



FRIENDS PROVIDENT

Friends Provident Life and Pensions Limited

Annual Return
as at
31st December 2008

Pursuant to the Interim Prudential Sourcebook and the
Prudential Sourcebook for Insurers

Appendices 9.1, 9.3, 9.4 & 9.6

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

Friends Provident Life and Pensions Limited

Year ended 31st December 2008

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Friends Provident Life and Pensions Limited

Year ended 31st December 2008

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

Global business

Financial year ended **31 December 2008**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
			R2	4096141	GL	31 12 2008
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	936679	2354657
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1245886	1378225
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2182565	3732882

Guarantee fund

Guarantee fund requirement	21	439294	427535
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1743271	3305348

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	532488	573719
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	532488	573719
Capital requirements of regulated related undertakings	35	311798	266296
Minimum capital requirement (34+35)	36	844286	840015
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1515556	3137884
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1304484	2927881

Enhanced capital requirement

With-profits insurance capital component	39	182186	1225923
Enhanced capital requirement	40	1026472	2065938

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1026472	2065938
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1156093	1666944

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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This Form is part of the FSA Return prepared by the Company pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 of the Interim Prudential Sourcebook for Insurers (IPRU(INS)) and the Integrated Prudential Sourcebook (PRU) for the financial year ended 31 December 2008 and is an amending document furnished pursuant to IPRU(INS) rule 9.6(5).

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

Global business

Financial year ended **31 December 2008**

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

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

..... **R.G Ellis Secretary**

22 July 2009

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

Global business

Financial year ended **31 December 2008**

R3	Company registration number	GL/UK/CM	day month year			Units
	4096141	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Core tier one capital

Permanent share capital	11		653750	653750	653750
Profit and loss account and other reserves	12		301713	301713	614634
Share premium account	13		721500	721500	721500
Positive valuation differences	14		490790	490790	1745796
Fund for future appropriations	15		334100	334100	340753
Core tier one capital in related undertakings	16		(554009)	(554009)	(501662)
Core tier one capital (sum of 11 to 16)	19		1947844	1947844	3574771

Tier one waivers

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

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27		341947	341947	627863
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		2289791	2289791	4202634
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		10145	10145	16879
Deductions from tier one (32 to 36)	37		10145	10145	16879
Total tier one capital after deductions (31-37)	39		2279646	2279646	4185755

Components of capital resources

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	4096141	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41					
Perpetual non-cumulative preference shares excluded from line 25	42					
Innovative tier one capital excluded from line 27	43		468808	468808	182892	
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44		468808	468808	182892	
Perpetual cumulative preference shares	45					
Perpetual subordinated debt and securities	46					
Upper tier two capital in related undertakings	47					
Upper tier two capital (44 to 47)	49		468808	468808	182892	

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

Total tier two capital before restrictions (49+59)	61		468808	468808	182892	
Excess tier two capital	62					
Further excess lower tier two capital	63					
Total tier two capital after restrictions, before deductions (61-62-63)	69		468808	468808	182892	

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	4096141	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		2748454	2748454	4368647	
Inadmissible assets other than intangibles and own shares	73		565889	565889	635764	
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		2182565	2182565	3732883	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2182565	2182565	3732883	
Available capital resources for 50% MCR requirement	82		1937699	1937699	3557892	
Available capital resources for 75% MCR requirement	83		1937699	1937699	3557892	

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93					
Outstanding contingent loans	94					
Any other charges on future profits	95		125367	125367	119568	
Sum of financial engineering adjustments (91+92-93+94+95)	96		125367	125367	119568	

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2008**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	4096141	GL	31	12	2008	£000
			This financial year 1			Previous year 2	
Gross premiums written		11	65381			63518	
Premiums taxes and levies (included in line 11)		12					
Premiums written net of taxes and levies (11-12)		13	65381			63518	
Premiums for classes 11, 12 or 13 (included in line 13)		14					
Premiums for "actuarial health insurance" (included in line 13)		15					
Sub-total A (13 + 1/2 14 - 2/3 15)		16	65381			63518	
Gross premiums earned		21	65381			63518	
Premium taxes and levies (included in line 21)		22					
Premiums earned net of taxes and levies (21-22)		23	65381			63518	
Premiums for classes 11, 12 or 13 (included in line 23)		24					
Premiums for "actuarial health insurance" (included in line 23)		25					
Sub-total H (23 + 1/2 24 - 2/3 25)		26	65381			63518	
Sub-total I (higher of sub-total A and sub-total H)		30	65381			63518	
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31					
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	11769			11433	
	Excess (if any) over 53.1M EURO x 0.02	33	472			530	
Sub-total J (32-33)		34	11297			10903	
Claims paid in period of 3 financial years		41	128945			130476	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42					
	For insurance business accounted for on an accident year basis	43	210870			208415	
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44					
	For insurance business accounted for on an accident year basis	45	222377			193579	
Sub-total C (41+42+43-44-45)		46	117438			145311	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	51713			56449	
Sub-total D (46-47)		48	65724			88862	
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)		49	0.56			0.61	
Premiums amount (Sub-total J x reinsurance ratio)		50	6322			6668	
Provision for claims outstanding (before discounting and net of reinsurance)		51	182943			182372	
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52					
Brought forward amount (See instruction 4)		53	8505			8505	
Greater of lines 50 and 53		54	8505			8505	

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

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	4096141	GL	31	12	2008	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	128945			130476
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	210870			208415
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	222377			193579
Claims incurred in reference period (21+22+23-24-25)				26	117438			145311
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	117438			145311
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	39146			48437
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	10178			12594
	Excess (if any) over 37.2M EURO x 0.03			33	296			675
Sub-total G (32-33)				39	9882			11919
Claims amount Sub-total G x reinsurance ratio (11.49)				41	5530			7289
Higher of premiums amount and brought forward amount (11.54)				42	8505			8505
General insurance capital requirement (higher of lines 41 and 42)				43	8505			8505

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

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2008	£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	192638	195538
	Debts and loans	22		
Other insurance dependants	Shares	23	36293	32829
	Debts and loans	24	40000	12000
Non-insurance dependants	Shares	25	1344	1056
	Debts and loans	26	14100	14100
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		148261	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		56160	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	89070	152337
	Other	46	198489	182807
Variable interest securities	Approved	47		
	Other	48	71879	127953
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	82000		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	188057	146547
	More than one month withdrawal	55		34996
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2008	£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	9035	4589
	due in more than 12 months	79		

Other assets

Tangible assets	80			
Deposits not subject to time restriction on withdrawal with approved institutions	81	4554		
Cash in hand	82		749	
Other assets (particulars to be specified by way of supplementary note)	83			
Accrued interest and rent	84	7627	6862	
Deferred acquisition costs (general business only)	85			
Other prepayments and accrued income	86	2696	2029	
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	937782	1118813

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

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2008	£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	937782	1118813
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	5545	
Capital resources requirement deduction of regulated related undertakings	94	309727	264245
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	161125	232486
Inadmissible assets of regulated related undertakings	96	481914	537508
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	397827	280709
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	(8923)	(3083)
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	2284997	2430678
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	4096141	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			274873	357824

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	4737	4613
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	921887	929018
	Debts and loans	26	235196	233433
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	1987930	3933905	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	371794	486324	
Rights under derivative contracts	44	108506	6193	
Fixed interest securities	Approved	45	5024853	4833603
	Other	46	3528016	3848826
Variable interest securities	Approved	47	35369	11480
	Other	48	39337	40760
Participation in investment pools	49		112538	
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	2982	2358	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1089970	431109
	More than one month withdrawal	55		10000
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	39711	42520
	Property linked	59	3148159	4327692

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2008	£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	7437	10303
	Intermediaries	72	3220	3718
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		20
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	18536	47483
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	20411	
Cash in hand	82		11176
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	132815	125997
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1156	1594
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	16996895	19812487

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	16996895	19812487
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	58166	35775
Capital resources requirement deduction of regulated related undertakings	94	2072	2051
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	12265	14004
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(7064)	(8658)
Deferred acquisition costs excluded from line 89	99	49534	62481
Reinsurers' share of technical provisions excluded from line 89	100	4576382	6232816
Other asset adjustments (may be negative)	101	64956	6571
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	21753206	26157527
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2008	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings						11	274873	357824

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	4737	4613
	Debts and loans	22		297057
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	380913	413309
	Debts and loans	26	235196	233433
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	1982497	3927422	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	371794	486324	
Rights under derivative contracts	44	108506	6193	
Fixed interest securities	Approved	45	4885227	4785513
	Other	46	3335758	3618357
Variable interest securities	Approved	47	35369	11480
	Other	48	39337	40760
Participation in investment pools	49		112538	
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	2982	2358	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	890608	222330
	More than one month withdrawal	55		10000
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	39711	42520
	Property linked	59		

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2008	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	6808	8983
	Intermediaries	72	1960	1260
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		20
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	18138	28124
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	15331	
Cash in hand	82		7598
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	124013	117038
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1156	1594
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	12754914	14736648

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - With Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2008	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	12754914	14736648
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	18586	18815
Capital resources requirement deduction of regulated related undertakings	94	2072	2051
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	12265	14004
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(7064)	(8658)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	256820	269274
Other asset adjustments (may be negative)	101	69814	2644
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	13107407	15034778
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	4096141	GL	31	12	2008	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22	75220	71741
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	540974	515709
	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	5433	6483	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	139626	48090
	Other	46	192258	230469
Variable interest securities	Approved	47		
	Other	48		
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	199362	208779
	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	3148159	4327692

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	2008	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	629	1320
	Intermediaries	72	1260	2458
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	11400	121147
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5080	
Cash in hand	82		3578
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	8802	8959
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4328203	5546425

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	4096141	GL	31	12	2008	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4328203	5546425
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	39580	16960
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	49534	62481
Reinsurers' share of technical provisions excluded from line 89	100	4319562	5963542
Other asset adjustments (may be negative)	101	(4858)	3927
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	8732021	11593335
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2008**Total business/Sub fund **10 Summary**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	14981991	16766388	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	(14008)	97769	
Long term insurance business fund carried forward (11 to 13)	14	14967983	16864157	
Claims outstanding	Gross	15	68258	86685
	Reinsurers' share	16	4461	6564
	Net (15-16)	17	63797	80121
Provisions	Taxation	21	11904	157847
	Other risks and charges	22	7090	12041
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	21317	11858
	Reinsurance accepted	32		
	Reinsurance ceded	33	2719	3039
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	34050	
	Other	38	936868	425075
Accruals and deferred income	39	2552	3512	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	1080297	693493	
Excess of the value of net admissible assets	51	948615	2254837	
Total liabilities and margins	59	16996895	19812487	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	815412	742728
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3148159	4327692

Total liabilities (11+12+49)	71	16062288	17459881
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	4576382	6232816
Other adjustments to liabilities (may be negative)	74	522055	1691796
Capital and reserves and fund for future appropriations	75	592481	773033
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	21753206	26157526

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

Global business

Financial year ended **31 December 2008**Total business/Sub fund **21 With Profit Fund**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	11446338	12187724	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	(269757)	(269757)	
Long term insurance business fund carried forward (11 to 13)	14	11176581	11917967	
Claims outstanding	Gross	15	59524	74752
	Reinsurers' share	16	1134	2644
	Net (15-16)	17	58390	72108
Provisions	Taxation	21	3904	93089
	Other risks and charges	22	5089	10097
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	19173	10782
	Reinsurance accepted	32		
	Reinsurance ceded	33	693	775
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	45052	101788
	Other	38	494865	271693
Accruals and deferred income	39	2552	3512	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	629718	563844	
Excess of the value of net admissible assets	51	948615	2254837	
Total liabilities and margins	59	12754914	14736648	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	337358	352189
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	12076056	12751568
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	256820	269274
Other adjustments to liabilities (may be negative)	74	440431	1673182
Capital and reserves and fund for future appropriations	75	334100	340753
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	13107407	15034777

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

Global business

Financial year ended **31 December 2008**Total business/Sub fund **31 Non Profit Fund**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	3535653	4578664	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	255749	367526	
Long term insurance business fund carried forward (11 to 13)	14	3791402	4946190	
Claims outstanding	Gross	15	8734	11933
	Reinsurers' share	16	3327	3920
	Net (15-16)	17	5407	8013
Provisions	Taxation	21	8000	64758
	Other risks and charges	22	2001	1944
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	2144	1076
	Reinsurance accepted	32		
	Reinsurance ceded	33	2026	2264
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	517223	522180
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	536801	600235	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	4328203	5546425	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	478054	390539
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3148159	4327692

Total liabilities (11+12+49)	71	4072454	5178899
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	4319562	5963542
Other adjustments to liabilities (may be negative)	74	81624	18614
Capital and reserves and fund for future appropriations	75	258381	432280
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	8732021	11593335

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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	4096141	GL	31	12	2008	£000
				As at end of this financial year	As at end of the previous year	
				1	2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49	1622	4833
Accruals and deferred income		51		
Total (19 to 51)		59	1622	4833
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	1622	4833

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	1622	1662
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	54038	57486
Capital and reserves	84	2229337	2368359
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	2284997	2430678

Profit and loss account (non-technical account)

Name of insurer

Friends Provident Life and Pensions Limited

Global business

Financial year ended

31 December 2008

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2008	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11				
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13			12444	210995
Investment income	Income		14			43677	37940
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16			12960	22976
Investment charges	Investment management charges, including interest		17			14984	17453
	Value re-adjustments on investments		18			120108	235963
	Loss on the realisation of investments		19				
Allocated investment return transferred to the general insurance business technical account			20				
Other income and charges (particulars to be specified by way of supplementary note)			21				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(66011)	18495
Tax on profit or loss on ordinary activities			31			(5347)	(12187)
Profit or loss on ordinary activities after tax (29-31)			39			(60664)	30682
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				
Tax on extraordinary profit or loss			42				
Other taxes not shown under the preceding items			43				
Profit or loss for the financial year (39+41-(42+43))			49			(60664)	30682
Dividends (paid or foreseeable)			51			50000	250000
Profit or loss retained for the financial year (49-51)			59			(110664)	(219318)

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	4096141	GL	31	12	2008	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	302767		148438		2680930		
	Inflation	13	426		14279		245639		
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	6976		60804		178234	1731371	
	Equity stock	17							
	Land	18							
	Currencies	19			18450		12445	249711	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	147674				431372		
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	987				1213683		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	89737				460890		
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	548566		241971		5223192	1981082	
Adjustment for variation margin		52	(440060)		(72585)				
Total (51 + 52)		53	108506		169386				

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

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - With Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	4096141	GL	31	12	2008	£000	11
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	302767	148438	2680930				
	Inflation	13	426	14279	245639				
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	6976	60804	178234	1731371			
	Equity stock	17							
	Land	18							
	Currencies	19		18450	12445	249711			
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	147674		431372				
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	987		1213683				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	89737		460890				
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	548566	241971	5223192	1981082			
Adjustment for variation margin		52	(440060)	(72585)					
Total (51 + 52)		53	108506	169386					

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

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

Global business

Financial year ended **31 December 2008**Category of assets **Total Long Term Business - Non Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	4096141	GL	31	12	2008	£000	12
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51							
Adjustment for variation margin		52							
Total (51 + 52)		53							

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

With-profits insurance capital component for the fund

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

With-profits fund **21 With Profit Fund**

Financial year ended **31 December 2008**

Units **£000**

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

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	12754914	14736648
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	2460380	2507649
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	46643	50507
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	10247891	12178492
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	8985958	9680075
	Regulatory current liabilities of the fund	22	629718	563845
	Total (21+22)	29	9615676	10243920
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	356711	373156
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	9972388	10617076
Regulatory excess capital (19-39)		49	275504	1561416

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	275504	1561416
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	58216	335493
Present value of other future internal transfers not already taken into account	65	35102	
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	182186	1225923

This Form is part of the FSA Return prepared by the Company pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 of the Interim Prudential Sourcebook for Insurers (IPRU(INS)) and the Integrated Prudential Sourcebook (PRU) for the financial year ended 31 December 2008 and is an amending document furnished pursuant to IPRU(INS) rule 9.6(5).

Realistic balance sheetName of insurer **Friends Provident Life and Pensions Limited**With-profits fund **21 With Profit Fund**Financial year ended **31 December 2008**Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	10247891	12178492
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13	6808	6664
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	315726	218551
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24	6808	6664
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	10563616	12397043
Support arrangement assets	27	41461	
Assets available to the fund (26+27)	29	10605077	12397043

Realistic value of liabilities of fund

With-profits benefit reserve	31	8223251	10416180	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	75316	135796
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	68589	115928
	Future costs of contractual guarantees (other than financial options)	41	698423	345391
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	574935	627748
	Future costs of smoothing (possibly negative)	44	(40938)	22812
	Financing costs	45	49238	56616
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	203082	293507
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1340834	1094350
Realistic current liabilities of the fund	51	708497	639743	
Realistic value of liabilities of fund (31+49+51)	59	10272582	12150273	

Realistic balance sheetName of insurer **Friends Provident Life and Pensions Limited**With-profits fund **21 With Profit Fund**Financial year ended **31 December 2008**Units **£000**

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

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	10563616	12397043
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	10563616	12397043
Risk capital margin for fund (62-59)	65	291034	246770
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67	41461	
Working capital for fund (29-59)	68	332494	246770
Working capital ratio for fund (68/29)	69	3.14	1.99

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

Additional amount potentially available for inclusion in line 62	81	1018514	1333000
Additional amount potentially available for inclusion in line 63	82	117746	111000

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	726809	1135549
Investment income receivable before deduction of tax	12	815774	840682
Increase (decrease) in the value of non-linked assets brought into account	13	137151	(133601)
Increase (decrease) in the value of linked assets	14	(1036456)	17774
Other income	15	36444	44463
Total income	19	679722	1904867

Expenditure

Claims incurred	21	2486965	2587403
Expenses payable	22	153760	124980
Interest payable before the deduction of tax	23	46880	21697
Taxation	24	(148894)	(2674)
Other expenditure	25	24741	29038
Transfer to (from) non technical account	26	12444	210995
Total expenditure	29	2575896	2971439

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1896174)	(1066572)
Fund brought forward	49	16864157	17930729
Fund carried forward (39+49)	59	14967983	16864157

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	308429	319142
Investment income receivable before deduction of tax	12	634580	673052
Increase (decrease) in the value of non-linked assets brought into account	13	165631	(129513)
Increase (decrease) in the value of linked assets	14		
Other income	15	36444	44463
Total income	19	1145084	907144

Expenditure

Claims incurred	21	1813205	2014202
Expenses payable	22	82788	92035
Interest payable before the deduction of tax	23	20156	21062
Taxation	24	(42123)	9713
Other expenditure	25		
Transfer to (from) non technical account	26	12444	10995
Total expenditure	29	1886470	2148007

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(741386)	(1240863)
Fund brought forward	49	11917967	13158830
Fund carried forward (39+49)	59	11176581	11917967

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	418380	816407
Investment income receivable before deduction of tax	12	185658	193754
Increase (decrease) in the value of non-linked assets brought into account	13	(28480)	(4088)
Increase (decrease) in the value of linked assets	14	(1036456)	17774
Other income	15		
Total income	19	(460898)	1023847

Expenditure

Claims incurred	21	673760	573201
Expenses payable	22	70972	32945
Interest payable before the deduction of tax	23	31188	26759
Taxation	24	(106771)	(12387)
Other expenditure	25	24741	29038
Transfer to (from) non technical account	26		200000
Total expenditure	29	693890	849556

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1154788)	174291
Fund brought forward	49	4946190	4771899
Fund carried forward (39+49)	59	3791402	4946190

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	412479	230793	51266	694538	629884
Single premiums	12	81656	141874	9140	232670	800807

Reinsurance - external

Regular premiums	13	35528	250	168	35946	39317
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	59263	124222	9637	193122	194471
Single premiums	16	(172021)	145412	(2060)	(28669)	61354

Net of reinsurance

Regular premiums	17	317688	106321	41461	465470	396096
Single premiums	18	253677	(3538)	11200	261339	739453

Total

Gross	19	494135	372667	60406	927208	1430691
Reinsurance	20	(77230)	269884	7745	200399	295142
Net	21	571365	102783	52661	726809	1135549

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	257660	191086	9304	458050	419383
Single premiums	12	255	130763	341	131359	217839

Reinsurance - external

Regular premiums	13	8495	237	18	8750	9925
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	43858	84528	5949	134335	168900
Single premiums	16	3340	134301	254	137895	139255

Net of reinsurance

Regular premiums	17	205307	106321	3337	314965	240558
Single premiums	18	(3085)	(3538)	87	(6536)	78584

Total

Gross	19	257915	321849	9645	589409	637222
Reinsurance	20	55693	219066	6221	280980	318080
Net	21	202222	102783	3424	308429	319142

