will apply to those products. The relevant business is:

- Group Money Purchase Plan
- Group Money Purchase Plan Executive

For 2011, the NAE index was replaced by the Average Weekly Earnings (AWE) Index from August 2009 to August 2010. Policy fees for the following products have been increased by 2.1%, in line with the AWE index, in 2011:

- Retirement Investment Bond
- Personal Pension Plan Series 1
- Personal Pension Plan Series 2 sold directly

(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 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 to allow for the accrued annual management charge, 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 the previous 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) Not applicable.
- (9) Not applicable.
- (10) Where internal linked funds invest in units in permitted scheme interests that are exclusively authorised Open-Ended Investment Companies (OEICs) managed by F&C Asset Management Limited, the internal linked fund receives a management charge rebate to ensure that the overall annual management charge to the policyholders is maintained.

In respect of the Investment Trust Retirement Annuity (ITRA) contract the Company holds JP Morgan Fleming Investment Trust units to match the liabilities. The Company receives a rebate of 0.875% per annum from the annual charge, which it retains.

#### 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 non-profit business, a gross premium valuation has been adopted.
- (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 valued individually and any negative reserves that arise from the valuation methodology are eliminated.
- (ii) All linked valuation liabilities ceded to external reinsurers have been reduced by 0.33% to allow for credit risk.

###### (c) Non Standard Methods

Exception where a non standard method has been used is as follows:

- in respect of deposit administration benefits, policyholders have expectations of annual interest additions. These have arisen from policy literature describing the operation of the Secure Growth Fund. The annual interest addition will be a smoothed rate of return on the underlying types of asset deemed appropriate to meet this objective. In the valuation, the face

values of policyholder accounts are restated consistent with assets at market value to ensure any earnings on assets not yet declared are reserved for the future benefit of policyholders.

(2) Valuation Interest Rates

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>Pens %</b>	<b>Pens %</b>
Investment Trust Retirement Annuity	1.00	1.00
Annuities in Possession (Pre July 2001)	4.09	4.81
Annuities in Possession (Post July 2001)	3.57	4.46
Regular Premium Term Assurances	2.40	3.50
Other non-profit and linked business	2.90	3.50
GAO Reserve	2.10	3.60
Unitised With Profits	2.90	3.50

(3) Adjustment to Yields for Risk

- (a) Yields on British Government 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 from 1920 onwards, 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 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.

The following deductions have been made from gross redemption yields:

<b>Credit Rating</b>	<b>Term to Redemption (years)</b>		
	<b>0-10</b>	<b>10-20</b>	<b>20+</b>
<b>AAA</b>	11	13	14
<b>AA</b>	70	52	47
<b>A</b>	132	83	74
<b>BBB</b>	254	167	150
<b>BB</b>	432	307	266
<b>B</b>	678	505	438
<b>Below B</b>	1485	924	757

For subordinated debt, the above deductions are increased by a factor of 1.2.

- (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, are capped at the long-term gilt yield plus 4% pa.

(4) The mortality tables used in the valuation are as follows (ultimate mortality except where stated):

	31.12.2011		31.12.2010	
	Male	Female	Male	Female
Unitised Business	110% AMC00	110% AFC00	110% AMC00	110% AFC00
Individual Annuities and Deferred Annuities once in payment (Pre July 2001)	83-92% PCMA00	74-87% PCFA00	84-93% RMV00	87-93% RFV00
Individual Annuities and Deferred Annuities once in payment (Post July 2001)	75-92% PCMA00	78-87% PCFA00	59-93% RMV00	61-93% RFV00
Group Annuities (Pre July 2001)	97% PCMA00	92% PCFA00	82-93% PCMA00	90-93% PCFA00
Group Annuities (Post July 2001)	73-97% PCMA00	83-92% PCFA00	70-93% PCMA00	77-93% PCFA00
Deferred Annuity in Deferment	65% AMC00	55% AFC00	65% AMC00	55% AFC00

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 is shown below:

Individual Annuities and Deferred Annuities once in payment (Pre July 2001)  
Modified PCMA00/PCFA00 for 2011, Modified RMV00/RFV00 for 2010

Current Age	Expectation at Age	31.12.2011		31.12.2010	
		Male	Female	Male	Female
45	65	28.57	30.94	29.49	30.88
55	65	26.95	29.42	27.15	29.06
65	65	25.44	27.88	24.94	27.32
75	75	15.77	17.70	15.47	17.27

Individual Annuities and Deferred Annuities once in payment (Post July 2001)  
Modified PCMA00/PCFA00 for 2011, Modified RMV00/RFV00 for 2010

Current Age	Expectation at Age	31.12.2011		31.12.2010	
		Male	Female	Male	Female
45	65	28.85	30.74	30.46	31.59
55	65	27.26	29.19	28.21	29.83
65	65	25.77	27.63	26.09	28.16
75	75	15.97	17.55	16.07	17.77