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	154819	39707	41962	236488	210501
Single premiums	12	81401	11111	8799	101311	582968

Reinsurance - external

Regular premiums	13	27033	13	150	27196	29392
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	15405	39694	3688	58787	25571
Single premiums	16	(175361)	11111	(2314)	(166564)	(77901)

Net of reinsurance

Regular premiums	17	112381		38124	150505	155538
Single premiums	18	256762		11113	267875	660869

Total

Gross	19	236220	50818	50761	337799	793469
Reinsurance	20	(132923)	50818	1524	(80581)	(22938)
Net	21	369143		49237	418380	816407

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2008**
 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	142788	22383	6443	171614	186531
Disability periodic payments	12	24281			24281	23532
Surrender or partial surrender	13	1116709	889030	174708	2180447	2595948
Annuity payments	14	4109	201472	25	205606	214021
Lump sums on maturity	15	572153	96457	13384	681994	524492
Total	16	1860040	1209342	194560	3263942	3544524

Reinsurance - external

Death or disability lump sums	21	24346	136	250	24732	24668
Disability periodic payments	22	1832			1832	2029
Surrender or partial surrender	23	24			24	
Annuity payments	24	17			17	27
Lump sums on maturity	25					80
Total	26	26219	136	250	26605	26804

Reinsurance - intra-group

Death or disability lump sums	31	16600	6926	2177	25703	31446
Disability periodic payments	32	303			303	260
Surrender or partial surrender	33	180811	408872	60638	650321	831776
Annuity payments	34	486	27960		28446	23767
Lump sums on maturity	35	34667	5528	5404	45599	43068
Total	36	232867	449286	68219	750372	930317

Net of reinsurance

Death or disability lump sums	41	101842	15321	4016	121179	130417
Disability periodic payments	42	22146			22146	21243
Surrender or partial surrender	43	935874	480158	114070	1530102	1764172
Annuity payments	44	3606	173512	25	177143	190227
Lump sums on maturity	45	537486	90929	7980	636395	481344
Total	46	1600954	759920	126091	2486965	2587403

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 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	77066	21727	2915	101708	116123
Disability periodic payments	12					
Surrender or partial surrender	13	542899	802062	101812	1446773	1887196
Annuity payments	14	3137	179607	24	182768	191303
Lump sums on maturity	15	537486	94609	7207	639302	484848
Total	16	1160588	1098005	111958	2370551	2679470

Reinsurance - external

Death or disability lump sums	21	7517	136		7653	7458
Disability periodic payments	22					
Surrender or partial surrender	23	24			24	
Annuity payments	24	17			17	18
Lump sums on maturity	25					80
Total	26	7558	136		7694	7556

Reinsurance - intra-group

Death or disability lump sums	31	12452	6270	424	19146	25314
Disability periodic payments	32					
Surrender or partial surrender	33	143222	321904	17566	482692	593419
Annuity payments	34		6095		6095	1467
Lump sums on maturity	35	34667	3680	3372	41719	37512
Total	36	190341	337949	21362	549652	657712

Net of reinsurance

Death or disability lump sums	41	57097	15321	2491	74909	83351
Disability periodic payments	42					
Surrender or partial surrender	43	399653	480158	84246	964057	1293777
Annuity payments	44	3120	173512	24	176656	189818
Lump sums on maturity	45	502819	90929	3835	597583	447256
Total	46	962689	759920	90596	1813205	2014202

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 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	65722	656	3528	69906	70408
Disability periodic payments	12	24281			24281	23532
Surrender or partial surrender	13	573810	86968	72896	733674	708752
Annuity payments	14	972	21865	1	22838	22718
Lump sums on maturity	15	34667	1848	6177	42692	39644
Total	16	699452	111337	82602	893391	865054

Reinsurance - external

Death or disability lump sums	21	16829		250	17079	17210
Disability periodic payments	22	1832			1832	2029
Surrender or partial surrender	23					
Annuity payments	24					9
Lump sums on maturity	25					
Total	26	18661		250	18911	19248

Reinsurance - intra-group

Death or disability lump sums	31	4148	656	1753	6557	6132
Disability periodic payments	32	303			303	260
Surrender or partial surrender	33	37589	86968	43072	167629	238357
Annuity payments	34	486	21865		22351	22300
Lump sums on maturity	35		1848	2032	3880	5556
Total	36	42526	111337	46857	200720	272605

Net of reinsurance

Death or disability lump sums	41	44745		1525	46270	47066
Disability periodic payments	42	22146			22146	21243
Surrender or partial surrender	43	536221		29824	566045	470395
Annuity payments	44	486		1	487	409
Lump sums on maturity	45	34667		4145	38812	34088
Total	46	638265		35495	673760	573201

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11	4748	3129	(72)	7805	8959
Commission - other	12	8381	2309	902	11592	12526
Management - acquisition	13	7128	34		7162	9930
Management - maintenance	14	61778	34520	4925	101223	91374
Management - other	15	20705	9819	1571	32095	13224
Total	16	102740	49811	7326	159877	136013

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	178	4	3	185	124
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	178	4	3	185	124

Reinsurance - intra-group

Commission - acquisition	31	2457	1654	23	4134	9273
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	1698		100	1798	1636
Management - other	35					
Total	36	4155	1654	123	5932	10909

Net of reinsurance

Commission - acquisition	41	2291	1475	(95)	3671	(314)
Commission - other	42	8203	2305	899	11407	12402
Management - acquisition	43	7128	34		7162	9930
Management - maintenance	44	60080	34520	4825	99425	89738
Management - other	45	20705	9819	1571	32095	13224
Total	46	98407	48153	7200	153760	124980

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11	(85)	2697	(7)	2605	2671
Commission - other	12	3548	2309	392	6249	7068
Management - acquisition	13					
Management - maintenance	14	10665	16926	671	28262	36581
Management - other	15	(1002)	1481	9	488	1268
Total	16	13126	23413	1065	37604	47588

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	9	4		13	11
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	9	4		13	11

Reinsurance - intra-group

Commission - acquisition	31	29	1222	20	1271	4908
Commission - other	32					
Management - acquisition	33	(2)	(34)		(36)	(64)
Management - maintenance	34	(21564)	(24481)	(387)	(46432)	(49302)
Management - other	35					
Total	36	(21537)	(23293)	(367)	(45197)	(44458)

Net of reinsurance

Commission - acquisition	41	(114)	1475	(27)	1334	(2237)
Commission - other	42	3539	2305	392	6236	7057
Management - acquisition	43	2	34		36	64
Management - maintenance	44	32229	41407	1058	74694	85883
Management - other	45	(1002)	1481	9	488	1268
Total	46	34654	46702	1432	82788	92035

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11	4833	432	(65)	5200	6288
Commission - other	12	4833		510	5343	5458
Management - acquisition	13	7128	34		7162	9930
Management - maintenance	14	51113	17594	4254	72961	54793
Management - other	15	21707	8338	1562	31607	11956
Total	16	89614	26398	6261	122273	88425

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	169		3	172	113
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	169		3	172	113

Reinsurance - intra-group

Commission - acquisition	31	2428	432	3	2863	4365
Commission - other	32					
Management - acquisition	33	2	34		36	64
Management - maintenance	34	23262	24481	487	48230	50938
Management - other	35					
Total	36	25692	24947	490	51129	55367

Net of reinsurance

Commission - acquisition	41	2405		(68)	2337	1923
Commission - other	42	4664		507	5171	5345
Management - acquisition	43	7126			7126	9866
Management - maintenance	44	27851	(6887)	3767	24731	3855
Management - other	45	21707	8338	1562	31607	11956
Total	46	63753	1451	5768	70972	32945

Long-term insurance business : Linked funds balance sheet

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	1193761	1472867
Directly held assets in collective investment schemes of connected companies	12	1433788	2348637
Directly held assets in other collective investment schemes	13	548448	587988
Total assets (excluding cross investment) (11+12+13)	14	3175997	4409492
Provision for tax on unrealised capital gains	15	464	58044
Secured and unsecured loans	16		
Other liabilities	17	27374	23756
Total net assets (14-15-16-17)	18	3148159	4327692

Directly held linked assets

Value of directly held linked assets	21		
--------------------------------------	----	--	--

Total

Value of directly held linked assets and units held (18+21)	31	3148159	4327692
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	3148159	4327692

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	651713	1004302
Investment income attributable to the funds before deduction of tax	12	151272	147400
Increase (decrease) in the value of investments in the financial year	13	(1036455)	17774
Other income	14		
Total income	19	(233470)	1169476

Expenditure

Value of total cancellation of units	21	953255	803754
Charges for management	22	34905	41405
Charges in respect of tax on investment income	23	16223	14725
Taxation on realised capital gains	24	(1809)	7438
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(57580)	(8600)
Other expenditure	26	1069	2298
Total expenditure	29	946063	861020

Increase (decrease) in funds in financial year (19-29)	39	(1179533)	308456
Internal linked fund brought forward	49	4327692	4019236
Internal linked funds carried forward (39+49)	59	3148159	4327692

Long-term insurance business : Summary of new business

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 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		2179	3	2182	6965
Single premium business	12	31	2805	4	2840	3654
Total	13	31	4984	7	5022	10619

**Amount of new regular
premiums**

Direct insurance business	21	7170	13278	97	20545	24524
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	7170	13278	97	20545	24524

**Amount of new single
premiums**

Direct insurance business	25	2675	114773	1079	118527	151193
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	2675	114773	1079	118527	151193

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			31	2509
420	Group income protection		7148		
500	Life UWP single premium				27
510	Life UWP endowment regular premium - savings		19		
515	Life UWP endowment regular premium - target cash		1		
700	Life property linked single premium				139
715	Life property linked endowment regular premium - savings		2		

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			927	6264
525	Individual pensions UWP	10	183	29	39780
535	Group money purchase pensions UWP	44	672	13	507
725	Individual pensions property linked	82	329	565	43992
735	Group money purchase pensions property linked	2043	12094	1271	24229

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2008

Units

£000

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				309
510	Life UWP endowment regular premium - savings		4		
525	Individual pensions UWP		1		9
700	Life property linked single premium				693
710	Life property linked whole life regular premium		2		
715	Life property linked endowment regular premium - savings	1	86		
725	Individual pensions property linked	2	4	4	68

Long-term insurance business : Non- linked assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **10 Total Long-term Business**
 Financial year ended **31 December 2008**
 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	631201	631201	26618	3.72	
Other fixed interest securities	13	1940228	1940228	211190	8.03	
Variable interest securities	14	59709	59709	679	6.09	
UK listed equity shares	15	945	945	52	15.71	
Non-UK listed equity shares	16					
Unlisted equity shares	17	545462				
Other assets	18	469811	1015273	9682	1.60	
Total	19	3647356	3647356	248222	5.46	

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

Land and buildings	21	274873	462332	8231	6.49	(30.30)
Approved fixed interest securities	22	4431965	4063218	164705	3.61	13.50
Other fixed interest securities	23	1681248	1696152	120500	8.51	(5.90)
Variable interest securities	24	15740	319920	837	3.98	(11.20)
UK listed equity shares	25	1116614	1564379	79369	5.69	(28.20)
Non-UK listed equity shares	26	593205	740979	29925	7.20	(21.40)
Unlisted equity shares	27	658328	272677	11695	7.57	17.10
Other assets	28	1475918	1128234	45453	4.12	0.40
Total	29	10247891	10247891	460715	5.30	(10.20)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(10.30)
Return allocated to non taxable 'asset shares'	32					(10.40)
Return allocated to taxable 'asset shares'	33					(7.90)

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **11 Total Long Term Business - With Profit Fund**
 Financial year ended **31 December 2008**
 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	490320	490320	19863	3.78	
Other fixed interest securities	13	1740704	1740704	124182	7.90	
Variable interest securities	14	59709	59709	679	6.09	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	176579	176579	65	3.74	
Total	19	2467312	2467312	144789	6.74	

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

Land and buildings	21	274873	462332	8231	6.49	(30.30)
Approved fixed interest securities	22	4431965	4063218	164705	3.61	13.50
Other fixed interest securities	23	1681248	1696152	120500	8.51	(5.90)
Variable interest securities	24	15740	319920	837	3.98	(11.20)
UK listed equity shares	25	1116614	1564379	79369	5.69	(28.20)
Non-UK listed equity shares	26	593205	740979	29925	7.20	(21.40)
Unlisted equity shares	27	658328	272677	11695	7.57	17.10
Other assets	28	1475918	1128234	45453	4.12	0.40
Total	29	10247891	10247891	460715	5.30	(10.20)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(10.30)
Return allocated to non taxable 'asset shares'	32					(10.40)
Return allocated to taxable 'asset shares'	33					(7.90)

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **12 Total Long Term Business - Non Profit Fund**
 Financial year ended **31 December 2008**
 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	140881	140881	6755	3.49	
Other fixed interest securities	13	199524	199524	87008	9.12	
Variable interest securities	14					
UK listed equity shares	15	945	945	52	15.71	
Non-UK listed equity shares	16					
Unlisted equity shares	17	545462				
Other assets	18	293232	838694	9617	1.15	
Total	19	1180044	1180044	103433	2.79	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3896231	12.61	3.60	3.60
Other approved fixed interest securities	21	798187	14.89	3.77	3.77
Other fixed interest securities					
AAA/Aaa	31	579942	9.74	5.66	4.37
AA/Aa	32	895860	8.51	7.08	4.77
A/A	33	1555868	8.56	9.43	5.29
BBB/Baa	34	302641	8.11	9.92	5.42
BB/Ba	35	9598	4.81	11.10	4.23
B/B	36				
CCC/Caa	37	4232	7.89	13.13	5.66
Other (including unrated)	38	288239	9.21	8.82	7.76
Total other fixed interest securities	39	3636380	8.74	8.25	5.22
Approved variable interest securities	41	35523	10.12	4.60	4.60
Other variable interest securities	51	344106	23.75	4.28	3.54
Total (11+21+39+41+51)	61	8710428	11.63	5.59	4.29

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **11 Total Long Term Business - With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3780367	12.72	3.61	3.61

Other approved fixed interest securities	21	773170	15.00	3.76	3.76
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Other fixed interest securities

AAA/Aaa	31	541690	9.65	5.64	4.34
AA/Aa	32	850249	8.38	7.08	4.75
A/A	33	1473502	8.46	9.47	5.29
BBB/Baa	34	296118	8.07	9.94	5.41
BB/Ba	35	8766	4.66	10.37	4.12
B/B	36				
CCC/Caa	37	4232	7.89	13.13	5.66
Other (including unrated)	38	262300	9.41	7.86	8.01
Total other fixed interest securities	39	3436856	8.66	8.20	5.22

Approved variable interest securities	41	35523	10.12	4.60	4.60
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Other variable interest securities	51	344106	23.75	4.28	3.54
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Total (11+21+39+41+51)	61	8370023	11.70	5.54	4.28
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life and Pensions Limited**
 Category of assets **12 Total Long Term Business - Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	115864	9.01	3.36	3.36
Other approved fixed interest securities	21	25017	11.35	4.12	4.12
Other fixed interest securities					
AAA/Aaa	31	38252	11.02	6.01	4.67
AA/Aa	32	45611	11.06	7.17	5.11
A/A	33	82367	10.31	8.57	5.35
BBB/Baa	34	6523	9.69	9.11	5.73
BB/Ba	35	832	6.40	18.82	5.46
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	25939	7.21	18.57	5.20
Total other fixed interest securities	39	199524	10.18	9.12	5.15
Approved variable interest securities	41				
Other variable interest securities	51				
Total (11+21+39+41+51)	61	340405	9.87	6.79	4.46

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Form 51 - with-profits	11	2449548	2127970		4577518	4904549
Form 51 - non-profit	12	562630	2716436	(3806)	3275260	3184930
Form 52	13	1522501	2795618	344980	4663099	5089031
Form 53 - linked	14	4354006	3627302	326302	8307609	11705364
Form 53 - non-linked	15	21251	135845	465	157561	156439
Form 54 - linked	16		49015		49015	52845
Form 54 - non-linked	17					
Total	18	8909937	11452186	667940	21030063	25093157

Reinsurance - external

Form 51 - with-profits	21	3683	18		3701	3963
Form 51 - non-profit	22	74203	590		74793	56377
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	77885	608		78493	60340

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	9352	454482	(1301)	462533	464419
Form 52	33	95918	54518	108269	258705	323131
Form 53 - linked	34	1419646	3627302	112503	5159450	7377672
Form 53 - non-linked	35		87595		87595	104697
Form 54 - linked	36		9305		9305	10325
Form 54 - non-linked	37					
Total	38	1524915	4233201	219471	5977588	8280244

Net of reinsurance

Form 51 - with-profits	41	2445865	2127952		4573817	4900586
Form 51 - non-profit	42	479076	2261364	(2506)	2737934	2664134
Form 52	43	1426584	2741100	236711	4404394	4765900
Form 53 - linked	44	2934360		213799	3148159	4327692
Form 53 - non-linked	45	21251	48250	465	69966	51742
Form 54 - linked	46		39711		39711	42520
Form 54 - non-linked	47					
Total	48	7307136	7218377	448469	14973981	16752573

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Form 51 - with-profits	11	2449548	2127970		4577518	4904549
Form 51 - non-profit	12	125682	2413761	(170)	2539273	2580310
Form 52	13	1426530	2741100	236501	4404131	4765673
Form 53 - linked	14	1115816	3030235	104368	4250418	6006172
Form 53 - non-linked	15	6949	124523	618	132090	147873
Form 54 - linked	16		39711		39711	42520
Form 54 - non-linked	17					
Total	18	5124523	10477300	341317	15943141	18447096

Reinsurance - external

Form 51 - with-profits	21	3683	18		3701	3963
Form 51 - non-profit	22	16851	590		17441	12691
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	20533	608		21142	16654

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		155779		155779	156278
Form 52	33					
Form 53 - linked	34	1115816	3030235	104368	4250418	6006172
Form 53 - non-linked	35		77474		77474	94083
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	1115816	3263488	104368	4483671	6256533

Net of reinsurance

Form 51 - with-profits	41	2445865	2127952		4573817	4900586
Form 51 - non-profit	42	108831	2257392	(170)	2366053	2411340
Form 52	43	1426530	2741100	236501	4404131	4765673
Form 53 - linked	44					
Form 53 - non-linked	45	6949	47049	618	54616	53789
Form 54 - linked	46		39711		39711	42520
Form 54 - non-linked	47					
Total	48	3988174	7213204	236950	11438328	12173908

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 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	436949	302675	(3637)	735987	604620
Form 52	13	95971	54518	108479	258968	323358
Form 53 - linked	14	3238191	597067	221934	4057191	5699192
Form 53 - non-linked	15	14303	11321	(153)	25470	8566
Form 54 - linked	16		9305		9305	10325
Form 54 - non-linked	17					
Total	18	3785413	974886	326622	5086922	6646061

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	57352			57352	43686
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	57352			57352	43686

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	9352	298703	(1301)	306755	308141
Form 52	33	95918	54518	108269	258705	323131
Form 53 - linked	34	303830	597067	8135	909032	1371500
Form 53 - non-linked	35		10120		10120	10614
Form 54 - linked	36		9305		9305	10325
Form 54 - non-linked	37					
Total	38	409100	969714	115104	1493917	2023711

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	370245	3971	(2336)	371881	252794
Form 52	43	54		210	263	227
Form 53 - linked	44	2934360		213799	3148159	4327692
Form 53 - non-linked	45	14303	1201	(153)	15350	(2048)
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	3318962	5173	211519	3535653	4578664

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	23442	250658	2509				133573
120	Conventional endowment with-profits OB savings	44194	323002	11459				252992
125	Conventional endowment with-profits OB target cash	201630	2676100	81384				2056008
165	Conventional deferred annuity with-profits	31	9					135
175	Group conventional deferred annuity with-profits	8	38					395
210	Additional reserves with-profits OB							6444
300	Regular premium non-profit WL/EA OB	36404	95868	2427				53605
325	Level term assurance	52200	3291715	11446				11283
330	Decreasing term assurance	213389	2697900	10848				22507
340	Accelerated critical illness (guaranteed premiums)	9528	513236	3071				7985
350	Stand-alone critical illness (guaranteed premiums)	2608	118747	665				377
390	Deferred annuity non-profit	124	9					159
395	Annuity non-profit (PLA)	3089	2929					22459
435	Miscellaneous non-profit	269	7151	23				6706
440	Additional reserves non-profit OB							600

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		10260	22				3471
120	Conventional endowment with-profits OB savings		490					164
125	Conventional endowment with-profits OB target cash		95					48
300	Regular premium non-profit WL/EA OB		84	1				58
325	Level term assurance		1124040	4385				10491
330	Decreasing term assurance		164870	1097				(240)
340	Accelerated critical illness (guaranteed premiums)		410207	2319				6489
350	Stand-alone critical illness (guaranteed premiums)		8027	41				51
395	Annuity non-profit (PLA)		0					2