Group Annuities (Pre July 2001)  
Modified PCMA00/PCFA00 for 2011, Modified PCMA00/PCFA00 for 2010

Current Age	Expectation at Age	31.12.2011		31.12.2010	
		Male	Female	Male	Female
45	65	27.61	29.98	29.60	30.05
55	65	25.95	28.40	27.15	28.11
65	65	24.42	26.80	24.83	26.26
75	75	14.95	16.84	15.21	16.50

Group Annuities (Post July 2001)  
 Modified PCMA00/PCFA00 for 2011, Modified PCMA00/PCFA00 for 2010

Current Age	Expectation at Age	31.12.2011		31.12.2010	
		Male	Female	Male	Female
45	65	28.40	30.24	30.10	30.52
55	65	26.81	28.68	27.70	28.61
65	65	25.35	27.12	25.42	26.80
75	75	15.48	17.04	15.53	16.83

Improvements for statutory bases are applied from 2001 based on 100% of the CMI\_2011 mortality projections model with a long term rate of 2% p.a. for both males and females.

(5) No morbidity risk is accepted.

(6) Expense Bases

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

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

Class		31.12.2011				31.12.2010			
		Zillmer adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
Annuity (400)	All	N/a	11.54	0.060	0	N/a	18.45	0.060	0
UWP regular premium pension (525 / 545)	Premium Paying	N/a	34.58	0.125	0	N/a	30.44	0.125	0
	Otherwise		21.31	0.125			20.82	0.125	
UWP single premium pension (525 /545)	All	N/a	17.64	0.125	0	N/a	17.15	0.125	0
UWP group regular premium pension (535)	Premium Paying	N/a	34.58	0.125	0	N/a	30.44	0.125	0
	Otherwise		21.31	0.125			20.82	0.125	
UWP group single premium pension (535)	All	N/a	17.64	0.125	0	N/a	17.15	0.125	0
UL regular premium pension (725)	Premium Paying	N/a	17.02	0.100 / 0.085 *	0	N/a	14.64	0.100 / 0.085 *	0
	Otherwise		10.08	0.100 / 0.085 *			10.29	0.100 / 0.085 *	
UL single premium pension (725)	All	N/a	8.88	0.100 / 0.085 *	0	N/a	8.25	0.100 / 0.085 *	0
UL group regular premium pension (735)	Premium Paying	N/a	17.02	0.100 / 0.085 *	0	N/a	14.64	0.100 / 0.085 *	0
	Otherwise		10.08	0.100 / 0.085 *			10.29	0.100 / 0.085 *	
UL group single premium pension (735)	All	N/a	8.88	0.100 / 0.085 *	0	N/a	8.25	0.100 / 0.085 *	0

\* For unit-linked pension products the Investment Expenses are 0.100% p.a. for business written prior to 01/01/2011 and 0.085% p.a. for business written after that date.

(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:

	31.12.2011			31.12.2010		
	Unit Growth % p.a.		Expense Inflation % p.a.	Unit Growth % p.a.		Expense Inflation % p.a.
	Gross	Net		Gross	Net	
Conventional Non Profit	N/a	N/a	4.2	N/a	N/a	4.4
Unitised	2.9	2.3	4.2	3.5	2.8	4.4

For policies with explicit policy charges, these charges increase in line with the RPI or National Average Earnings Index. We have assumed that future RPI is 2.7% p.a., and that future NAE is 1.5% higher at 4.2% p.a.

- (8) The future bonus rate used in valuing unitised with-profits business is 0.97% p.a.

The benefit value (including liability for bonuses) is 100% reinsured to Friends Life Limited.

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

Product		Average Annual Lapse / Surrender / Paid-up Rate for Policy Years			
		1-5 %	6-10 %	11-15 %	16-20 %
UWP Individual Pension	PUP	16.1	7.3	5.2	5.2
UL Individual Pension	PUP	16.1	7.3	5.2	5.2
UL Group Pension	PUP	21.3	15.6	15.6	15.6

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. In the calculation of the resilience capital requirement the derivative values and the yields on the combined assets are recalculated to reflect the market risk scenario being tested.

- (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. Note that the impacts on protection business relate to business that is no longer in Friends Life and Pensions Limited following the Part VII transfer to Friends Life Ltd.

	31/12/06	31/12/07
Allowance for lapses on valuation of protection business	-	£2.8m
Allowance for negative reserves on valuation of protection business	-	£4.2m
Allowance for lapses on valuation of unit-linked business	-	-
Allowance for negative reserves on valuation of unit-linked business	£26m	-

## 5. Options and Guarantees

- (1) Guaranteed Annuity Rate Options

- (a) Certain 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, less the

present value of premiums for the same option where appropriate. It has been assumed that all contract plan types listed below have such a guarantee. It is assumed that 100% of the fund at retirement is taken in the form of an annuity if this option is more onerous than cash.