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	5	160					114
155	Conventional pensions endowment with-profits	5	101	0				86
165	Conventional deferred annuity with-profits	30315	142054	4495				1227484
175	Group conventional deferred annuity with-profits	16876	164623	219				897774
185	Group conventional pensions endowment with-profits	68	483	1				500
205	Miscellaneous conventional with-profits	954	19641	28				1211
210	Additional reserves with-profits OB							801
300	Regular premium non-profit WL/EA OB	553	223507	648				1359
315	Individual deposit administration non-profit	604	8489	30				8489
320	Group deposit administration non-profit	385	9775	33				22775
325	Level term assurance	18819	1019126	2541				4251
390	Deferred annuity non-profit	5115	15621	3				179793
400	Annuity non-profit (CPA)	90815	176593					2196354
410	Group life	132	400591	774				681
435	Miscellaneous non-profit	6	227	3				9

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

Name of insurer **Friends Provident Life and Pensions Limited**
Total business / subfund **21 With Profit Fund**
Financial year ended **31 December 2008**
Units **£000**
UK Pension / Gross

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

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
205	Miscellaneous conventional with-profits		1390	2				18
325	Level term assurance		138250	55				491
390	Deferred annuity non-profit		24	0				(0)
400	Annuity non-profit (CPA)		10					99

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
315	Individual deposit administration non-profit		8489	30				8489
320	Group deposit administration non-profit		9775	33				20605
390	Deferred annuity non-profit		114					1276
410	Group life		37690	37				37
435	Miscellaneous non-profit		119	2				5
440	Additional reserves non-profit OB							125367

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	1160	141646	518				(510)
330	Decreasing term assurance	128	9893	61				65
350	Stand-alone critical illness (guaranteed premiums)	1138	43931	258				63
395	Annuity non-profit (PLA)	11	21					212

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	1296	2285	183				316
325	Level term assurance	34684	3535902	10581				19638
330	Decreasing term assurance	25328	1615032	7309				(5351)
340	Accelerated critical illness (guaranteed premiums)	60745	3670581	21592				17579
345	Accelerated critical illness (reviewable premiums)	1079	78651	557				822
350	Stand-alone critical illness (guaranteed premiums)	4402	252358	1411				11
355	Stand-alone critical illness (reviewable premiums)	55	3515	21				8
360	Income protection non-profit (guaranteed premiums)	85964	1096558	30329				16573
385	Income protection claims in payment	1456	15911					146726
395	Annuity non-profit (PLA)	300	1011					8843
420	Group income protection	6614	1797397	29985				64857
425	Group income protection claims in payment	129	8575					64145
440	Additional reserves non-profit OB							102782

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		2284773	6335				15643
330	Decreasing term assurance		1003799	4238				(1847)
340	Accelerated critical illness (guaranteed premiums)		2589315	11322				16296
345	Accelerated critical illness (reviewable premiums)		58863	258				559
350	Stand-alone critical illness (guaranteed premiums)		192131	844				256
355	Stand-alone critical illness (reviewable premiums)		2632	9				9
360	Income protection non-profit (guaranteed premiums)		156767	350				2530
385	Income protection claims in payment		1336					13128
420	Group income protection		174126	2466				5289
425	Group income protection claims in payment		751					5490

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

Name of insurer **Friends Provident Life and Pensions Limited**
Total business / subfund **31 Non Profit Fund**
Financial year ended **31 December 2008**
Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		254	31				25
325	Level term assurance		322068	1469				283
330	Decreasing term assurance		212226	1488				(1547)
340	Accelerated critical illness (guaranteed premiums)		430628	6148				(899)
345	Accelerated critical illness (reviewable premiums)		9894	210				131
350	Stand-alone critical illness (guaranteed premiums)		17248	282				(185)
355	Stand-alone critical illness (reviewable premiums)		442	8				(1)
360	Income protection non-profit (guaranteed premiums)		70913	2633				(2042)
385	Income protection claims in payment		288					3833
395	Annuity non-profit (PLA)		505					4421
420	Group income protection		4169	181				(144)
425	Group income protection claims in payment		961					5477

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance	44	5427	32				29
400	Annuity non-profit (CPA)	9082	21310					298674
440	Additional reserves non-profit OB							3971

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		5427	32				29
400	Annuity non-profit (CPA)		21310					298674

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	4465	662469	2511				(3571)
330	Decreasing term assurance	620	57595	333				404
340	Accelerated critical illness (guaranteed premiums)	31	3495	27				9
350	Stand-alone critical illness (guaranteed premiums)	2450	119926	777				(479)

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		208859	1104				(1219)
330	Decreasing term assurance		16745	133				115
350	Stand-alone critical illness (guaranteed premiums)		34009	300				(197)

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	36800	550111		544753	544753	(1464)	543289
505	Life UWP whole life regular premium	6183	820097	10112	142982	142061	5411	147472
510	Life UWP endowment regular premium - savings	23135	263055	15005	168122	167981	1234	169214
515	Life UWP endowment regular premium - target cash	36473	1628982	38574	451466	449855	8804	458658
574	UWP investment only reinsurance		96586	21	96586	96582	(282)	96300
575	Miscellaneous UWP	712	14157	542	11521	11521	74	11595

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 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	169425	2256172	32976	2201436	2170601	103261	2273862
535	Group money purchase pensions UWP	18822	194493	4426	253567	253275	11112	264388
574	UWP investment only reinsurance		205675	52	205675	205638	(2788)	202850

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	2327	117505		116342	116342	(742)	115600
505	Life UWP whole life regular premium	50	3102	135	3071	3071	(2)	3070
510	Life UWP endowment regular premium - savings	283	8234	637	6249	6110	(4)	6105
525	Individual pensions UWP	141	3469	182	3459	3459	(2)	3458
574	UWP investment only reinsurance		109179		109179	109179	(909)	108269

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	2575	76399		75643	75643	(91)	75552
505	Life UWP whole life regular premium	282	69125	639	1886	1886	(12)	1874
510	Life UWP endowment regular premium - savings	2406	15235	1838	10970	10970	(3)	10967
515	Life UWP endowment regular premium - target cash	755	25309	883	3607	3607	(15)	3591
574	UWP investment only reinsurance		4094		4094	4094	(107)	3987

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
574	UWP investment only reinsurance		96200		96200	96200	(282)	95918

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	2306	28511	694	28283	28145	218	28363
535	Group money purchase pensions UWP	2354	26380	2219	26110	26110	45	26155

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		366	694			361	361
535	Group money purchase pensions UWP		269	2219			151	151
574	UWP investment only reinsurance		54255		54255	54255	(249)	54006

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	1659	83515		82689	82689	(445)	82244
505	Life UWP whole life regular premium	33	1386	138	1372	1372	(1)	1371
510	Life UWP endowment regular premium - savings	1578	22936	2507	19168	15643	(164)	15479
525	Individual pensions UWP	252	9553	217	9474	9474	(89)	9385

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
574	UWP investment only reinsurance		109179		109179	109179	(909)	108269

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	27038	435695		431153	431153	3766	434919
710	Life property linked whole life regular premium	52838	1345230	14898	185893	183181	3062	186242
715	Life property linked endowment regular premium - savings	25593	377973	11246	165621	165333	402	165734
720	Life property linked endowment regular premium - target cash	49034	991855	23820	329296	325098	(382)	324716
795	Miscellaneous property linked	1542	13130	248	11052	11052	1	11053
800	Additional reserves property linked						100	100

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		1115816		1115816	1115816		1115816

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 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	542264	2529302	115082	2480751	2453642	46483	2500125
735	Group money purchase pensions property linked	69782	664917	70336	579876	576593	77980	654572
795	Miscellaneous property linked						61	61

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		945		22869	22869		22869
735	Group money purchase pensions property linked		81	8	81	81		81
794	Property linked investment only reinsurance		3084497	60349	3007285	3007285	77474	3084759

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	1849	48246		47768	47768	462	48231
710	Life property linked whole life regular premium	298	7737	410	7661	7661	11	7672
715	Life property linked endowment regular premium - savings	3302	41002	2964	29859	28771	79	28850
725	Individual pensions property linked	1590	20196	1479	20168	20168	65	20233

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		104368		104368	104368		104368

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	18805	521285		516151	516151	(81)	516070
710	Life property linked whole life regular premium	2352	136267	1268	3680	3680	134	3814
715	Life property linked endowment regular premium - savings	2385	18662	2111	10521	10521	23	10544
720	Life property linked endowment regular premium - target cash	633	19763	659	2179	2179	5	2184
794	Property linked investment only reinsurance		2705659		2705659	2705659		2705659
800	Additional reserves property linked						14221	14221

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	34270	288590	6400	288500	288499	1897	290396
735	Group money purchase pensions property linked	41392	311459	26162	309350	308568	8223	316791
800	Additional reserves property linked						1201	1201

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		288590	6400	288500	288499	1897	290396
735	Group money purchase pensions property linked		311459	26162	309350	308568	8223	316791

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	820	31979		31684	31684	(239)	31445
710	Life property linked whole life regular premium	155	3399	393	3365	3365	2	3367
715	Life property linked endowment regular premium - savings	8069	62663	8560	44810	34272	87	34359
725	Individual pensions property linked	1118	14218	928	14124	14124	(3)	14121
794	Property linked investment only reinsurance		138489		138489	138489		138489

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
794	Property linked investment only reinsurance		8135		8135	8135		8135

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 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	1793	2047		39711	39711		39711

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	549	458		9305	9305		9305

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		458		9305	9305		9305

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

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

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Activest Lux Chance (EUR)	06 - life - overseas equity	113	IRIS Accumulation	2.40%	0.8035	0.6233	(22.43)
Activest Lux Ertrag (EUR)	06 - life - overseas equity	25	IRIS Accumulation	1.95%	0.7604	0.8180	7.58
Activest Lux Wachstum (EUR)	06 - life - overseas equity	27	IRIS Accumulation	2.35%	0.7895	0.7268	(7.94)
Cash	03 - life - defensive managed fund	5161	PRE	1.00%	1.5448	1.5833	2.49
European	06 - life - overseas equity	33362	PRE	1.00%	3.8404	2.7264	(29.01)
F&C Asia Pacific (EUR)	06 - life - overseas equity	694	Multi Currency FPLP Accumulation	1.00%	1.9909	1.1894	(40.26)
F&C Euro Bond (EUR)	01 - life - stock market managed fund	208	Multi Currency FPLP Accumulation	1.00%	0.7306	0.7730	5.81
F&C European Equity (EUR)	06 - life - overseas equity	344	Multi Currency FPLP Accumulation	1.00%	1.2839	0.7421	(42.20)
F&C Global Bond IRIS (EUR)	01 - life - stock market managed fund	30	Cross Holdings	0.00%	0.7310	0.9931	35.87
F&C Global Equity (EUR)	06 - life - overseas equity	403	Multi Currency FPLP Accumulation	1.00%	1.0717	0.7906	(26.22)
F&C High Yield (EUR)	01 - life - stock market managed fund	138	Multi Currency FPLP Accumulation	1.00%	0.7981	0.8035	0.67
F&C High Yield Bond	01 - life - stock market managed fund	553	Multi Currency FPLP Accumulation	1.00%	1.1746	0.9005	(23.34)
F&C Japan (EUR)	06 - life - overseas equity	163	Multi Currency FPLP Accumulation	1.00%	0.8706	0.8457	(2.86)
F&C Managed (EUR)	04 - life - other managed fund	469	Multi Currency FPLP Accumulation	1.00%	0.7997	0.6381	(20.21)
F&C Monthly Distribution	01 - life - stock market managed fund	1974	Multi Currency FPLP Accumulation	1.00%	1.2017	0.9415	(21.65)
F&C North American Equity (EUR)	06 - life - overseas equity	18	IRIS Accumulation	1.75%	0.7081	0.6126	(13.48)
F&C Stewardship International IRIS (EUR)	06 - life - overseas equity	1675	Cross Holdings	0.00%	0.7660	0.5709	(25.47)
F&C UK Property	07 - life - property	8135	Multi Currency FPLP Accumulation	1.00%	1.2139	0.9277	(23.58)

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

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

Total business

Financial year ended **31 December 2008**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
Fidelity European Growth IRIS (EUR)	06 - life - overseas equity	1164	Multi Currency FPLAL Accumulation	2.25%	0.8358	0.5945	(28.88)
Fixed Interest	01 - life - stock market managed fund	7644	POST	1.00%	1.7047	2.3820	39.73
FPI East Capital Balkan (SEK)	06 - life - overseas equity	175	Multi Currency FPLP Accumulation	2.50%	1.4446	0.5540	(61.65)
FPI East Capital Eastern (SEK)	06 - life - overseas equity	241	Multi Currency FPLP Accumulation	2.50%	1.3038	0.5324	(59.17)
FPI European Corporate Bond IRIS (EUR)	01 - life - stock market managed fund	31	Cross Holdings	0.00%	0.7389	0.7884	6.70
FPI European Equity IRIS (EUR)	06 - life - overseas equity	3213	Cross Holdings	0.00%	0.8568	0.5024	(41.36)
FPI European High Yield IRIS (EUR)	06 - life - overseas equity	5	Cross Holdings	0.00%	0.7670	0.7385	(3.71)
FPI Global Equity IRIS (EUR)	06 - life - overseas equity	2084	Cross Holdings	0.00%	0.8198	0.6161	(24.84)
FPI Global Real Estate Securities IRIS (EUR)	06 - life - overseas equity	731	Cross Holdings	0.00%	0.6409	0.4715	(26.44)
FPI Lannebo Smabolag (SEK)	06 - life - overseas equity	412	Multi Currency FPLP Accumulation	1.75%	1.0815	0.7373	(31.83)
FPI Lannebo Sverige (SEK)	06 - life - overseas equity	54	Multi Currency FPLP Accumulation	1.75%	0.8392	0.5309	(36.73)
FPI Model 1 Preservation IRIS (EUR)	03 - life - defensive managed fund	18	Cross Holdings	0.00%	0.7465	0.9129	22.29
FPI Model 2 Cautious IRIS (EUR)	03 - life - defensive managed fund	37	IRIS Accumulation	1.25%	0.7188	0.7541	4.90
FPI Model 3 Balanced IRIS (EUR)	02 - life - balanced managed fund	39	Multi Currency FPLAL Accumulation	1.75%	0.7762	0.6781	(12.64)
FPI Model 4 Growth IRIS (EUR)	02 - life - balanced managed fund	41	Multi Currency FPLAL Accumulation	1.75%	0.7886	0.5778	(26.74)
FPI Model 5 Aggressive IRIS (EUR)	02 - life - balanced managed fund	5548	Multi Currency FPLAL Accumulation	1.75%	0.7904	0.5184	(34.41)
FPI Nordea SEK Reserve (SEK)	06 - life - overseas equity	2070	Multi Currency FPLP Accumulation	0.75%	0.8100	0.9388	15.90
FPI Nordea Swedish Bond (SEK)	01 - life - stock market managed fund	482	Multi Currency FPLP Accumulation	1.25%	0.7589	0.9624	26.82

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 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
Templeton BRIC (USD)	06 - life - overseas equity	1449	Multi Currency FPLAL Accumulation	2.25%	1.1738	0.6307	(46.27)
International Stewardship	06 - life - overseas equity	3585	POST	1.00%	1.0257	0.7822	(23.74)
Invesco Capital Shield 90 (EUR)	06 - life - overseas equity	398	Multi Currency FPLAL Accumulation	1.50%	0.7619	0.9419	23.64
Investec American Equity (USD)	06 - life - overseas equity	170	Multi Currency FPLP Accumulation	1.50%	0.7130	0.5644	(20.84)
Investec Cautious Managed	03 - life - defensive managed fund	10745	PRE	1.50%	1.2412	1.1033	(11.11)
Investec Global Strategy Global Energy (USD)	06 - life - overseas equity	317	Multi Currency FPLAL Accumulation	1.75%	0.7766	0.5963	(23.22)
Investec UK Equity	05 - life - UK equity	534	Accumulation - PRE	1.50%	1.5333	1.1155	(27.25)
JPMF Euro Liquidity (EUR)	03 - life - defensive managed fund	1638	Multi Currency FPLAL Accumulation	0.75%	0.7527	1.0231	35.92
JPMF Euro Liquidity IRIS (EUR)	03 - life - defensive managed fund	96	Multi Currency FPLAL Accumulation	1.55%	0.7564	1.0201	34.87
JPMF Euroland Equity (EUR)	06 - life - overseas equity	246	Multi Currency FPLAL Accumulation	1.50%	1.4350	0.9518	(33.67)
JPMF Global Balanced (EUR)	02 - life - balanced managed fund	1065	Multi Currency FPLP Accumulation	1.50%	0.9457	1.0107	6.86
JPMF Sterling Liquidity	03 - life - defensive managed fund	4882	Multi Currency FPLP Accumulation	0.75%	1.1141	1.1670	4.75
JPMF USD Liquidity (USD)	03 - life - defensive managed fund	1324	Multi Currency FPLP Accumulation	0.75%	0.5300	0.7514	41.78
Life Aegon Ethical Corporate Bond Accumulation	01 - life - stock market managed fund	4320	FP Accumulation 0.75% - FPLAL	0.75%	0.9262	0.8024	(13.37)
Life Aegon Ethical Equity	05 - life - UK equity	2349	FP Accumulation 0.75% - FPLAL	0.75%	1.0065	0.7180	(28.67)
Life Aegon Sterling Corporate Bond Income	01 - life - stock market managed fund	1461	FP Accumulation 0.75% - FPLAL	0.75%	0.9174	0.7510	(18.15)
Life American	06 - life - overseas equity	12895	FP Accumulation 0.75% - PRE	0.75%	2.5609	2.1691	(15.30)
Life Artemis Capital	05 - life - UK equity	1567	FP Accumulation 0.75% - FPLAL	0.75%	1.2653	0.7582	(40.08)

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

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

Total business

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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Artemis European	06 - life - overseas equity	4076	FP Accumulation 0.75% - FPLAL	0.75%	1.4645	0.8854	(39.54)
Life Artemis Global Growth	06 - life - overseas equity	835	FP Accumulation 0.75% - FPLAL	0.75%	1.2613	0.8022	(36.40)
Life Artemis Income	05 - life - UK equity	11415	FP Accumulation 0.75% - FPLAL	0.75%	1.2779	0.9893	(22.58)
Life Artemis UK Growth	05 - life - UK equity	1716	FP Accumulation 0.75% - FPLAL	0.75%	1.0602	0.7101	(33.02)
Life Artemis Uk Special Situations	05 - life - UK equity	5756	FP Accumulation 0.75% - FPLAL	0.75%	1.2351	0.8971	(27.36)
Life Baillie Gifford British 350	05 - life - UK equity	270	FP Accumulation 0.65% - FPLAL	0.65%	1.5201	1.0940	(28.03)
Life Baillie Gifford Income	05 - life - UK equity	320	FP Accumulation 0.65% - FPLAL	0.65%	1.4796	0.9566	(35.35)
Life Capital Growth	03 - life - defensive managed fund	7064	Ex LMA 5.00%	5.00%	40.9367	30.1381	(26.38)
Life Cavendishgrant Balanced Income	02 - life - balanced managed fund	2091	FP Accumulation 0.75% - FPLAL	0.75%	0.9466	0.6947	(26.61)
Life Cavendishgrant Cautious Growth	03 - life - defensive managed fund	1023	FP Accumulation 0.75% - FPLAL	0.75%	0.9623	0.7299	(24.15)
Life Cavendishgrant Strategic Growth	01 - life - stock market managed fund	1287	FP Accumulation 0.75% - FPLAL	0.75%	1.0176	0.7951	(21.86)
Life Cazenove UK Dynamic	05 - life - UK equity	423	FP Accumulation 0.75% - FPLAL	0.75%	1.1396	0.7761	(31.90)
Life Cazenove UK Growth & Income	05 - life - UK equity	667	FP Accumulation 0.75% - FPLAL	0.75%	1.1194	0.8147	(27.22)
Life Credit Suisse Multi Manager Cautious Managed	03 - life - defensive managed fund	1131	FP Accumulation 0.75% - FPLAL	0.75%	0.9697	0.7936	(18.16)
Life Credit Suisse Multi Manager Constellation	06 - life - overseas equity	194	FP Accumulation 0.75% - FPLAL	0.75%	1.0261	0.7726	(24.71)
Life Credit Suisse Multi Manager Ethical Portfolio	01 - life - stock market managed fund	1389	FP Accumulation 0.75% - FPLAL	0.75%	1.0118	0.7568	(25.20)
Life Equity	05 - life - UK equity	66975	FP Accumulation 0.75% - PRE	0.75%	9.1101	6.6602	(26.89)
Life European	06 - life - overseas equity	66308	FP Accumulation 0.75% - PRE	0.75%	7.1970	5.3424	(25.77)

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

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Total business

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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life F&C Global Real Estate	06 - life - overseas equity	1645	FP Accumulation 0.75% - FPLAL	0.75%	0.7365	0.5375	(27.02)
Life F&C Stewardship Income	05 - life - UK equity	34615	FP Accumulation 0.75% - FPLAL	0.75%	1.6146	1.0384	(35.69)
Life Fidelity European	06 - life - overseas equity	9508	FP Accumulation 0.65% - FPLAL	0.65%	1.8870	1.5289	(18.98)
Life Fidelity Money Builder Income	01 - life - stock market managed fund	15970	FP Accumulation 0.65% - FPLAL	0.65%	1.1261	1.0547	(6.33)
Life Fidelity Multi Manager Special Situations	05 - life - UK equity	301	FP Accumulation 0.75% - FPLAL	0.75%	1.0226	0.6638	(35.09)
Life Fidelity Portfolio	02 - life - balanced managed fund	3978	FP Accumulation 0.65% - FPLAL	0.65%	1.4845	1.1667	(21.41)
Life Fidelity Special Situations	02 - life - balanced managed fund	8379	FP Accumulation 0.65% - FPLAL	0.65%	1.7525	1.2783	(27.06)
Life Fidelity Wealthbuilder	02 - life - balanced managed fund	3460	FP Accumulation 0.65% - FPLAL	0.65%	1.4309	1.1007	(23.08)
Life First State Asian Pacific Leaders	06 - life - overseas equity	3663	FP Accumulation 0.65% - FPLAL	0.65%	1.7724	1.5342	(13.44)
Life First State Global Emerging Markets	06 - life - overseas equity	1592	FP Accumulation 0.65% - FPLAL	0.65%	1.7357	1.4622	(15.76)
Life Fixed Interest	01 - life - stock market managed fund	255778	Cross Holdings	0.00%	1.7781	1.8061	1.58
Life Fund Of External Funds	01 - life - stock market managed fund	20840	FP Accumulation 0.75% - FPLAL	0.75%	1.5203	1.2079	(20.55)
Life FP Special Situations	05 - life - UK equity	678	FP Accumulation 0.75% - FPLAL	0.75%	1.0973	0.7553	(31.17)
Life Gartmore Cautious Managed	03 - life - defensive managed fund	9067	FP Accumulation 0.65% - FPLAL	0.65%	1.0537	0.9555	(9.32)
Life Gartmore China Opportunities	06 - life - overseas equity	2952	FP Accumulation 0.75% - FPLAL	0.75%	2.1681	1.3689	(36.86)
Life Gartmore Emerging Markets Opportunities	06 - life - overseas equity	1703	FP Accumulation 0.75% - FPLAL	0.75%	1.5776	0.9305	(41.02)
Life Guaranteed Deposit	03 - life - defensive managed fund	171232	FP Accumulation 0.75% - FPLAL	0.75%	3.2244	3.3489	3.86
Life High Yield Distribution Accumulation	01 - life - stock market managed fund	54110	FP Accumulation 0.75% - FPLAL	0.75%	1.4117	1.0783	(23.62)

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

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

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life High Yield Distribution Bond	01 - life - stock market managed fund	61247	Cross Holdings	0.00%	1.1019	0.7825	(28.99)
Life Income Distribution	01 - life - stock market managed fund	32758	FP Accumulation 0.75% - PRE	0.75%	1.4438	0.9989	(30.81)
Life Indexed	01 - life - stock market managed fund	67168	FP Accumulation 0.75% - FPLAL	0.75%	3.4607	3.5471	2.50
Life International	06 - life - overseas equity	51184	Cross Holdings	0.00%	1.5626	1.1754	(24.78)
Life Invesco Perpetual Asian	06 - life - overseas equity	1034	FP Accumulation 0.75% - FPLAL	0.75%	1.6490	1.1927	(27.67)
Life Invesco Perpetual Corporate Bond	01 - life - stock market managed fund	21489	FP Accumulation 0.75% - FPLAL	0.75%	1.0271	0.9345	(9.01)
Life Invesco Perpetual Distribution	01 - life - stock market managed fund	7010	FP Accumulation 0.65% - FPLAL	0.65%	1.0911	0.8655	(20.68)
Life Invesco Perpetual Global Bond	01 - life - stock market managed fund	5508	FP Accumulation 0.75% - FPLAL	0.75%	0.9928	1.1698	17.83
Life Invesco Perpetual High Income	05 - life - UK equity	40251	FP Accumulation 0.75% - FPLAL	0.75%	1.4260	1.1551	(19.00)
Life Invesco Perpetual Japan	06 - life - overseas equity	755	FP Accumulation 0.75% - FPLAL	0.75%	1.0813	1.0703	(1.02)
Life Invesco Perpetual Monthly Income Plus	01 - life - stock market managed fund	4886	FP Accumulation 0.75% - FPLAL	0.75%	0.9750	0.7470	(23.39)
Life Investec American	06 - life - overseas equity	3928	FP Accumulation 0.65% - FPLAL	0.65%	1.1926	0.9339	(21.69)
Life Investec Cautious Managed	03 - life - defensive managed fund	37912	FP Accumulation 0.65% - FPLAL	0.65%	1.2653	1.1273	(10.91)
Life Investec Managed Distribution Accumulation	01 - life - stock market managed fund	2867	FP Accumulation 0.65% - FPLAL	0.65%	1.1915	1.0759	(9.70)
Life Investec Managed Distribution	01 - life - stock market managed fund	3991	Cross Holdings	0.00%	1.1505	0.9960	(13.43)
Life Investec Sterling Bond	01 - life - stock market managed fund	1540	FP Accumulation 0.65% - FPLAL	0.65%	1.1104	1.0702	(3.62)
Life Investec UK Blue Chip	05 - life - UK equity	995	FP Accumulation 0.65% - FPLAL	0.65%	1.5145	1.0978	(27.51)
Life Investec UK Smaller Companies	05 - life - UK equity	2113	FP Accumulation 0.65% - FPLAL	0.65%	1.8008	1.1217	(37.71)

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

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 Total business
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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Investment Trust	01 - life - stock market managed fund	61987	Ex LMA 0.25%	0.25%	31.6929	20.9647	(33.85)
Life Japan	06 - life - overseas equity	222	Ex LMA 0.75%	0.75%	2.3573	2.2855	(3.05)
Life JPM Cautious Total Return Income	03 - life - defensive managed fund	15358	FP Accumulation 0.75% - FPLAL	0.75%	1.0204	0.9862	(3.36)
Life JPM Natural Resources	06 - life - overseas equity	1598	FP Accumulation 0.75% - FPLAL	0.75%	1.3186	0.6365	(51.73)
Life Lazard European Alpha	06 - life - overseas equity	1082	FP Accumulation 0.65% - FPLAL	0.65%	1.8430	1.5110	(18.01)
Life Lazard UK Alpha	05 - life - UK equity	3713	FP Accumulation 0.65% - FPLAL	0.65%	1.5567	1.0620	(31.78)
Life Lazard UK Income	05 - life - UK equity	1391	FP Accumulation 0.65% - FPLAL	0.65%	1.5360	1.0194	(33.64)
Life M&G Global Basics	06 - life - overseas equity	4801	FP Accumulation 0.75% - FPLAL	0.75%	1.3089	0.9730	(25.67)
Life M&G Recovery Accumulation	05 - life - UK equity	4510	FP Accumulation 0.80% - FPLAL	0.80%	1.1096	0.8046	(27.49)
Life M&G Property	07 - life - property	9440	FP Accumulation 0.65% - FPLAL	0.65%	0.9031	0.7191	(20.38)
Life M&G UK Select Growth	05 - life - UK equity	220	FP Accumulation 0.75% - FPLAL	0.75%	1.1809	0.8989	(23.88)
Life Managed	04 - life - other managed fund	697490	FP Accumulation 0.75% - PRE	0.75%	6.5639	5.2204	(20.47)
Life Managed Stewardship	04 - life - other managed fund	50302	FP Accumulation 0.75% - FPLAL	0.75%	1.5113	1.1329	(25.04)
Life Blackrock American	06 - life - overseas equity	1825	FP Accumulation 0.65% - FPLAL	0.65%	1.2328	1.0206	(17.21)
Life Blackrock Balanced Portfolio	02 - life - balanced managed fund	1427	FP Accumulation 0.65% - FPLAL	0.65%	1.4848	1.0837	(27.01)
Life Blackrock High Income Bond	01 - life - stock market managed fund	850	FP Accumulation 0.65% - FPLAL	0.65%	1.1210	0.9864	(12.00)
Life Blackrock Special Situations	05 - life - UK equity	760	FP Accumulation 0.75% - FPLAL	0.75%	1.0303	0.7254	(29.59)
Life Blackrock UK Dynamic	05 - life - UK equity	4152	FP Accumulation 0.75% - FPLAL	0.75%	1.2856	0.8385	(34.78)

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

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Total business

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Life Blackrock UK Income	05 - life - UK equity	2521	FP Accumulation 0.65% - FPLAL	0.65%	1.5314	1.1283	(26.32)
Life Money Maker	03 - life - defensive managed fund	186	Ex LMA 0.25%	0.25%	7.2393	5.6855	(21.46)
Life Monthly Distribution	01 - life - stock market managed fund	547266	Cross Holdings	0.00%	1.1419	0.8564	(25.00)
Life Monthly Distribution Accumulation	01 - life - stock market managed fund	191399	FP Accumulation 0.75% - FPLAL	0.75%	1.3236	1.0398	(21.44)
Life MultiManager Balanced	02 - life - balanced managed fund	26905	FP Accumulation 0.75% - FPLAL	0.75%	1.3603	1.0715	(21.23)
Life MultiManager Cautious	03 - life - defensive managed fund	32673	FP Accumulation 0.75% - FPLAL	0.75%	1.2399	1.0169	(17.99)
Life MultiManager Distribution Accumulation	01 - life - stock market managed fund	71067	FP Accumulation 0.75% - FPLAL	0.75%	1.1599	0.8517	(26.57)
Life MultiManager Distribution	01 - life - stock market managed fund	75460	Cross Holdings	0.00%	1.0819	0.7586	(29.88)
Life New Star High Yield Bond	01 - life - stock market managed fund	1570	FP Accumulation 0.75% - FPLAL	0.75%	1.0151	0.6523	(35.74)
Life New Star Higher Income	01 - life - stock market managed fund	574	FP Accumulation 0.75% - FPLAL	0.75%	1.0106	0.5840	(42.21)
Life New Star Managed Distribution	01 - life - stock market managed fund	1173	FP Accumulation 0.75% - FPLAL	0.75%	1.0085	0.6204	(38.48)
Life New Star Property	07 - life - property	14286	FP Accumulation 0.65% - FPLAL	0.65%	0.9687	0.7509	(22.49)
Life New Star Tri-Star Income	03 - life - defensive managed fund	261	FP Accumulation 0.75% - FPLAL	0.75%	0.8632	0.6592	(23.64)
Life Norwich Property Trust	07 - life - property	2091	FP Accumulation 0.75% - FPLAL	0.75%	0.7871	0.6128	(22.15)
Life Norwich Sustainable Futures European	06 - life - overseas equity	1023	FP Accumulation 0.75% - FPLAL	0.75%	1.0949	0.8738	(20.19)
Life Pacific Basin	06 - life - overseas equity	20517	FP Accumulation 0.75% - PRE	0.75%	3.0865	2.1556	(30.16)
Life Property	07 - life - property	302851	FP Accumulation 0.75% - FPLAL	0.75%	4.2730	3.2738	(23.38)
Life Schroder Alpha Plus	05 - life - UK equity	2064	FP Accumulation 0.65% - FPLAL	0.65%	1.6555	1.0603	(35.95)

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

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Life Schroder Gilt and Fixed Interest	01 - life - stock market managed fund	8620	FP Accumulation 0.65% - FPLAL	0.65%	1.1034	1.2004	8.79
Life Schroder Income	05 - life - UK equity	2906	FP Accumulation 0.65% - FPLAL	0.65%	1.5641	1.2103	(22.62)
Life Schroder Mid 250	05 - life - UK equity	12957	FP Accumulation 0.65% - FPLAL	0.65%	1.7351	1.0257	(40.88)
Life Schroder S&P Managed Distribution Portfolio	03 - life - defensive managed fund	3048	FP Accumulation 0.75% - FPLAL	0.75%	0.9912	0.7485	(24.48)
Life Schroder UK Smaller Companies	05 - life - UK equity	547	FP Accumulation 0.65% - FPLAL	0.65%	1.4495	0.8218	(43.31)
Life Stewardship	05 - life - UK equity	203518	FP Accumulation 0.75% - PRE	0.75%	8.6689	5.7072	(34.17)
Life Stewardship International	06 - life - overseas equity	4067	FP Accumulation 0.75% - FPLAL	0.75%	1.4745	1.1445	(22.38)
Life Stewardship Safeguard Optimiser	05 - life - UK equity	87754	FP Accumulation 0.75% - FPLAL	0.75%	1.3038	1.1259	(13.65)
Life Threadneedle Equity & Bond	01 - life - stock market managed fund	4373	FP Accumulation 0.65% - FPLAL	0.65%	1.3467	1.2808	(4.89)
Life Threadneedle Global Select	06 - life - overseas equity	398	FP Accumulation 0.75% - FPLAL	0.75%	1.1547	0.9345	(19.07)
Life Threadneedle UK Corporate Bond	01 - life - stock market managed fund	5105	FP Accumulation 0.65% - FPLAL	0.65%	1.0885	0.9612	(11.69)
Life UK Index Tracker	01 - life - stock market managed fund	4595	FP Accumulation 0.75% - POST	0.75%	1.3283	0.9578	(27.89)
Life UK Safeguard Optimiser	05 - life - UK equity	80401	FP Accumulation 0.75% - FPLAL	0.75%	1.3497	1.1422	(15.37)
Managed Portfolio	04 - life - other managed fund	16674	PRE	1.00%	2.0042	1.5491	(22.71)
Mixed	04 - life - other managed fund	35941	PRE	1.00%	1.8575	1.5335	(17.44)
Morgan Stanley Euro Strategic Bond (EUR)	01 - life - stock market managed fund	4198	Cross Holdings	0.00%	0.8367	1.1063	32.22
Morgan Stanley Euro Strategic Bond IRIS (EUR)	01 - life - stock market managed fund	4073	Cross Holdings	0.00%	0.7574	1.0014	32.22
Morgan Stanley European Property (EUR)	07 - life - property	286	Multi Currency FPLP Accumulation	1.50%	1.2513	0.7913	(36.76)

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

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Morgan Stanley European Value Equity (EUR)	06 - life - overseas equity	94	Multi Currency FPLP Accumulation	1.50%	1.1614	0.9001	(22.50)
Morgan Stanley Global Bond (USD)	01 - life - stock market managed fund	403	Multi Currency FPLAL Accumulation	1.25%	0.5576	0.8101	45.28
Morgan Stanley Select Global Diversified (EUR)	06 - life - overseas equity	306	Multi Currency FPLP Accumulation	1.50%	0.8671	0.8366	(3.52)
Morgan Stanley US Property (USD)	07 - life - property	109	Multi Currency FPLP Accumulation	1.50%	0.8461	0.6695	(20.88)
Nordea North America Value (USD)	06 - life - overseas equity	52	IRIS Accumulation	2.25%	0.5158	0.3070	(40.48)
North American	06 - life - overseas equity	10410	PRE	1.00%	1.7715	1.4964	(15.53)
Overseas	06 - life - overseas equity	6151	PRE	1.00%	1.7395	1.3009	(25.21)
Pacific Basin	06 - life - overseas equity	14652	PRE	1.00%	1.8529	1.2055	(34.94)
Pioneer America (USD)	06 - life - overseas equity	33	IRIS Accumulation	2.00%	0.5534	0.4920	(11.10)
Stewardship	05 - life - UK equity	14557	PRE	1.00%	2.5933	1.6547	(36.19)
Templeton Euro Growth IRIS (EUR)	06 - life - overseas equity	1282	Multi Currency FPLAL Accumulation	2.25%	0.7118	0.5544	(22.11)
UK Equity	05 - life - UK equity	10971	PRE	1.00%	2.3112	1.6161	(30.08)
UK Index Tracker	01 - life - stock market managed fund	2074	POST	1.00%	1.1948	0.8368	(29.96)
Aberdeen Global Asia Pacific (USD)	06 - life - overseas equity	16	Multi Currency FPLAL Accumulation	1.75%	0.5852	0.4331	(26.00)
Baring Eastern Europe (EUR)	06 - life - overseas equity	154	Multi Currency FPLAL Accumulation	1.75%	0.9193	0.3962	(56.90)
Fidelity Eurobond (EUR)	01 - life - stock market managed fund	257	IRIS Accumulation	1.95%	0.7309	0.8784	20.17
Fidelity Global Property	07 - life - property	16	Multi Currency FPLAL Accumulation	1.50%	0.8108	0.5900	(27.24)
Fidelity Global Property (EUR)	07 - life - property	6	IRIS Accumulation	2.20%	0.5804	0.4165	(28.25)

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Fidelity Iberian (EUR)	06 - life - overseas equity	8	Cross Holdings	0.00%	0.7342	0.5450	(25.77)
Fidelity Multi-Asset Strategic (EUR)	06 - life - overseas equity	78	Multi Currency FPLAL Accumulation	1.50%	0.7226	0.7665	6.07
Invesco Asia Infrastructure (USD)	06 - life - overseas equity	234	Multi Currency FPLAL Accumulation	1.50%	0.6897	0.4204	(39.06)
Invesco Asia Infrastructure (USD)	07 - life - property	4	Multi Currency FPLAL Accumulation	1.50%	0.5229	0.3774	(27.83)
Invesco Asian Equity (USD)	06 - life - overseas equity	85	IRIS Accumulation	2.00%	0.7592	0.3730	(50.87)
Invesco Euro Corporate Bond (EUR)	01 - life - stock market managed fund	13	Cross Holdings	0.00%	0.7282	0.9000	23.59
Invesco Sterling Bond	01 - life - stock market managed fund	141	Multi Currency FPLAL Accumulation	1.25%	1.0053	0.8954	(10.93)
Invesco UK Equity	05 - life - UK equity	22	Multi Currency FPLAL Accumulation	1.75%	0.9780	0.6659	(31.91)
Lehner Multi Asset (EUR)	06 - life - overseas equity	11	IRIS Accumulation	2.65%	0.7428	0.7118	(4.18)
Lehner Multi Leaders (EUR)	06 - life - overseas equity	163	IRIS Accumulation	2.65%	0.7334	0.5451	(25.68)
Life Aegon Sterling Corporate Bond (INC)	01 - life - stock market managed fund	8	Cross Holdings	0.00%	1.0136	0.8108	(20.02)
Life Artemis Strategic Bond	01 - life - stock market managed fund	1109	FP Accumulation 0.75% - FPLAL	0.75%	0.9395	0.7478	(20.40)
Life Aviva European Property Services	07 - life - property	114	Cross Holdings	0.00%	0.8556	0.6097	(28.74)
Life Aviva Global Reit	07 - life - property	492	Cross Holdings	0.00%	0.8885	0.6394	(28.04)
Life Aviva Morley European Property	07 - life - property	228	Cross Holdings	0.00%	1.0200	0.9075	(11.02)
Life Blackrock UK Alpha Plus	05 - life - UK equity	1029	FP Accumulation 0.75% - FPLAL	0.75%	0.9592	0.9673	0.84
Life Capital Assured 2	03 - life - defensive managed fund	5562	FP Accumulation 0.75% - FPLAL	0.75%	1.0542	1.0754	2.01
Life Capital Assured Fund	03 - life - defensive managed fund	4688	FP Accumulation 0.75% - FPLAL	0.75%	1.0234	1.0326	0.90