(b) A table showing details of the options is shown below:

<b>Product Name</b>	<b>Basic Reserve</b>	<b>Outstanding Durations</b>	<b>Guarantee Reserve</b>	<b>Guaranteed Rate</b>	<b>Increments Allowed</b>	<b>Annuity Form</b>	<b>Retirement Ages</b>
<b>(i)</b>	<b>(ii) £m</b>	<b>(iii)</b>	<b>(iv) £m</b>	<b>(v)</b>	<b>(vi)</b>	<b>(vii)</b>	<b>(viii)</b>
Former LMP unitised pension business	37.3	Up to 19 years	44.9	10%	No	Single Life; monthly in advance, guaranteed 5 years	60-75

The contracts included in the above table include Premier Retirement Plan, Group Secure Growth Plan, Compass Pension Plan, Total Pension Plan.

(2) Guaranteed Surrender and unit-linked maturity values

(a) The basic reserve held for contracts with guaranteed surrender or maturity values is less than £10m.

(3) Guaranteed Insurability Options

(a) There are no Guaranteed Insurability Options.

(4) Other Guarantees and Options

(a) Transplan Section 32 policies must provide a benefit that is not less than the Guaranteed Minimum Pensions. A guarantee reserve of £8.9m has been set up in respect of a basic reserve of £33.4m. This has been calculated deterministically using low rates of future projection (2.5% to 3.5% p.a.) as an approximation to the stochastic value of the guarantee.

(b) A number of old series deposit administration contracts linked to the Secure Growth Fund provide for guaranteed interest rates to apply over the contractual term of the contract or an initial number of years. The interest rate guarantee is an overall average rate per annum over the term of the contract rather than applicable each year. The actual interest declarations made already are significantly in excess of the guaranteed rate and no specific provision was deemed necessary to fulfil any remaining guarantees. If the guarantees were to bite in future, the future interest declaration on the Secure Growth Fund as a whole could be reduced to cover this. Since the liability allows in full for future discretionary interest additions we have not deemed it necessary to increase the liability further to allow for the guarantees.

## 6. Expense Reserves

- (1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £44.2m. 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
New Generation Pensions	0.0	11.0	11.9	12.8	35.7
All Expenses Attributable	0.0	2.6	5.9	0.0	8.5
<b>Total</b>	<b>0.0</b>	<b>13.6</b>	<b>17.8</b>	<b>12.8</b>	<b>44.2</b>

- (2) There are no implicit allowances for expenses.
- (3) The maintenance expenses in line 14 of Form 43 are £38.9m. Line 14 includes £8.4m in respect of expenses related to purchase of investments in linked funds. These expenses are charged for in the linked funds and therefore offset by equal reductions in the unit liability, so no additional reserves are held. The remaining difference from allowances arises from margins for adverse deviation.
- (4) The value of profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is required.
- (5) The cost of closure to new business has been estimated, allowing in particular for redundancy costs and the cost of vacating properties. This was less than margins expected to emerge from in-force business on a prudent basis. Hence no additional reserve was required.
- (6) Non-attributable expenses have only been calculated for unit-linked and UWP products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation (or bonus reserve valuation for UWP), 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 reserves for property-linked benefits) and deposits received from re-assurers, together with the value of assets matching those liabilities, are analysed below by reference to currency:

Currency	Value of Liabilities (£m)	Value of Assets (£m)
Sterling	2,274	2,391
<b>Total</b>	<b>2,274</b>	<b>2,391</b>

- (2) As noted above, FLPL 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) The most onerous of the scenarios specified by INSPRU 3.1.16R was:
  - a fall in the market value of equities of 10%;
  - a fall in real estate values of 20%; and
  - a rise in yields on all fixed interest securities of 0.50% p.a.
- (5) There is no territory outside the United Kingdom in which the market value of the assets held exceeds 2.5% of the long-term insurance assets (excluding those held to cover index-linked or property-linked liabilities). Accordingly, the same scenario as in (4) above has been used.
- (6) Resilience
  - (a) The amount of the resilience capital requirement is £0m.
  - (b) The long term insurance liabilities decreased by £107.8m.
  - (c) The value of the assets allocated to match these liabilities decreased by £98.1m from their value as shown in Form 13.
- (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**

- (1) During 2011, Friends Life Services Limited entered into an outsourcing arrangement with an external partner, Diligenta. The impact on FLPL will be some additional short term costs which will be offset by long term contractual expense savings resulting from the Diligenta deal. For reserving purposes, the net additional expenses provision at 31 December 2011 was £22m.