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

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

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Cazenove MM Diversity	05 - life - UK equity	117	FP Accumulation 0.85% - FPLAL	0.85%	0.9549	0.8619	(9.75)
Life Credit Suisse European Frontier	06 - life - overseas equity	26	FP Accumulation 0.85% - FPLAL	0.85%	1.1191	0.4835	(56.79)
Life Enhanced Cash Fund	01 - life - stock market managed fund	5409	Cross Holdings	0.00%	1.0600	1.0664	0.61
Life F&C Climate Opportunities	06 - life - overseas equity	56	FP Accumulation 0.80% - FPLAL	0.80%	1.0063	0.7764	(22.85)
Life F&C Growth & Income	05 - life - UK equity	2141	FP Accumulation 0.90% - FPLAL	0.90%	0.8997	0.6055	(32.70)
Life F&C Latin America	06 - life - overseas equity	198	FP Accumulation 0.75% - FPLAL	0.75%	1.0667	0.6407	(39.94)
Life F&C Lifestyle Balanced	01 - life - stock market managed fund	410	FP Accumulation 0.75% - FPLAL	0.75%	0.9528	0.7415	(22.18)
Life F&C Lifestyle Cautious	03 - life - defensive managed fund	428	FP Accumulation 0.75% - FPLAL	0.75%	0.9527	0.7655	(19.65)
Life F&C Lifestyle Defensive	03 - life - defensive managed fund	237	FP Accumulation 0.75% - FPLAL	0.75%	0.9469	0.7417	(21.67)
Life F&C Lifestyle Growth	01 - life - stock market managed fund	81	FP Accumulation 0.75% - FPLAL	0.75%	0.9560	0.7360	(23.01)
Life F&C Maximum Income Bond	01 - life - stock market managed fund	66	FP Accumulation 0.80% - FPLAL	0.80%	0.9530	0.6768	(28.99)
Life F&C Stewardship Corporate Bond	01 - life - stock market managed fund	391	FP Accumulation 0.75% - FPLAL	0.75%	0.9557	0.9498	(0.62)
Life F&C UK Special Situations	05 - life - UK equity	141	FP Accumulation 1.40% - FPLAL	1.40%	0.9246	0.5385	(41.76)
Life F&C Global Property	07 - life - property	873	FP Accumulation 0.75% - FPLAL	0.75%	0.8792	0.6668	(24.16)
Life HSBC OPEN Global Distribution	06 - life - overseas equity	9	Cross Holdings	0.00%	1.0094	0.8863	(12.20)
Life HSBC OPEN Global Return	06 - life - overseas equity	10	Cross Holdings	0.00%	1.0128	0.9178	(9.38)
Life Impax Environmental Markets	06 - life - overseas equity	652	FP Accumulation 0.75% - FPLAL	0.75%	0.9997	0.7642	(23.55)
Life Insight Diversified Dynamic Fund	01 - life - stock market managed fund	7	Cross Holdings	0.00%	1.0117	0.7211	(28.73)

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

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

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Insight Diversified High Income	01 - life - stock market managed fund	9	Cross Holdings	0.00%	1.0093	0.8615	(14.64)
Life Insight Diversified Target Return	03 - life - defensive managed fund	181	FP Accumulation 0.85% - FPLAL	0.85%	0.9588	0.8027	(16.28)
Life Invesco Perpetual High Income (INC)	05 - life - UK equity	8	Cross Holdings	0.00%	1.0064	0.8035	(20.16)
Life Invesco Perpetual Monthly Income Plus (INC)	05 - life - UK equity	8	FP Accumulation 0.75% - FPLAL	0.75%	0.9542	0.6906	(27.62)
Life Investec Managed Growth	05 - life - UK equity	56	FP Accumulation 0.75% - FPLAL	0.75%	0.8925	0.5583	(37.44)
Life JPM Japan	06 - life - overseas equity	17	Cross Holdings	0.00%	0.9396	0.8621	(8.25)
Life Jupiter Ecology	06 - life - overseas equity	1258	FP Accumulation 0.75% - FPLAL	0.75%	0.9591	0.7260	(24.30)
Life Jupiter Emergin European Opportunities	06 - life - overseas equity	100	FP Accumulation 0.75% - FPLAL	0.75%	1.0941	0.4726	(56.80)
Life Jupiter Income	05 - life - UK equity	1450	FP Accumulation 0.75% - FPLAL	0.75%	0.8955	0.6531	(27.06)
Life Lazard Emerging Markets	06 - life - overseas equity	49	FP Accumulation 0.75% - FPLAL	0.75%	1.0602	0.7447	(29.76)
Life M&G America	06 - life - overseas equity	27	FP Accumulation 0.80% - FPLAL	0.80%	0.9762	0.7953	(18.52)
Life M&G Cautious Multi Asset	03 - life - defensive managed fund	3023	FP Accumulation 0.75% - FPLAL	0.75%	0.9513	0.9280	(2.45)
Life M&G High Yield Corporate Bond	01 - life - stock market managed fund	60	FP Accumulation 0.75% - FPLAL	0.75%	0.9586	0.7787	(18.77)
Life M&G Optimal Income	05 - life - UK equity	1158	FP Accumulation 0.75% - FPLAL	0.75%	0.9515	0.9126	(4.09)
Life Martin Currie Asia Pacific	06 - life - overseas equity	7	Cross Holdings	0.00%	1.0056	0.6844	(31.94)
Life Martin Currie North America	06 - life - overseas equity	119	FP Accumulation 0.83% - FPLAL	0.83%	1.0024	0.7932	(20.86)
Life Blackrock Gold & General	05 - life - UK equity	1361	FP Accumulation 0.75% - FPLAL	0.75%	1.2140	0.9928	(18.22)
Life Morley Global Balanced Income	01 - life - stock market managed fund	178	FP Accumulation 0.75% - FPLAL	0.75%	0.9158	0.5433	(40.67)

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

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

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Morley Global Cautious Income	03 - life - defensive managed fund	404	FP Accumulation 0.75% - FPLAL	0.75%	0.9398	0.7365	(21.63)
Life New Star European Growth	06 - life - overseas equity	17	FP Accumulation 0.75% - FPLAL	0.75%	0.9494	0.7280	(23.32)
Life New Star International Property	07 - life - property	3221	FP Accumulation 0.75% - FPLAL	0.75%	0.9897	0.7916	(20.01)
Life Norwich Property Trust Fund	07 - life - property	0	Cross Holdings	0.00%	0.8469	0.7623	(9.99)
Life Old Mutual Corporate Bond	01 - life - stock market managed fund	149	FP Accumulation 0.75% - FPLAL	0.75%	0.9513	0.6588	(30.75)
Life Old Mutual UK Select Mid Cap	05 - life - UK equity	17	Cross Holdings	0.00%	0.9880	0.6861	(30.55)
Life Schroder Climate Change	06 - life - overseas equity	20	FP Accumulation 0.75% - FPLAL	0.75%	1.0048	0.7882	(21.55)
Life Schroder Tokyo	06 - life - overseas equity	30	FP Accumulation 0.75% - FPLAL	0.75%	0.9106	0.9273	1.83
Loys Global (EUR)	06 - life - overseas equity	32	IRIS Accumulation	1.95%	0.6996	0.5815	(16.89)
M&G Global Basics (EUR)	06 - life - overseas equity	225	IRIS Accumulation	2.35%	0.7281	0.5421	(25.55)
M&G Leaders (EUR)	06 - life - overseas equity	27	IRIS Accumulation	2.35%	0.6760	0.5500	(18.64)
M&G UK Property	07 - life - property	29	Multi Currency FPLAL Accumulation	1.50%	0.7850	0.5875	(25.16)
Martin Currie Asia Pacific (EUR)	06 - life - overseas equity	8	Cross Holdings	0.00%	0.8473	0.5727	(32.41)
Blackrock New Energy (EUR)	06 - life - overseas equity	324	Multi Currency FPLAL Accumulation	1.95%	0.8440	0.5347	(36.65)
Blackrock US Flexible Equity (USD)	06 - life - overseas equity	14	Cross Holdings	0.00%	0.4997	0.4253	(14.89)
Blackrock World Gold (USD)	06 - life - overseas equity	721	Multi Currency FPLAL Accumulation	2.00%	0.7281	0.6597	(9.40)
Morley UK Property	07 - life - property	33	Multi Currency FPLAL Accumulation	1.50%	0.8064	0.6281	(22.10)
New Star GIF European Growth (EUR)	06 - life - overseas equity	21	Multi Currency FPLAL Accumulation	1.75%	0.6827	0.4961	(27.34)

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

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

Total business

Financial year ended **31 December 2008**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
New Star International Property	07 - life - property	235	Multi Currency FPLAL Accumulation	1.75%	0.7649	0.7886	3.10
Oppenheim Global Absolute Return (EUR)	06 - life - overseas equity	236	IRIS Accumulation	2.25%	0.6799	0.7821	15.04
Oppenheim Global Selection	06 - life - overseas equity	350	IRIS Accumulation	2.15%	0.6841	0.7004	2.39
Schroder ISF Global Property Securities (EUR)	07 - life - property	6	Cross Holdings	0.00%	0.5912	0.4197	(29.01)
Schroder ISF Strategic Bond (EUR)	01 - life - stock market managed fund	260	Multi Currency FPLAL Accumulation	1.25%	0.7484	0.9529	27.33
Thames River High Income	05 - life - UK equity	140	Multi Currency FPLAL Accumulation	2.00%	1.0527	0.7745	(26.43)
Thames River Property & Growth	07 - life - property	57	Multi Currency FPLAL Accumulation	2.00%	0.7054	0.5174	(26.64)
WIOF Greece-Cyprus Opportunities (EUR)	06 - life - overseas equity	5	Multi Currency FPLAL Accumulation	2.50%	0.7981	0.3881	(51.38)
Life Artemis Strategic Bond Distribution	01 - life - stock market managed fund	8	Cross Holdings	0.00%	1.0000	0.8144	(18.56)
Life F&C UK Growth & Income Distribution	05 - life - UK equity	7	Cross Holdings	0.00%	1.0000	0.7427	(25.73)
Life CF Midas Balanced Income	03 - life - defensive managed fund	7	Cross Holdings	0.00%	1.0000	0.7594	(24.06)
Life CF Midas Balanced Growth	02 - life - balanced managed fund	7	Cross Holdings	0.00%	1.0000	0.7251	(27.49)
Life Old Mutual Corporate Bond Distribution	01 - life - stock market managed fund	7	Cross Holdings	0.00%	1.0000	0.7024	(29.76)
Life Fidelity Moneybuilder Distribution	01 - life - stock market managed fund	74	FP Accumulation 0.65% - FPLAL	0.65%	1.0000	0.8891	(11.09)
Life Newton Global Higher Income	06 - life - overseas equity	9	Cross Holdings	0.00%	1.0000	0.9243	(7.57)
Life Aegon Global Bond	01 - life - stock market managed fund	63	FP Accumulation 0.75% - FPLAL	0.75%	1.0000	0.7963	(20.37)
Life Allianz BRIC Allstars	06 - life - overseas equity	33	FP Accumulation 0.78% - FPLAL	0.78%	1.0000	0.5159	(48.41)
Life JPM Global Equity Income	06 - life - overseas equity	8	FP Accumulation 0.75% - FPLAL	0.75%	1.0000	0.8010	(19.90)

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

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

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Jupiter Merlin Balanced	02 - life - balanced managed fund	9	FP Accumulation 0.75% - FPLAL	0.75%	1.0000	0.8771	(12.29)
Life Jupiter Merlin Growth	01 - life - stock market managed fund	9	Cross Holdings	0.00%	1.0000	0.9326	(6.74)
Life Jupiter Merlin Income	03 - life - defensive managed fund	11	FP Accumulation 0.75% - FPLAL	0.75%	1.0000	0.8951	(10.49)
Life M&G Managed Growth	01 - life - stock market managed fund	22	FP Accumulation 0.80% - FPLAL	0.80%	1.0000	0.7793	(22.07)
Life Neptune European Opportunities	06 - life - overseas equity	9	FP Accumulation 0.78% - FPLAL	0.78%	1.0000	0.8183	(18.17)
Life Neptune Global Equity	06 - life - overseas equity	8	FP Accumulation 0.78% - FPLAL	0.78%	1.0000	0.6720	(32.80)
Life Rathbone Income	05 - life - UK equity	8	Cross Holdings	0.00%	1.0000	0.7545	(24.55)
Life Sarasin Globalsar IIID	03 - life - defensive managed fund	8	Cross Holdings	0.00%	1.0000	0.8453	(15.47)
Life Thames River Distribution	03 - life - defensive managed fund	9	Cross Holdings	0.00%	1.0000	0.9210	(7.90)
Life Thames River Global Boutiques	06 - life - overseas equity	9	Cross Holdings	0.00%	1.0000	0.9355	(6.45)
Life Aegon Global Bond Distribution	01 - life - stock market managed fund	8	Cross Holdings	0.00%	1.0000	0.8018	(19.82)
F&C GTAA Alpha	06 - life - overseas equity	0	Cross Holdings	0.00%	0.7597	0.8618	13.44
F&C Global Climate Change	06 - life - overseas equity	9	Cross Holdings	0.00%	0.7628	0.6317	(17.19)
Schroder Global Climate Change	06 - life - overseas equity	60	Multi Currency FPLAL Accumulation	1.50%	0.7893	0.6068	(23.12)
JPM Natural Resources	06 - life - overseas equity	753	Multi Currency FPLAL Accumulation	1.50%	0.7893	0.3554	(54.97)
New Star Global Financials	01 - life - stock market managed fund	11	Multi Currency FPLAL Accumulation	1.50%	0.7893	0.5439	(31.10)
Sarasin Global Sar	01 - life - stock market managed fund	73	Multi Currency FPLAL Accumulation	1.50%	0.7893	0.7797	(1.22)
DWS Global Agribusiness	06 - life - overseas equity	42	Multi Currency FPLAL Accumulation	1.75%	0.5014	0.3323	(33.73)

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

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

Total business

Financial year ended **31 December 2008**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
Schroder ISF Middle East	06 - life - overseas equity	9	Multi Currency FPLAL Accumulation	1.75%	0.5014	0.3323	(33.73)
Pioneer Global Ecology	06 - life - overseas equity	16	IRIS Accumulation	2.20%	0.7904	0.6881	(12.94)
F&C Mixed Cautious S1	03 - life - defensive managed fund	1	IRIS Accumulation	1.75%	0.7904	0.8478	7.26
C-Quadrat ARTS Best Momentum	06 - life - overseas equity	16	Cross Holdings	0.00%	0.7904	0.9668	22.32
C-Quadrat Total Return Dynamic	06 - life - overseas equity	23	Cross Holdings	0.00%	0.7904	0.9668	22.32
Global Growth Protector	03 - life - defensive managed fund	13	Cross Holdings	0.00%	0.5044	0.6261	24.15
DJE Managed Depot Ertag	01 - life - stock market managed fund	15	IRIS Accumulation	1.75%	0.7904	0.9833	24.41
DJE Managed Depot Wachstum	01 - life - stock market managed fund	70	IRIS Accumulation	1.75%	0.7904	0.9715	22.92
DJE Managed Depot Chance	01 - life - stock market managed fund	170	IRIS Accumulation	1.75%	0.7904	0.9736	23.18

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Friends Provident Life and Pensions Limited**
Subfund **21 With Profit Fund**
Financial year ended **31 December 2008**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA WP	2426491	3.00%	3.77%	4.12%
UK F51 L&GA NP	79068	2.70%	3.38%	3.98%
UK F52 L&GA	1424980	3.00%	3.77%	4.12%
UK F53 L&GA NL	4222	2.70%	3.38%	4.07%
UK F51 Pensions WP	973	3.75%	3.75%	4.12%
UK F51 Pensions WP	2012249	3.75%	3.75%	3.87%
UK F51 Pensions NP	162501	3.40%	3.40%	4.02%
UK F51 Pensions NP	2070461	4.52%	4.52%	4.65%
UK F52 Pensions	2731500	3.75%	3.75%	4.12%
UK F53 Pensions NL	42955	3.40%	3.40%	4.07%
OS F51 NP	(170)	3.40%	3.40%	4.07%
OS F52	236501	3.75%	3.75%	4.12%
Os F53 NL	398	3.40%	3.40%	4.07%
Miscellaneous UK F51 L&GA WP	19374	n/a	n/a	4.12%
Miscellaneous UK F51 L&GA NP	29762	n/a	n/a	4.07%
Miscellaneous UK F52 L&GA	1550	n/a	n/a	4.12%
Miscellaneous UK F53 L&GA NL	2727	n/a	n/a	4.07%
Miscellaneous UK F51 Pensions WP	114731	n/a	n/a	3.87%
Miscellaneous UK F51 Pensions NP	24431	n/a	n/a	3.23%
Total				

Long-term insurance business: analysis of valuation interest rate

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

Subfund **21 With Profit Fund**

Financial year ended **31 December 2008**

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
Miscellaneous UK F52 Pensions	9600	n/a	n/a	4.12%
Miscellaneous UK F53 Pensions NL	4094	n/a	n/a	4.07%
Miscellaneous Os F53 NL	220	n/a	n/a	4.07%
Total	11398618			

Long-term insurance business: analysis of valuation interest rateName of insurer **Friends Provident Life and Pensions Limited**Subfund **31 Non Profit Fund**Financial year ended **31 December 2008**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	358574	3.22%	3.91%	4.48%
UK F52 L&GA	40	3.00%	3.75%	4.30%
UK F53 L&GA NL	(101)	2.70%	3.38%	4.30%
OS F51 NP	(2336)	3.40%	3.40%	4.30%
OS F52	210	3.75%	3.75%	4.30%
OS F53 NL	(221)	3.40%	3.40%	4.30%
Miscellaneous UK F51 L&GA NP	11671	n/a	n/a	4.30%
Miscellaneous UK F52 L&GA	14	n/a	n/a	4.30%
Miscellaneous UK F53 L&GA NL	14403	n/a	n/a	4.30%
Miscellaneous UK F51 Pensions NP	3971	n/a	n/a	4.30%
Miscellaneous UK F53 Pensions NL	1201	n/a	n/a	4.30%
Miscellaneous OS F53 NL	68	n/a	n/a	4.30%
Total	387494			

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **10 Summary**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	14967983	16864157
Bonus payments in anticipation of a surplus	12	261041	263414
Transfer to non-technical account	13	12444	210995
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	15241468	17338566
Mathematical reserves	21	14973981	16752572
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	267487	585994

Composition of surplus

Balance brought forward	31	97769	187496
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	169718	398498
Total	39	267487	585994

Distribution of surplus

Bonus paid in anticipation of a surplus	41	261041	263414
Cash bonuses	42		
Reversionary bonuses	43	8010	13816
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	269051	277230
Net transfer out of fund / part of fund	47	12444	210995
Total distributed surplus (46+47)	48	281495	488225
Surplus carried forward	49	(14008)	97769
Total (48+49)	59	267487	585994

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **21 With Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	11176581	11917967
Bonus payments in anticipation of a surplus	12	261041	263414
Transfer to non-technical account	13	12444	10995
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	11450066	12192376
Mathematical reserves	21	11438328	12173908
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	11738	18468

Composition of surplus

Balance brought forward	31	(269757)	(269757)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	281495	288225
Total	39	11738	18468

Distribution of surplus

Bonus paid in anticipation of a surplus	41	261041	263414
Cash bonuses	42		
Reversionary bonuses	43	8010	13816
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	269051	277230
Net transfer out of fund / part of fund	47	12444	10995
Total distributed surplus (46+47)	48	281495	288225
Surplus carried forward	49	(269757)	(269757)
Total (48+49)	59	11738	18468

Percentage of distributed surplus allocated to policyholders

Current year	61	95.58	96.19
Current year - 1	62	96.19	96.60
Current year - 2	63	96.60	96.68
Current year - 3	64	96.68	97.11

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life and Pensions Limited**
 Total business / subfund **31 Non Profit Fund**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	3791402	4946190
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		200000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3791402	5146190
Mathematical reserves	21	3535653	4578664
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	255749	567526

Composition of surplus

Balance brought forward	31	367526	457253
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(111777)	110273
Total	39	255749	567526

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		200000
Total distributed surplus (46+47)	48		200000
Surplus carried forward	49	255749	367526
Total (48+49)	59	255749	567526

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **41 Friends Provident Life and Pensions Limited**
 Date of maturity value / open market option **01 March 2009**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6219	530		UWP	N	6219
Endowment assurance	15	11323			CWP	N	13885
Endowment assurance	20	17250	1309		CWP	N	24000
Endowment assurance	25	27474	663		CWP	N	36050
Regular premium pension	5	12888	564		UWP	N	12888
Regular premium pension	10	24585			UWP	N	24585
Regular premium pension	15	48101			UWP	N	48101
Regular premium pension	20	82318			CWP	N	82318
Single premium pension	5	12321	1786		UWP	N	12321
Single premium pension	10	12882			UWP	N	12882
Single premium pension	15	22349			UWP	N	22349
Single premium pension	20	39166			CWP	N	39166

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **41 Friends Provident Life and Pensions Limited**
 Date of surrender value **01 March 2009**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	2097			UWP	Y	26596.99
Endowment assurance	10	5020.71			UWP	Y	34756.59
Endowment assurance	15	9273			CWP	N	33562
Endowment assurance	20	15746			CWP	N	38281
With-profits bond	2	9090		664	UWP	Y	10342
With-profits bond	3	9917			UWP	Y	10402
With-profits bond	5	12265	1782		UWP	Y	12370
With-profits bond	10	11706		747	UWP	Y	12578
Single premium pension	2	10225			UWP	Y	10225
Single premium pension	3	10320			UWP	Y	10320
Single premium pension	5	12334	1790		UWP	Y	12334
Single premium pension	10	11347		1529	UWP	Y	12877

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **42 London and Manchester**
 Date of maturity value / open market option **01 March 2009**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	10542	1569		UWP	N	10542
Endowment assurance	20	23490	4698		CWP	N	23490
Endowment assurance	25	43909	12206		CWP	N	43909
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	25660	1779		UWP	N	25660
Regular premium pension	15	45507	5635		UWP	N	45507
Regular premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	24090	6883		UWP	N	24090
Single premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **42 London and Manchester**
 Date of surrender value **01 March 2009**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	10227	1475		UWP	Y	12891
Endowment assurance	20	21628			CWP	N	30202
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **43 UK Provident**
 Date of maturity value / open market option **01 March 2009**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	25	27465	1561		CWP	N	27465
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A

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

Name of insurer **Friends Provident Life and Pensions Limited**
 Original insurer **43 UK Provident**
 Date of surrender value **01 March 2009**

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

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

Global business

Financial year ended **31 December 2008**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%			0.57		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	20942866	11960947		35883	50887
Classes III, VII and VIII	15	0.3%	2356535	2353493	1.00	7060	8238
Total	16		23299401	14314440		42943	59125

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	11973408	11465740	0.96	114657	121250
Classes III, VII and VIII (investment risk)	33	1%	192976	96077	0.85	1640	1779
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	121477		0.85	1033	1301
Classes III, VII and VIII (other)	35	25%				4519	3939
Class IV (other)	36	1%	291321	257446	0.88	2574	2183
Class V	37	1%					
Class VI	38	1%					
Total	39					124423	130452

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	970	970			
Classes I (other), II and IX	42	3%	11973408	11465740	0.96	343972	363751
Classes III, VII and VIII (investment risk)	43	3%	192976	96077	0.85	4921	5337
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	121477				
Classes III, VII and VIII (other)	45	0%	6979549	3161759			
Class IV (other)	46	3%	291321	257446	0.88	7723	6550
Class V	47	0%					
Class VI	48	3%					
Total	49		19559700	14981991		356616	375637

Long term insurance capital requirement	51					532488	573719
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ABSTRACT OF VALUATION REPORT ACCORDING TO APPENDIX 9.4 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS.