## **9. Reinsurance**

- (1) No premiums for reinsurance ceded on a facultative basis were paid during 2011 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 on page 81.
  - (e) The nature and extent of cover is quoted in the table on page 81.
  - (f) The premiums paid in 2011 are quoted in the table on page 81.
  - (g) There were no deposit back arrangements.
  - (h) Availability to new business is quoted in the table on page 81.
  - (i) There are no undischarged obligations of the insurer.
  - (j) The mathematical reserves ceded under the treaty are quoted in the table on page 81.
  - (k) All treaties reinsure 100% of the covered business.

- (l) Baillie Gifford Life Limited and JPMorgan Life Limited are not authorised to carry on insurance business in the UK. Friends Life Limited and BlackRock are authorised to carry on insurance business in the UK.
- (m) Connections of any reinsurer to the Company are quoted in the table on page 81.
- (n) Apart from any reserves ceded internally, the mathematical reserves shown in the table on page 81 have been reduced by £13.9m to allow for credit risk.
- (o) None of the treaties are financing arrangements.

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

<b>(d) Reinsurer</b>	<b>(e) Nature and Extent of Cover Under the Treaty</b>	<b>(f) Premiums Payable £m</b>	<b>(h) New Business</b>	<b>(j) Mathematical Reserves £m</b>	<b>(k) Connected Company</b>
Baillie Gifford Life Limited	100% of Investment benefits under Baillie Gifford Unit Linked funds	<b>17</b>	Open	<b>94</b>	Not Connected
JP Morgan Life Limited	100% of Investment benefits under JP Morgan Unit Linked funds	<b>8</b>	Open	<b>44</b>	Not Connected
BlackRock	100% of Investment benefits under BlackRock Unit Linked funds	<b>716</b>	Open	<b>4,022</b>	Not Connected
Schroder	100% of Investment benefits under Schroder Unit Linked funds	<b>3</b>	Open	<b>15</b>	Not Connected
Friends Life Ltd	Non Linked Non Profit Deferred Annuity Business (LMP annuities Pre July 2001)	<b>0</b>	Closed	<b>13</b>	Parent Company
	All investment benefits under Unitised With Profit funds	<b>3</b>	Open	<b>124</b>	Parent Company
	All liabilities for benefits relating to the value of Property Fund units.	<b>0</b>	Open	<b>463</b>	Parent Company

**10. Reversionary Bonus**

- (1) The investment element of with-profits business is reinsured so there are no bonus series meeting the stated conditions.

**RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**  
**Information on With Profits Actuary as required by IPRU (INS) 9.36.**  
**Friends Life and Pensions Limited**  
**Financial year ended 31 December 2011**

The Company has requested Mike Collins, the With Profits Actuary throughout 2011, to provide particulars specified in IPRU(INS) Rule 9.36 and the following details for the full year to 31 December 2011 have been furnished pursuant to that request.

- (a) At 31st December 2011, the actuary had a direct interest in 100 ordinary shares of no nominal value in Resolution plc and 3,254 shares in the Share Incentive Plan. A further 6,300 ordinary shares in Resolution plc were held by the actuary's spouse.

He had no interest at any time during the year in any shares in, or debentures of, the Company or its subsidiaries.

- (b) During the year:-

- (i) He had a sole pecuniary interest in three policies on his life administered by Friends Life and Pensions Limited (FLP), with premiums amounting to £19,578 paid and a combined final value at the end of the year of £55,994.
- (ii) The actuary and his spouse had a pecuniary interest in one policy on their joint lives administered by Friends Life Limited (FLL). Annual premiums amounted to £316 and the sum assured at the end of the year was £32,000.
- (iii) The actuary's spouse had a pecuniary interest in one single premium policy on her life administered by FLL. Income of £375 was received during the year and the policy value at the end of the year was £3,814.

- (c) The aggregate amount of remuneration and value of other benefits receivable by the With Profits Actuary (excluding pension contributions) was £151,287.

- (d) He is a member of the Friends Provident Pension Scheme, a UK defined benefit pension plan, which, during 2011, was a contributory scheme. During 2011 he took some of these benefits as cash and pension.

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 Life and Pensions Limited  
Financial year ended 31 December 2011**

**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 the waivers dated 10 June 2009 and 13 August 2009 issued under section 148 of the Financial Services and Markets Act 2000, details of which are contained in notes 1324 and 5702 respectively; 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 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.

E.B. Bourke  
Director

Signed by V. Hames on behalf of Friends Life  
Secretarial Services Limited

A.M. Parsons  
Director

20 March 2012

**Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**Friends Life and Pensions Limited**

**Global business**

**Financial year ended 31 December 2011**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to 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, 13 to 17, 40 to 45, 48, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report").

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50 to 55 and 57 (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by 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 audit work 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the insurer and its auditor**

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) 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 1324 and 5702. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report 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 report are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

**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 report. 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 20 March 2012. 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 report.

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 report 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 report 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 report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Statutory Auditor

London

20 March 2012