1. Introduction

- (1) The investigation relates to 31st December 2008.
- (2) The previous investigation related to 31st December 2007.
- (3) Not applicable.

2. Product Range

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

Changes to Existing Products

No changes were made to any of the in-force policies except for updating policy charges subject to indexed increases.

Products Withdrawn

The following products were withdrawn in 2008:

- Pension Investment Bond (PIB) – Product closed to new business and increments (15/09/08) following a notice period for pipeline business.
- Retirement Investment Bond – Product closed to new business (19/12/08). Increments linked to non-FP SIPP also closed from this date.
- Minimum Contribution Plan – This plan was closed at the end of 2008. New contracting out will be facilitated via individual stakeholder plans for new future entrants (31/12/08).
- Friends Guaranteed Bond (February 2008)
- Individual Savings Account (March 2008)
- Investment Portfolio Bond (June 2008)
- Income Distribution Bond (June 2008)
- Discounted Gift Bond (June 2008)
- Versatile Investment Plan (June 2008)

3. Discretionary Charges and Benefits

- (1) Market value reduction (MVR) factors have applied during periods of 2008 to unitised with-profits contracts. MVR's have applied to certain policy years of entry, with the maximum rates being as follows:

Unitised With-Profits - Pensions

Period	Max MVR	Type of policies	Policy years of entry
31/12/2007 to 20/10/2008	No MVR applying		
21/10/2008 to 31/12/2008	14%	Single Premium Policies Regular Premium Policies	1987 to 2008 inclusive

Unitised With-Profits - Life

Period	Max MVR	Type of policies	Policy years of entry
31/12/2007 to 20/10/2008	No MVR applying		
21/10/2008 to 31/12/2008	9%	Single Premium Policies	1987 to 2008 inclusive

Unitised With-Profits - OLAB

Period	Max MVR	Type of policies	Policy years of entry
31/12/2007 to 20/10/2008	No MVR applying		
21/10/2008 to 31/12/2008	13%	Single Premium Policies Regular Premium Policies	1987 to 2008 inclusive

- (2) There have been no changes to premiums on reviewable protection policies during the year.
- (3) Not applicable.
- (4) Policy fees for certain products are linked to RPI; the charges in 2008 were 4.20% greater than in 2007. The relevant business is:

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

Policy fees for certain products are linked to National Average Earnings; the charges for 2008 were 4.20% greater than in 2007. The relevant business is:

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

Policy fees for the Universal Pension Account are subject to discretionary increases; the charges in 2008 were 4.20% greater than in 2007.

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

(a) Description of methods

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

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

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

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

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

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

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

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

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

- (9) For each internal linked fund the provision for tax on realised and unrealised capital gains is determined daily by adjusting the previous day's provision by a percentage of the chargeable gain or loss over the previous day. The percentage is regularly reviewed and where necessary adjusted to reflect the actual liability for tax on realised and unrealised gains, where the liability for unrealised gains is calculated as the capital gains tax liability that would be incurred if all assets were sold at the valuation date.

During 2008 the percentage was applied in order to achieve tax provisions on gains as follows:

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

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

4. Valuation Basis (Other Than for Special Reserves)

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

(1) Valuation Methods Used

(a) General Method

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

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

(b) General Principles

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

(c) Conservative Approximations

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

(d) Non Standard Methods

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

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

taken as one year's office premium and for increasing family income benefits as one and a half years' office premium. The reserves for risk premium reassurances ceded are taken as zero.

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

(2) Valuation Interest Rates

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

	31.12.2008				31.12.2007			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Annuities in possession (Pre-July 2001)	3.6	4.33	4.52		3.8	4.45	4.75	
Annuities in possession (Post-July 2001)	3.6	4.33	4.33		3.8	4.45	4.45	
Other non profit business	2.7	3.4	3.4	3.4	3.1	3.9	3.9	3.8
With profits deferred annuities								
in deferment	3.0		3.75		3.2		4.0	
in possession	3.0		3.75		3.2		4.0	
Other conventional with profits business	3.0		3.75		3.2		4.0	
Unitised with profits	3.0	3.75	3.75		3.2	4.0	4.0	

Interest rates assumed for policies where negative reserves are permitted:

	31.12.2008				31.12.2007			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Low rate	2.2	2.9	2.9	2.9	2.6	3.4	3.4	3.3
High rate	4.7	4.7	4.7	4.7	5.6	5.6	5.6	5.6

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

The FSA, on the application of the firm, made a direction in December 2008 under section 148 of the Act. The effect of the direction is to modify INSPRU 3.1.46R so that risk-adjusted yield assumed for the investment or reinvestment of sums denominated in sterling for the firm's with profits business must be no more than the greater of (i) the forward gilt yield and (ii) the forward rate on sterling interest rate swaps as reduced by that part

of the rate that represents compensation for credit risk. However, no use has been made of this waiver in deriving the valuation interest rates.

(3) Adjustment of 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) Corporate bonds have yields adjusted so that they exceed the yield on equivalent British Government securities by no more than the lower of 2.5% per annum and 50% of the difference between the yields on corporate bonds and those on equivalent British Government securities.
- (c) In compliance with INSPRU 3.1.37R, the running yield on equities is calculated as the greater of the dividend yield and the average of the dividend yield and the earnings yield. This yield and the yield on property have been adjusted by 10% for the risk of reduced dividend yield, earnings yield and rental yield, and further capped at the long-term gilt yield plus 2%p.a.

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

	31.12.2008		31.12.2007	
	Male	Female	Male	Female
All lives except as noted below	120% AMC00	120% AFC00	80% AM80	80% AF80
Linked Business				
- Life (Regular Premium)	130% AMC00	130% AFC00	80% AM80	80% AF80
- Other	110% AMC00	110% AFC00	80% AM80	80% AF80
Regular Premium Income Protection				
- Lives not claiming	60% AM80	60% AF80	60% AM80	60% AF80
- Lives claiming	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives
Term assurances paying death benefits only				
- Smokers	93% TMS00(5)	88% TFS00(5)	126% TM92(5)	116% TF92(5)
- Non-Smokers	93% TMN00(5)	86% TFN00(5)	58% TM92(5)	63% TF92(5)
- Non-Differentiated ⁽¹⁾	105% TMN00(5)	105% TFN00(5)	69% TM92(5)	126% TF92(5)
Deferred annuities				
- in deferment	65% AMC00	55% AFC00	35% AM80	35% AF80
- with profits pensions annuity options on vesting (individual)	83-94% RMV00	87-94% RFV00	83-94% RMV00	87-94% RFV00
- with profits pensions annuity options on vesting (executive pensions)	81-94% PCMA00	90-94% PCFA00	81-94% PCMA00	90-94% PCFA00
- non profit pension annuity options on vesting (individual)	80% RMV92 c2025	80% RFV92 c2025	80% RMV92 c2025	80% RFV92 c2025
- other annuity options on vesting (group)	95% PMA92 c2025	95% PFA92 c2025	95% PMA92 c2025	95% PFA92 c2025
Annuities in possession- individual contracts				
- Life business	95% IM92 U2005 Ultimate	95% IF92 U2005 Ultimate	95% IM92 U2005 Ultimate	95% IF92 U2005 Ultimate
- Pension business (Pre-July 2001)	83-94% RMV00	87-94% RFV00	83-94% RMV00	87-94% RFV00
- Pension business (Post-July 2001)	56-94% RMV00	58-94% RFV00	56-94% RMV00	58-94% RFV00
Annuities in possession - group contracts				
- Pension business (Pre-July 2001)	81-94% PCMA00	90-94% PCFA00	81-94% PCMA00	90-94% PCFA00

- Pension business (Post-July 2001)	67-94% PCMA00	75-94% PCFA00	67-94% PCMA00	75-94% PCFA00
With-profit Business – Life Fund				
- Assurances	120% AMC00 Ultimate	120% AFC00 Ultimate	80% AM80	80% AF80
With-profit Business – Annuity Fund				
- Individual deferred annuity (in deferment)	65% AMC00 Ultimate	55% AFC00 Ultimate	35% AM80 Ultimate	35% AF80 Ultimate
- Individual deferred annuity (in possession)	95% IM92 c2025 Ultimate	95% IF92 c2025 Ultimate	95% IM92 c2025 Ultimate	95% IF92 c2025 Ultimate
With-profit Business – Pension Fund				
- Individual deferred annuity (in deferment)	65% AMC00 Ultimate	55% AFC00 Ultimate	35% AM80 Ultimate	35% AF80 Ultimate
- Individual deferred annuity (in possession)	83-94% RMV00	87-94% RFV00	83-94% RMV00	87-94% RFV00
- Scheme deferred annuity (in deferment)	65% AMC00 Ultimate	55% AFC00 Ultimate	35% AM80 Ultimate	35% AF80 Ultimate
- Scheme deferred annuity (in possession)	81-94% PCMA00	90-94% PCFA00	81-94% PCMA00	90-94% PCFA00
- Term assurance	105% TMN00 (5)	105% TFN00 (5)	75% TM92	80% TF92

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

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

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

Deferred annuities – With profits pensions annuity options on vesting (individual)
Modified RMV00/RFV00

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	26.72	28.30	26.63	28.14
55	65	25.30	27.22	25.20	27.05
65	65	23.86	26.14	23.76	25.96
75	75	14.96	16.61	14.87	16.44

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

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	26.65	27.37	26.55	27.30
55	65	25.16	26.22	25.05	26.14
65	65	23.65	25.06	23.55	24.98
75	75	14.65	15.85	14.55	15.77

Deferred annuities - Non profit pension annuity options on vesting (individual)
RMV92/RFV92 C2025

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	22.86	25.41	22.86	25.41
55	65	22.86	25.41	22.86	25.41
65	65	22.86	25.41	22.86	25.41
75	75	14.82	16.70	14.82	16.70

Deferred annuities - Other annuity options on vesting (group)
PMA92/PFA92 C2025

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	20.58	23.55	20.58	23.55
55	65	20.58	23.55	20.58	23.55
65	65	20.58	23.55	20.58	23.55
75	75	12.44	15.15	12.44	15.15

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

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	19.49	22.69	19.49	22.69
55	65	19.49	22.69	19.49	22.69
65	65	19.49	22.69	19.49	22.69
75	75	12.00	13.99	12.00	13.99

Annuities in possession - individual contracts - pension business (Post-July 2001)
 Modified RMV00/RFV00

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	27.77	29.08	27.69	28.94
55	65	26.43	28.05	26.34	27.90
65	65	25.08	27.03	24.99	26.87
75	75	15.59	17.13	15.50	16.98

Annuities in possession - group contracts - pension business (Post-July 2001)
 Modified PCMA00/PCFA00

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	27.19	27.88	27.10	27.81
55	65	25.73	26.75	25.63	26.68
65	65	24.27	25.63	24.17	25.55
75	75	14.99	16.19	14.89	16.11

Modifications to standard tables for the 31.12.2008 valuation are based on CMI Working Paper 1 entitled "An interim basis for adjusting the '92' series mortality projections for cohort effects", allowance is made for future improvement using percentages of the average of the Medium Cohort and Long Cohort, with a minimum annual rate of improvement of 1.5%pa for males and 1.25%pa for females (as in 2007). The percentages are 100% for males and 75% for females for both 2007 and 2008.

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

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

	31.12.2008	31.12.2007
Males Smokers	53%	53%
Males Non-smokers	46%	46%
Males Unclassified	48%	48%
Females Smokers	122%	122%
Females Non-smokers	106%	106%
Females Unclassified	111%	111%

The recovery rates have been adjusted by the following proportions:

Policy Year	31.12.2008	31.12.2007
1	32%	32%
2	59%	59%
3-5	68%	68%
6+	41%	41%

(b) The valuation of single premium Income Protection claims in payment (both in 2008 and 2007 valuations) are assumed to have 40% of the ultimate recovery rates and 40% of the mortality rates for sick lives, published in CMI Report No. 12.

(c) The mortality and morbidity tables for critical illness used in the 2008 valuation are as follows:

	31.12.2008		31.12.2007	
	Male	Female	Male	Female
Accelerated Critical Illness Mortality				
- Smokers	89% CIBT02 (2) mort	111% CIBT02 (2) mort	89% CIBT02 mort	111% CIBT02 mort
- Non-Smokers	45% CIBT02 (2) mort	51% CIBT02 (2) mort	45% CIBT02 mort	51% CIBT02 mort
Standalone Critical Illness Morbidity				
- Smokers	87% CIBT02 (2)	89% CIBT02 (2)	87% CIBT02	89% CIBT02
- Non-Smokers	51% CIBT02 (2)	64% CIBT02 (2)	51% CIBT02	64% CIBT02

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

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

<u>Per annum deterioration factors (no maximum values)</u>	
Males	1.25%
Females	1.50%

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

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

(6) Expense Bases

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

Tax relief in the life fund is assumed to be:

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

With-Profit Fund

Class		31.12.2008				31.12.2007			
		Zillmer adj. % SA	Annual Expense £	Investment Expense %	% of Premium	Zillmer adj. % SA	Annual Expense £	Investment Expense %	% of Premium
CWP Savings endowment (120)	Premium Paying		25.54	0.122			21.01	0.104	
	Otherwise	N/a	17.88	0.122	0	N/a	14.71	0.104	0
CWP target cash endowment (125)	Premium Paying		25.54	0.122			21.01	0.104	
	Otherwise	N/a	17.88	0.122	0	N/a	14.71	0.104	0
CWP pensions (155 / 165)	Premium Paying		30.64	0.122			25.22	0.104	
	Otherwise	N/a	22.98	0.122	0	N/a	18.90	0.104	0
Term Assurance (325 / 330)	Premium Paying		20.43	0.122			16.81	0.104	
	Otherwise	N/a	15.32	0.122	0	N/a	12.60	0.104	0
Critical illness (340 / 345 / 350 / 355)	Premium Paying		20.43	0.122			16.81	0.104	
	Otherwise	N/a	15.32	0.122	0	N/a	12.60	0.104	0
Annuity (400)	All	N/a	20.43	0.059	0	N/a	16.81	0.050	0
UWP bond (500)	All	N/a	27.22	0.118	0	N/a	22.23	0.1	0
UWP savings endowment (510)	Premium Paying		33.28	0.118			30.81	0.1	
	Otherwise	N/a	27.22	0.118	0	N/a	22.23	0.1	0
UWP target cash endowment (515)	Premium Paying		33.28	0.118			30.81	0.1	
	Otherwise	N/a	27.22	0.118	0	N/a	22.23	0.1	0
UWP regular premium pension (525 / 545)	Premium Paying		41.86	0.118			35.08	0.1	
	Otherwise	N/a	33.49	0.118	0	N/a	27.97	0.1	0
UWP single premium pension (525 /545)	All	N/a	32.01	0.118	0	N/a	26.16	0.1	0
UWP group regular premium pension (535)	Premium Paying		65.47	0.118			53.90	0.1	
	Otherwise	N/a	50.92	0.118	0	N/a	41.91	0.1	0
UWP group single premium pension (535)	All	N/a	46.68	0.118	0	N/a	36.96	0.1	0
UL bond (700)	All	N/a	23.17	0.118	0	N/a	22.23	0.1	0
UL savings endowment (715)	Premium Paying		32.11	0.304			30.81	0.259	
	Otherwise	N/a	23.17	0.304	0	N/a	22.23	0.259	0
UL target cash endowment (720)	Premium Paying		32.11	0.304			30.81	0.259	
	Otherwise	N/a	23.17	0.304	0	N/a	22.23	0.259	0
UL regular premium pension (725)	Premium Paying		36.56	0.304			35.08	0.259	
	Otherwise	N/a	29.14	0.304	0	N/a	27.97	0.259	0
UL single premium pension (725)	All	N/a	27.27	0.304	0	N/a	26.16	0.259	0
UL group regular premium pension (735)	Premium Paying		19.56	0.304			18.77	0.259	
	Otherwise	N/a	14.62	0.304	0	N/a	14.03	0.259	0
UL group single premium pension (735)	All	N/a	13.34	0.118	0	N/a	12.80	0.1	0

Non-Profit Fund

Class		31.12.2008				31.12.2007			
		Zillmer adj. % SA	Annual Expense £	Investment Expense %	% of Premium	Zillmer adj. % SA	Annual Expense £	Investment Expense %	% of Premium
Term Assurance (325 / 330)	Premium Paying		20.43	0.122			27.75	0.104	
	Otherwise	N/a	15.32	0.122	0	N/a	20.81	0.104	0
Critical illness (340 / 345 / 350 / 355)	Premium Paying		20.43	0.122			27.75	0.104	
	Otherwise	N/a	15.32	0.122	0	N/a	20.81	0.104	0
Income Protection (360 / 365)	All	N/a	25.54	0.122	0	N/a	34.69	0.104	0
Income Protection Claims in Payment (385)	All	N/a	N/a	N/a	8% of claims	N/a	N/a	N/a	8% of claims
Annuity (400)	All	N/a	20.43	0.059	0	N/a	27.75	0.05	0
UWP bond (500)	All	N/a	27.22	0.118	0	N/a	12.07	0.1	0
UWP savings endowment (510)	Premium Paying		33.28	0.118			15.58	0.1	
	Otherwise	N/a	27.22	0.118	0	N/a	12.07	0.1	0
UWP target cash endowment (515)	Premium Paying		33.28	0.118			15.58	0.1	
	Otherwise	N/a	27.22	0.118	0	N/a	12.07	0.1	0
UWP regular premium pension (525 / 545)	Premium Paying		41.86	0.118			21.75	0.1	
	Otherwise	N/a	33.49	0.118	0	N/a	17.38	0.1	0
UWP single premium pension (525 / 545)	All	N/a	32.01	0.118	0	N/a	14.67	0.1	0
UWP group regular premium pension (535)	Premium Paying		26.34	0.118			12.81	0.1	
	Otherwise	N/a	19.75	0.118	0	N/a	9.61	0.1	0
UWP group single premium pension (535)	All	N/a	15.50	0.118	0	N/a	7.31	0.1	0
UL bond (700)	All	N/a	12.37	0.118	0	N/a	12.07	0.1	0
UL savings endowment (715)	Premium Paying		21.65	0.304			21.31	0.259	
	Otherwise	N/a	17.30	0.304	0	N/a	16.92	0.259	0
UL target cash endowment (720)	Premium Paying		16.03	0.129			15.58	0.11	
	Otherwise	N/a	12.37	0.129	0	N/a	12.07	0.11	0
UL regular premium pension (725)	Premium Paying		12.44	0.118			12.81	0.1	
	Otherwise	N/a	9.36	0.118	0	N/a	9.61	0.1	0
UL single premium pension (725)	All	N/a	7.49	0.118	0	N/a	7.31	0.1	0
UL group regular premium pension (735)	Premium Paying		12.44	0.118			12.81	0.1	
	Otherwise	N/a	9.36	0.118	0	N/a	9.61	0.1	0
UL group single premium pension (735)	All	N/a	7.49	0.118	0	N/a	7.31	0.1	0

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

In addition to these per-policy expenses there is an investment expense assumption varying by sub-fund, issue date, and product type. The difference in per-policy expenses between funds also reflects a difference in product mix.

- (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:

	31.12.2008			31.12.2007		
	Unit Growth % p.a.		Expense Inflation % p.a.	Unit Growth % p.a.		Expense Inflation % p.a.
	Gross	Net		Gross	Net	
Conventional Non Profit Ex- FPLMA	N/a	N/a	3.0	N/a	N/a	3.9
Conventional Non Profit Other	N/a	N/a	3.7	N/a	N/a	4.5
Conventional With-Profit Ex- FPLMA	N/a	N/a	3.0	N/a	N/a	3.9
Conventional With-Profit Other	N/a	N/a	3.7	N/a	N/a	4.5
Unitised	3.4	2.7	3.7	3.9	3.1	4.5

For policies with explicit policy charges, these charges increase in line with RPI or National Average Earnings Index. We have assumed that future RPI is 2.7% p.a., and that future NAE is 1% higher at 3.7% p.a.

- (8) The future bonus rates used in valuing with profits business are the minimum guaranteed bonus rates. These are zero except as follows:

Unitised With Profits policies

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

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

Product		Average lapse / surrender / paid-up rate for policy years			
		1-5	6-10	11-15	16-20
		% p.a.	% p.a.	% p.a.	% p.a.
Level term – low rate	Lapse	8.4	5.8	3.9	3.9
Level term – high rate	Lapse	15.6	10.7	7.2	7.2
Decreasing term – low rate	Lapse	6.1	6.6	4.9	4.9
Decreasing term – high rate	Lapse	11.3	12.2	9.1	9.1
Accelerated critical illness – low rate	Lapse	8.4	5.8	3.9	3.9
Accelerated critical illness – high rate	Lapse	15.6	10.7	7.2	7.2
Income protection – low rate	Lapse	7.4	6.2	4.6	4.6
Income protection – high rate	Lapse	13.8	11.6	8.5	8.5
UWP bond	Surrender	N/a	N/a	N/a	N/a
UWP bond	Partial Surrender	5.0	5.0	5.0	5.0
UWP Individual Pension	PUP	16.1	7.3	5.2	5.2
UL bond	Surrender	N/a	N/a	N/a	N/a
UL bond	Partial Surrender	5.0	5.0	5.0	5.0
UL Individual Pension	PUP	16.1	7.3	5.2	5.2
UL Group Pension	PUP	21.3	15.6	15.6	15.6

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

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

(10) There are no other material assumptions.

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

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

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

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

5. Options and guarantees

(1) Guaranteed Annuity Rate Options

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

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

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

Product Name (i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Rate (v)	Increments allowed (vi)	Annuity Form (vii)	Retirement Ages (viii)		
Self Employed Deferred Annuities	1,486	Up to 22 years	630	FP: 11.6%	No	Single Life; annual in arrears, no guarantee	FP: 60-70 UKP: 60 – 75		
				UKP: 12.2%					
Group Deferred Annuities (other than EBP and PTP below)				10.0%				Single life, monthly in advance, guaranteed 5 years	50-75
Executive Benefit Plan and Pension Transfer Plan				10.0%				Single life, monthly in advance, guaranteed 5 years	Only applies at specified NRD
UKP IPP				11.1%				Single life, monthly in advance, guaranteed 5 years	Applies at specified NRD or on similar terms for early retirement
FPLMA Retirement Annuity Contracts				10.8%	No	Single Life, annual in arrears, no guarantee	60-75		

(2) Guaranteed Surrender and unit-linked maturity values

- (a) For contracts with guaranteed surrender values, the calculated reserve is increased to the guaranteed surrender value if greater. There are no significant unit-linked maturity guarantees.
- (b) A table showing details is given below:

Product Name (i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Amount (v)	MVA free conditions (vi)	In-force Premiums (vii) £m	Increments (viii)
Friends Flexible Savings Plan	131	Up to 22 years	12	Scheduled proportion of the maturity benefit (including declared bonuses).	n/a	3.4	No
Multidowment and 10/25 Savings Plan		Up to 2 years		Scheduled proportion of the maturity benefit (including declared bonuses).	n/a		No
Planned Investment and Planned Investment Plus		Up to 2 years		Scheduled proportion of the maturity benefit (including declared bonuses).	n/a		No

(3) Guaranteed Insurability Options

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

(4) Other Guarantees and Options

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

6. Expense reserves

- (1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £84.6m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below.

Homogeneous Risk Group	Implicit allowances £m	Explicit allowance (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Unitised Life (Post July 2001)		0.5	0.5	0.3	1.3
Unitised Overseas (Post July 2001)		0.1	0.5	0.3	0.8
Unitised Life (Pre July 2001)		2.6	3.5		6.1
Unitised Pensions (Pre July 2001)		6.7	9.2		15.9
All Expenses Attributable	1.3	12.3	46.9		60.4
Total	1.3	22.2	60.5	0.6	84.6

- (2) The implicit expense allowance relates to Group Income Protection business where a proportion of premium is held for the first three years and claims reserves thereafter. The allowances are covered from margins in the reserving basis.
- (3) The maintenance expenses in line 14 of Form 43 are £101.2m.

Line 14 includes £7.0m in respect of expenses related to purchase of investments; £5.8m from with-profits business, £1m relating to linked funds and £0.2m relating to surplus assets. For with-profits business, given the discretionary nature of such expenses and a declining fund, these are not provided for in the allowances set out in 6(1) above. The transaction costs in linked funds are charged directly to those funds and therefore offset by equal reductions in the unit liability; hence no additional reserves are held.

Line 14 also includes £9.7m of expenses that are not expected to recur in future years, mainly project costs related to cost saving initiatives implemented in 2008.

Only small amounts of new business are written in FPLP and the existing business is running off such that a one-year projection of allowances will not necessarily cover the prior year's expenses.

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

- (4) The value of profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is required.
- (5) Actual expenses and commission have been estimated for 2009 if the Company ceased to transact new business on 1st January 2009. Estimated expenses in 2009, on this basis, are less than the loadings expected from in-force business in 2009 and therefore no additional reserve is 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 liabilities for property-linked benefits) for the With-Profits Fund, together with value of assets matching those liabilities, are analysed below by reference to currency.

Currency	Value of liabilities (£m)	Value of assets (£m)
Sterling	11,438	11,649
Euro	0	300
Dollar	0	428
Australian Dollar	0	72
Yen	0	78
Korean Won	0	37
Swiss Franc	0	27
Other	0	238
Total	11,438	12,827

The value of mathematical reserves (other than reserves for property-linked benefits) for the Non-Profit Fund was £387m denominated entirely in sterling, and this was wholly matched by sterling-denominated assets.

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

8. Other special reserves

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

- (1) An additional expense reserve of £47m.
- (2) A reserve is held in respect of IBNR on Income Protection of £10.2m. This has been estimated based on the average delay in reporting claims and the average value of a claim.

9. Reinsurance

- (1) No premiums for reinsurance ceded on a facultative basis were paid during 2008 to reinsurers who are not authorised to carry on insurance business in the United Kingdom.
- (2) (a), (b) & (c) The reinsurance treaties meeting the stated conditions are described in the table below, except as detailed here.
 - (d) The name of the reinsurer is quoted in the table.
 - (e) The nature and extent of cover is quoted in the table.
 - (f) The premiums paid in 2008 are quoted in the table.
 - (g) There were no deposit back arrangements.
 - (h) Availability to new business is quoted in the table.
 - (i) There are no undischarged obligations of the insurer.
 - (j) The mathematical reserves ceded under the treaty are quoted in the table. Apart from any reserves ceded internally, these have been reduced to allow for credit risk.
 - (k) Retentions on new business are quoted in the table.
 - (l) All reinsurers quoted in the table are authorised to carry on insurance business in the UK.
 - (m) Connections of any reinsurer to the Company are quoted in the table.
 - (n) Apart from any reserves ceded internally the mathematical reserves shown in the table have been reduced by £4.7m to allow for credit risk.
 - (o) No provision has been made for the Company's liability to refund reinsurance commission in the event of lapse or surrender of the contracts reinsured. This is because the premiums recoverable will exceed any commission refundable.
 - (p) None of the treaties are financing arrangements.

9. Reassurance Treaty Information (Sections a,b,c,g,i,l,n,o and p covered above)						
(d) Reinsurer	(e) Nature and extent of cover under the treaty	(f) Premiums payable	(h) New business	(j) Mathematical reserves	(k) Retention for new policies	(m) Connected Company
Swiss Re Life & Health Ltd	2 nd surplus reinsurance for £1.5m for conventional life and pensions business and for all unitised business on risk premium or original terms.	£623,158	Closed	£2m	N/A	Not connected
	1 st surplus reinsurance for Individual Income Protection for £33,000p.a.		Closed			
	1 st surplus reinsurance for Individual Income Protection for £300p.w. up to a maximum sum assured of £40,000p.a.		Closed			
	Quota share reinsurance for non-linked life business for 65% up to a maximum retention of £50,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect July 2005 percentage reassured changed from 65% to 75%.		Open		The greater of £60,000 p.a. and the policy's free cover limit.	
	1st surplus reinsurance for Group Income Protection in excess of the greater of £60,000 p.a. and the policy's free cover limit up to a limit of £300,000 p.a.	£19,569,994	Closed	£32m	N/A	Not connected
	1 st surplus reinsurance for Individual Income Protection for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). Max retention £125,000 p.a. D4 included and benefit increased to £2,700 p.w. with effect 26/1/2007.		Closed			
	1 st surplus reinsurance for Executive Income Protection for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business). Max retention £125,000 p.a. plus £50,000 for NI and pension contributions.		Closed			
Quota share reinsurance for Term Assurance Life and Critical Illness and Stand Alone Critical Illness for 80% up to £625,000, 100% above £625,000 to a maximum of £1m. (With effect from 9 th December 2002, 75% up to £500,000, 100% above £500,000 to a maximum of £1m.) Original terms and risk premium.				N/A		
Friends Provident Pensions Ltd	All Main Series investment benefits under pension business internal linked funds. All investment benefits under specific pensions plans; Peace and Quiet, Secure Growth Personal Retirement Plan, Blueprint and Individual Retirement Plans for the Self Made Man and Executive Director.	£269,732,500	Closed	£3,115m	N/A	Wholly Owned Subsidiary

	All pension business written in the Non-Profit Fund prior to 31 December 2001.	£69,361,550	Closed	£921m	N/A	
	Deferred and in-payment annuities under Investment Trust Retirement Annuity plans on original terms.	Nil	Closed	£23m	N/A	
Friends Provident Life Assurance Ltd	All liabilities for benefits relating to the value of Property Fund units.	£(176,544,696)	Open	£312m	Nil	Wholly Owned Subsidiary
	50% Quota share on benefits after other reinsurance and 100% expenses on original terms. This applies to all Non-Linked Life, General Annuities & Income Protection business written since January 2003 except Overseas (Guernsey) business.	£17,626,437	Closed	£3m	N/A	
Friends Provident Reinsurance Services Ltd	Outstanding liabilities under Non-profit unit-linked and unitised with-profits life and pensions transferred from FPLO to the with-profits fund of FPLP at demutualisation.	£2,496,978	Closed	£125m	N/A	Wholly Owned Subsidiary
Munich Reinsurance Co	1 st surplus reinsurance for £2m for Individual Life (excluding commodity term assurance and Milestones Term Assurance) and Group Life. 1 st surplus reinsurance for £375,000 for critical illness and permanent disability benefits.	£15,752,848	Closed	£44m	N/A	Not connected
	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £2m, 100% above £2m to a maximum sum reinsured of £2m.				N/A	
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.		Closed		N/A	
	1 st surplus reinsurance for Group Income Protection for £200,000 per annum.		Closed		N/A	

10. Reversionary bonus

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

Name of bonus series	Amount of mathematical reserves £m	Reversionary bonus rate for the		Guaranteed bonus rate for the year %
		Current year %	Preceding year %	
<u>Main series – Life policies</u>				
Conventional Life Fund policies	2,221	Nil / 0.25	Nil / 0.25	0.00 / 0.00
<u>Unitised With-Profits Funds</u>				
Series 1,21	449	3.00	3.00	3.00
Series 2,3,4,6 and inward reinsurance	789	0.75	0.75	0.00
Series 9,10,11,22,23,24,26 and inward reinsurance	20	1.00	1.00	0.00
Series 5	12	0.25	0.25	0.00
Series 8, 25	6	0.50	0.50	0.00
Series 14	72	1.25	1.25	0.00
<u>Main series – Pension Fund</u>				
<u>Conventional Policies</u>				
Individual Plans	634	Nil/Nil	Nil/Nil	0.00
Group Cashable annuities	381	4.00 / 4.00	2.50 / 2.50	0.00
Executive Benefit Scheme				
Cashable annuities	315	Nil / Nil	Nil/ Nil	0.00
<u>Unitised With-Profits Funds</u>				
Series 1	1,471	4.00	4.00	4.00
Series 2,4	411	1.00	1.00	0.00

Series 9,10,22,24	55	1.25	1.25	0.00
Series 21	166	1.25	1.25	0.00
Series C	14	0.00	0.00	0
Demutualisation Terminal Bonus	61	1.90	1.00	0.00
New Generation / Stakeholder	283	2.15	1.90	Not less than amc
<u>Main Series - OLAB Policies</u>				
<u>Unitised With-Profits Funds</u>				
Series 1,2	226	1.00	1.00	0.00
Series 3,4,21,22	2	1.25	1.25	0.00
Series 5	8	1.75	1.75	0.00
<u>UKP Series – Life and General Annuity Policies</u>				
All conventional policies	180	0.10 / 0.10	0.10 / 0.10	0.00
<u>UKP Series – Individual and Group Deferred Annuities</u>				
Conventional With-Profits policies	797	Nil / Nil	Nil / Nil	0.00
<u>Ex-FPLMA Policies – Life Assurance Policies</u>				
All conventional policies	45	0.50 / 0.50	0.50 / 0.50	0.00
Unitised With-Profits Funds	74	1.75	1.75	0.00
<u>Ex-FPLMA Policies – Individual and Group Deferred Annuities</u>				
Unitised With-Profits Funds	258	2.00	2.00	0.00

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

Introduction

1. The history of Friends Provident Life and Pensions Limited (FPLP) is described in the introduction to the abstract of the Valuation Report prepared under Appendix 9.4. The With Profits Fund comprises business written in the Main Series and the UKP Series of Friends Provident Life Office (FPLO) together with business written in Friends Provident London and Manchester Assurance (FPLMA) prior to its transfer in 2000. It also includes asset shares in respect of all the reassured with profits business of Friends Provident Pensions Limited (FPP) and the reassured UWP business of Friends Provident Life Assurance Limited (FPLAL).
 - (1) The investigation relates to 31 December 2008.
 - (2) The previous investigation related to 31 December 2007.
 - (3) An interim valuation was carried out at 30 June 2008.

Assets

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

	31 December 2008 (% pa)	31 December 2007 (% pa)
Risk Discount Rate	3.7	4.6
Investment returns before tax (All assets)	3.7	4.6
Future expense inflation	3.7	4.5
Corporation tax rate	28	28

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

With-Profits Benefits Reserve Liabilities

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

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

Product Type	With Profit Benefit Reserves		Future Policy Related Liabilities £m
	Prospective £m	Retrospective £m	
Conventional Whole of Life Pre-demutualisation	181	4	21
Conventional Savings Pre-demutualisation	120	2,423	95
Conventional Pension Pre-demutualisation	294	848	781
Unitised With Profit Savings Pre-demutualisation	0	861	46
Unitised With Profit Bonds Pre-demutualisation	0	814	12
Unitised With Profit Pensions Pre-demutualisation	0	2,250	303
Unitised With Profit Bonds Post-demutualisation	0	114	5
Unitised With Profit Savings Post-demutualisation	0	105	5
Unitised With Profit Pensions Post-demutualisation	0	208	18
Total	596	7,628	1,287

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

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

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

Description	Amount (£m)
Total Future Policy Related Liabilities from 3 (1) (b)	1,287
Future costs of smoothing	-41
Financing cost of contingent loan	49
Operational risk provision	22
Additional tax provision	16
Other	8
Total Future Policy Related Liabilities	1,341
Line 49 of Form 19: Total Future Policy Related Liabilities	1,341

With Profits Benefits Reserve – Retrospective Method

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

Retrospective Reserves	Proportion of With-Profits Benefits Reserve
Individual Basis	86.5%
Grouped Basis	6.2%

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

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

(ii) 455 model points were used to represent 7,665 policies for the first method and 105 model points were used to represent 1,241 schemes for second method.

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

(2) (a) No changes in the method during 2008

(b) n/a

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

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

The Scheme also sets out a similar table for calculating total charges to with profits benefit reserve. In apportioning these costs between individual policies:

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

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

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

Type of Policies	Maintenance Expenses
Pre-demutualisation	£27.9 million
Post-demutualisation	£5.3 million

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

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

Type of Policies	2008 Guarantee Charge	2007 Guarantee Charge
Pre-demutualisation	£36.0 million	£43.5 million
Post-demutualisation	£0.3 million	£0.3 million

- (5) There were no charges deducted from the fund for non-insurance risk.

(6)

	2008	2007	2006
Ratio of Claims to Reserves	107%	101%	98%

- (7) The investment return allocated to the with profits benefits reserve for the period 1 January to 31 December 2008 was -10.3% before deduction of tax and expenses. The same return was allocated to all with profits contracts.

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

With Profits Benefits Reserve – Prospective Method

5. (1) A bonus reserve valuation is used for conventional whole life policies and conventional policies that have been made paid up or have altered since inception.
- (a) For life business a risk discount rate of 3.2% per annum is used, for pensions business a risk discount rate of 3.7% p.a. is used. These are the earned rates derived from the economic assumptions in (b).
- (b) The gross investment return is assumed to be 3.7% p.a. for all asset categories.
- (c) Expense inflation was assumed to be 3.7% per annum.
- (d) Assumed conventional annual bonuses are shown in the table below. Final bonuses were assumed to be a proportion of current final bonuses that are consistent with the rate that would be paid on a similar premium paying policy (samples of current final bonuses are shown in the table).

	Annual Bonus (%pa)	Final Bonus by Term (%)					
		<=10	15	20	25	30	35+
UKP Series1	0.1	0	0	25	12.5	37.5	110
UKP Series 3	0	0	0	0	0	0	0
UKP Series 4	0	0	0	0	0	0	0
UKP Series 7	0.1	0	0	25	12.5	37.5	110
FP Series 1	0.25	30	27.5	25	5	22.5	80
FP Series 2,4,6	0.25	0	0	25	5	22.5	80
FP Series 3	0	0	0	0	0	10	12.5
FP Series 5	0	0	0	0	5	42	100
FP Series 7	0.25	0	27.5	37.5	27.5	27.5	27.5
FP Series 8	0.25	30	27.5	25	5	22.5	80
LMA Series 1	0.5	9.5	15	25	38.5	69	109.5

- (e) The Scheme of Demutualisation sets out the expenses that should be charged to with profits benefit reserve for a period of 10 years from 9 July 2001. (Expenses are assumed to continue in line with these after 2009.) These expenses are also used within the retrospective with profits benefit reserve calculation.

2008 Expenses	Regular Premium	Paid-Up
Life	£21.29	£14.90
Pensions (Individual)	£25.55	£19.15

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

- (2) Not applicable.

Cost of guarantees, options and smoothing

6. (1) Not applicable.

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

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

(b) (i) Not applicable.

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

(b) (iii) Grouping of Data: A set of rules is used to group policies with similar characteristics while aiming to preserve the intrinsic value of the guarantees. The rules used to group policies in 2008 were changed compared to 2007 in order to reduce the number of model points and improve run time. The table below shows the level of grouping split by product group.

		Policies before grouping	Policies after grouping	Compression
Conventional Life (Pre Demut)	WOL	23,447	267	1.14%
	Savings	243,732	1,297	0.53%
Conventional Pensions (Pre Demut)		72,074	648	0.90%
Unit Linked Life (Pre Demut)	Bonds	85,097	238	0.28%
	Savings	120,274	683	0.57%
Unit Linked Pensions (Pre Demut)		437,693	2,116	0.48%
Unit Linked Life (Post Demut)	Bonds	5,044	93	1.84%
	Savings	11,853	208	1.75%
Unit Linked Pensions (Post Demut)		34,716	479	1.38%
Total =		1,033,930	6,029	0.58%

Impact of grouping on embedded maturity guarantees

The effect of grouping data on embedded maturity guarantee liabilities is examined by calculating the liabilities for the most onerous policy groups on an individual policy level. This is then compared against liability calculated using grouped data. An additional reserve of £35.7m was held to cover lost value.

Impact of grouping on financial options

An implicit adjustment within the stochastic model, which is proportionate to the grouped liabilities for financial options is held. An additional reserve of £3.6m was held to cover lost value.

Impact of grouping on other liabilities

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

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

- Number of maturities and maturity outgo
- Number of surrenders and surrender outgo
- Number of deaths and death outgo
- With profits benefit reserves in force
- Number of policies in force

Expenses, investment income and in force premium income

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

(3) No changes were made to the modelling of financial options and guarantees during 2008.

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

Split of maturity guarantees		Total (£m)
Conventional Pension	Intrinsic	161
	Time	61
Conventional Life	Intrinsic	14
	Time	121
Unitised With Profit Pension	Intrinsic	190
	Time	99
Unitised With Profit Life	Intrinsic	14
	Time	38
Total	Intrinsic	380
	Time	319
	Total	698

Split of financial options		Total (£m)
Conventional Pension	Intrinsic	574
	Time	1
Total	Intrinsic	574
	Time	1
	Total	575

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

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

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

- Checks on the volatility of corporate bonds
- Checks on the correlation of annual corporate bond returns and gilt returns
- Check on default rates
- Checks on option prices using a rolling portfolio of bonds
- Check on the value of a put option using a fixed portfolio of bonds

Property is modelled as a separate asset class. The volatility of property returns is not easily observed within the market. A best estimate initial volatility of 15% per annum has been assumed for property total return.

Correlations between 6 year bonds, equity and RPI asset classes are calibrated to 10 years of historical data using Datastream as the source of data. Correlations vary by term, sample average correlations over the first 15 years from the asset model output are shown below:

	6 Year Bond Return Index	Equity Total Return	RPI	Property Total Return	15 Year Corporate Bond Return Index
6 Year Bond Return Index	1.00	-0.15	-0.18	-0.15	0.24
Equity Total Return	-0.15	1.00	0.25	0.68	0.61
RPI	-0.18	0.25	1.00	0.37	0.03
Property Total Return	-0.15	0.68	0.37	1.00	0.42
15 Year Corporate Bond Return Index	0.24	0.61	0.03	0.42	1.00

Risk free rates are calibrated to the UK Government gilt yield curve, extrapolated to tend to a long term assumption of 4.0% p.a. at terms greater than 35 years.

Asset type (all UK assets)		(£)	1				2				3				4			
			0.75				1.0				1.5							
K	n		5	15	25	35	5	15	25	35	5	15	25	35				
		Strikes																
p	1.0		865,907	1,352,499	2,067,147	2,801,673	1,154,542	1,803,332	2,756,196	3,735,564	1,731,814	2,704,998	4,134,294	5,603,346				
	0.8		841,651	1,204,261	1,693,270	2,161,013	1,122,201	1,605,682	2,257,693	2,881,351	1,683,301	2,408,523	3,386,540	4,322,026				
r	Annualised compound equivalent of the risk free rate assumed for the period		2.92%	4.01%	4.14%	3.84%	2.92%	4.01%	4.14%	3.84%	2.92%	4.01%	4.14%	3.84%				
1	Risk-free zero coupon bond		866,144	554,529	362,819	267,697	*	*	*	*	*	*	*	*				
2	FTSE All Share Index (p=1)		116,810	293,347	412,196	491,730	255,745	469,697	604,603	700,159	636,569	869,465	1,019,713	1,140,322				
3	FTSE All Share Index (p=0.8)		107,348	240,565	313,997	354,675	238,044	389,931	463,974	509,077	601,082	732,743	790,744	835,864				
4	Property (p=1)		33,689	131,020	236,341	315,791	137,824	270,554	395,564	489,427	524,966	642,693	771,331	874,297				
5	Property (p=0.8)		28,619	94,632	161,071	208,842	122,248	204,471	277,805	329,971	487,015	510,307	559,918	605,554				
6	15 year risk-free ZCBs (p=1)		6,150	7,280	13,611	23,224	76,003	68,584	90,341	106,795	489,114	453,514	462,897	453,234				
7	15 year risk-free ZCBs (p=0.8)		4,393	2,097	1,846	2,008	62,563	29,563	26,805	27,756	448,331	302,650	232,580	196,295				
8	15 year corporate bonds (p=1)		28,485	88,880	172,162	241,547	126,048	214,473	322,061	399,272	523,017	584,386	701,054	792,053				
9	15 year corporate bonds (p=0.8)		24,100	59,748	107,701	151,150	110,726	152,618	210,043	253,784	483,775	450,094	485,919	514,234				
10	Portfolio of 65% equity and 35% property (p=1)		84,918	225,894	340,215	420,906	211,785	387,899	520,669	616,234	585,345	770,695	916,577	1,035,923				
11	Portfolio of 65% equity and 35% property (p=0.8)		76,839	179,135	249,785	294,816	195,016	313,712	388,509	437,088	549,990	638,577	696,638	745,108				
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)		50,700	155,142	256,628	328,919	165,274	302,207	422,187	507,501	544,949	672,032	802,091	901,783				
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)		44,193	116,124	177,578	216,725	149,107	233,144	300,237	343,689	508,384	541,776	589,215	626,271				
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)		33,326	119,166	216,387	284,518	138,592	257,445	373,701	457,535	526,379	626,584	747,746	844,566				
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)		28,188	84,913	144,255	181,991	123,016	191,061	257,098	298,444	488,511	495,414	537,268	574,376				
L			15				20				25							
16	Receiver swaptions		8%	9%	10%		10%	12%			12%	14%						

(4)(a) (iii) Within line 16 of the previous table swaption data is limited to L+n <=40, as there is limited liability arising from financial options above these terms.

(iv) The average initial equity and property rental yields are:

Initial UK equity yield = 4.63%
 Initial property rental yield = 6.12%
 Initial EUR equity yield = 5.82%

(v)

Asset type (EUR assets)		1	2	3	4
K		1			
n		5	15	25	35

Strikes						
p	1.0		1,132,125	1,771,030	2,524,600	3,104,787
	0.8		1,104,643	1,582,456	2,103,474	2,482,512
r	Annualised compound equivalent of the risk free rate assumed for the period		2.51%	3.88%	3.77%	3.29%
1	Risk-free zero coupon bond		*	*	*	*
2	FTSE EUR Index (p=1)		268,022	477,750	629,958	728,152
3	FTSE EUR Index (p=0.8)		252,669	401,214	498,045	557,563

(vi) There are no market instruments available that can be directly compared against the policyholder embedded maturity guarantees and financial option liabilities. The economic scenario generator is calibrated against actual market instruments held by the fund to hedge these liabilities.

The tables below show term structure and strikes of the guarantees and options split by significant product groups.

Split of guarantees by outstanding term	Years	1-5 (£m)	6-10 (£m)	11-15 (£m)	16-20 (£m)	21-25 (£m)	26-30 (£m)	31-35 (£m)	36-40 (£m)	Total (£m)
Conventional Pension	Intrinsic	67	53	27	11	3	1			161
	Time	17	21	13	6	3				61
Conventional Life	Intrinsic	8	5	1						14
	Time	69	41	6	2	1		1	1	121
Unitised With Profit Pension	Intrinsic	35	43	39	37	26	9	1		190
	Time	17	25	20	19	12	5	1		99
Unitised With Profit Life	Intrinsic	2	2	3	2	2	1		1	14
	Time	11	19	6	1					38
Total	Intrinsic	113	103	70	50	31	11	2	1	380
	Time	114	105	44	29	16	6	2	2	319
Total	Total	227	208	114	79	47	17	4	3	698

Split of financial options by outstanding term	Years	1-5 (£m)	6-10 (£m)	11-15 (£m)	16-20 (£m)	21-25 (£m)	26-30 (£m)	31-35 (£m)	36-40 (£m)	Total (£m)
Conventional Pension	Intrinsic	267	165	87	40	14	2			574
	Time									1
Total	Intrinsic	267	165	87	40	14	2			574
	Time									1
Total	Total	267	165	87	40	14	2	0	0	575

(vii) The economic scenario generator produces deflators in order to value cash flows. A check is performed to ensure all future cashflows from an asset deflate to the current market value of the asset.

(viii) The liabilities are calculated using 6300 simulations. The TSM Plus file has undergone variance reduction in a single batch to ensure that the statistical means correspond closely to their theoretical values, this minimises the number of simulations required to achieve statistical accuracy. An analysis of statistical error shows that the standard error for liabilities converges at 6300 simulations.

(4)(b) No options or guarantees have been valued using market consistent cost of hedging.

(4)(c) No options or guarantees have been valued using a series of deterministic projections.

(5) (a) Dynamic decision rules

The decision rule that the model will follow in various economic scenarios has been subject to Board ratification. In stress scenarios the model will follow the same dynamic rule in deciding the bonus policy.

The decisions have been tested against the Principles and Practices of Financial Management and the PPFM gives greater flexibility than the decision rule followed by the model.

The dynamic bonus rule is summarised below.

Dynamic bonus decision rule

For each simulation, the Life DFA model projects the guaranteed benefits allowing for future regular, unitised and final bonuses.

A rule has been built into the model that aims to pay a percentage of the final maturity benefit as final bonus. This percentage is 2 * policy term so that, for example, a 15 year policy is targeted to receive 30% of the maturity payout as final bonus.

For each future time period, the model then calculates, for each bonus series, the regular (or unitised) bonus rate such that the final bonus targets can be met. This may result in no reversionary bonus being declared (subject to minimum bonus rates where they apply) in certain time periods and simulations.

Certain other rules also apply to the regular bonus rates for each bonus series:

- At the start of the first projection year, the initial bonus rates reflect the actual rates.
- Rates are subject to a minimum change of 0.25% per annum
- Increases or decreases to rates are limited to 1.5% per annum.

The actual benefit at maturity depends on a policy's with profits benefit reserves at the time and the extent of any guaranteed benefits. The terminal bonus rule described above is only used for the purpose of determining reversionary bonus rates.

(b) Future equity backing ratio assumptions

The modelled assumptions for the proportion of equity and property backing asset shares at the valuation date and in all subsequent future years are as follows:

Asset Type	At valuation date	Long Term
UK Equity	5.1%	25.5%
Overseas Equity	2.7%	10.0%
Property	7.6%	7.5%
Total	15.4%	43.0%

The model assumes that the equity backing ratio will move to the long term assumption two months after the valuation date.

Best estimates of future bonus rates are:

Without adjustment to yield curve						
Product	As at 31 December 2008		As at 31 December 2013		As at 31 December 2018	
	Annual	Final	Annual	Final	Annual	Final
Pensions Regular Premium - Series 1	4.00%	0.00%	4.02%	11.18%	4.30%	23.54%
Pensions Single Premium – Series 1	4.00%	0.00%	4.11%	11.41%	4.58%	25.88%
Pensions Single Premium - Other	1.00%	0.00%	1.63%	22.23%	3.35%	50.63%
OLAB Single Premium	1.00%	0.00%	1.35%	26.06%	2.48%	68.77%
Life Regular Premium – Series 1	3.00%	0.00%	3.04%	17.88%	3.15%	31.01%
Life Regular premium – Other	0.50%	0.00%	0.76%	31.64%	1.98%	52.28%
Life Single Premium	0.50%	0.00%	0.99%	42.95%	2.25%	70.33%

Increase in yield curve of 17.5% annualised 15 year gilt yield						
Product	As at 31 December 2008		As at 31 December 2013		As at 31 December 2018	
	Annual	Final	Annual	Final	Annual	Final
Pensions Regular Premium - Series 1	4.00%	0.00%	4.04%	11.22%	4.43%	25.99%
Pensions Single Premium – Series 1	4.00%	0.00%	4.17%	11.26%	4.76%	27.96%
Pensions Single Premium - Other	1.00%	0.00%	1.89%	21.68%	3.80%	51.95%
OLAB Single Premium	1.00%	0.00%	1.70%	24.97%	2.90%	68.60%
Life Regular Premium – Series 1	3.00%	0.00%	3.06%	17.62%	3.23%	33.20%
Life Regular premium – Other	0.50%	0.00%	0.95%	31.24%	2.34%	54.05%
Life Single Premium	0.50%	0.00%	1.22%	41.51%	2.59%	70.82%

Decrease in yield curve of 17.5% annualised 15 year gilt yield						
Product	As at 31 December 2007		As at 31 December 2012		As at 31 December 2017	
	Annual	Final	Annual	Final	Annual	Final
Pensions Regular Premium - Series 1	4.00%	0.00%	4.01%	11.27%	4.19%	21.34%
Pensions Single Premium – Series 1	4.00%	0.00%	4.07%	11.68%	4.43%	24.00%
Pensions Single Premium - Other	1.00%	0.00%	1.40%	22.92%	2.92%	49.35%
OLAB Single Premium	1.00%	0.00%	1.03%	27.18%	2.08%	68.68%
Life Regular Premium – Series 1	3.00%	0.00%	3.02%	18.32%	3.09%	29.05%
Life Regular premium – Other	0.50%	0.00%	0.59%	32.20%	1.67%	50.57%
Life Single Premium	0.50%	0.00%	0.79%	44.67%	1.95%	70.03%

(1) Annual bonuses are compound. Final bonuses are a percentage of maturity benefit.

- (6) The assumed rates of mortality, morbidity, lapse¹, surrender, conversion to paid-up, early retirement and the proportion of guaranteed annuities that are sacrificed in order to receive tax-free cash, which are reviewed annually, have been derived from analyses of the Group's recent operating experience and industry studies.

Maintenance expenses are assumed to increase in the future at a rate of 1% per annum in excess of the assumed long-term rate of retail price inflation. Allowance for commission is based on the Group's recent experience.

The value of existing business makes no allowance for the payment of future premiums on recurring single premium contracts (except for stakeholder style pensions in which case, if a regular pattern in the receipt of premiums is established, the business is treated as regular premium business) or for non-contractual increments on existing policies.

A summary of the surrender and paid-up assumptions used to determine the costs in (4) (a), (b) and (c):

Product		Average surrender/ paid-up rate for the policy years (%pa)			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	7.1	5.8	3.0	3.0
CWP target cash endowment	surrender	8.7	9.4	7.0	7.0
UWP savings endowment	surrender	10.2	7.4	7.0	7.0
UWP target cash endowment	surrender	12.1	13.5	11.5	11.5
UWP bond	surrender	2.9	20.0	20.0	20.0
UWP bond	automatic withdrawals	2.6	2.6	2.6	2.6
CWP pension regular premium	PUP ²	0.0	0.0	0.0	0.0
CWP pension regular premium	surrender	1.0	1.2	2.0	5.0
CWP pension single premium	surrender	1.5	1.5	1.5	2.8
UWP indiv pension regular premium	PUP	0.0	0.0	0.0	0.0
UWP indiv pension regular premium	surrender	2.5	2.4	2.4	5.2
UWP indiv pension single premium	surrender	2.6	3.9	3.5	6.5

The average surrender/paid up rates for policy years 16-20 include an allowance for early retirement rates.

A statement of the assumed take-up rates of guaranteed annuity options:

Product	GAR take up rate
Conventional Pensions IPP	73%
Conventional Pensions SEDA	75%
Conventional Pensions EBS	82%
Group Conventional Money Purchase	78%

¹ No allowance is made for partial withdrawals in the model

² PUP rates are set to zero as the model does not allow for conversions to paid-up. An out of the model adjustment is made to the cost of guarantee for conversions to paid-up.

The value of financial options is calculated using the following annuitant mortality assumptions:

Individual Males	85% RMV92 U=2009 double entry plus 1% p.a. additional improvements
Individual Females	85% RFV92 U=2009 double entry
Group Males	85% RMV92 U=2009 double entry plus 1% p.a. additional improvements
Group Females	85% RFV92 U=2009 double entry

This basis represents a best estimate pricing basis for annuities in payment. It is further strengthened to represent the expenses and other margins incurred in providing the financial options.

- (7) An implicit allowance has been made for dynamic policyholder action in not exercising the guaranteed annuity option when the current market annuity rate is higher than the guaranteed rate.

Financing Costs

7.

FP Re

- These are calculated as 40% of the future servicing costs (0.63% per annum) on the loan taken by FP Re to back the reinsurance of the non-profit business within the with-profits fund. The loan is repayable as surplus, emerging on the non-profit business within the with-profits fund, of FPLP is transferred to FP Re and reinsured business is recaptured. Repayments are totally subordinated to policyholders' interests. The face value of the amount outstanding at 31 December 2008 was £125m and the rate of interest payable is 4.906%. The expected amount to be repaid is £128m. The outstanding term of the loan is 10 years and it is expected that the full amount of the loan will be repaid and the corresponding business recaptured within that. In Form 19, this cost is shown as a reduction in future profits from non-profit business (line 22).

Contingent loan

- Under the scheme of Demutualisation, capital support is provided to the with-profits fund by the non-profit fund. The minimum amount of capital support that the non-profits fund must provide, if required (the 'Capital Support Account'), is currently £100m. After 2009, this minimum reduces to nil over a 22-year period³.
- Capital support is provided by means of contingent loans where repayment is contingent on the with-profits fund having sufficient assets to meet regulatory solvency needs and the reasonable expectations of policyholders.
- The Demutualisation Scheme requires that £50m is automatically advanced each year up to 2009 (reducing to nil over a 22 year period) and repaid with interest at the end of each year. However, while the treaty with FP Re above is in place, the loan will not be repaid, and the accumulated amount with interest at the end of 2008 was £58.5m. A further contingent loan of £41.5m is available if required. In some economic scenarios the current loan is repaid and in others the loan remains in the fund. The average deflated liability of the current loan plus interest is shown in line 45 of Form 19 and has been recalculated in the stress scenarios.
- A waiver in respect of the contingent loan has been granted with effect from 31 July 2008. The waiver permits the inclusion on Form 19 Line 27, the £41.5m Capital Support Account assets that have not been advanced at the valuation date, but is available if necessary.
- This arrangement provides the with-profits fund with up to £100m of assets in the event that it is required to meet guarantees and discretionary benefits of policyholders, if necessary. In addition

³ The capital support reduces by 10% every year from 2010 to 2030 and finally to zero in 2031

the investment policy of the fund assumes that the advanced contingent loan forms part of the fund. However, the fund is otherwise managed with the intention that the contingent loan will be repaid.

Other Long-Term Insurance Liabilities

8. This item includes the current prospective value of the various provisions that were set up on demutualisation to pay for the shareholders' interest in the with-profits fund (set to avoid the benefit expectations of the pre demutualisation policies being affected by demutualisation), together with provisions set up since demutualisation. The following table shows more detail:

Line 47 Any other long-term insurance liabilities	Base
	£m
CWP provision	43
UWP provision	107
Other	53
Total	203

CWP provision: This shows the prospective value of the future transfers to shareholders in respect of 1/9 of the Cost of Bonus.

UWP provision: this is 100% of the value of charges less expenses for pre demutualisation UWP business. Line 22 (Present value of future profits on non-profit insurance contracts) contains 40% of this amount as an asset. The net liability is 60% of this amount, which is equal to the entitlement of shareholders in respect of UWP policies under the Scheme of Demutualisation.

Other includes:

- FRS 17 provision (£7m); this provision was set up to pay for the difference between pension costs charged to with profits benefit reserve and those charged to the With Profits fund.
- Mortgage Endowment provision (£5m); this represents an actuarial provision in respect of future claims.
- An operational risk provision (£21m).
- A provision for tax on the assets backing the cost of guarantee and working capital (£16m).
- Various other small provisions.

Realistic Current Liabilities

9. The following table shows the details:

Line 51 Realistic current liabilities	Base
	£m
Current liabilities	630
Provisions for Shareholder Tax	71
Other	8
Total	708

Provision for shareholder tax: Following demutualisation the taxation status of the surplus emerging within the with-profits fund is under discussion with HMRC and the provision represents the tax that may be payable on future transfers to the non-profit fund and the shareholder fund.

Risk Capital Margin

10. (a) The risk capital margin for the fund is £291m. The most adverse scenarios are listed below:
- (i) A decrease of 12.5% in property holdings and a decrease of 20% in equity holdings.
 - (ii) Yields rise by 17.5%, equivalent to the 15 year gilt yield rising from 3.74%p.a. to 4.39%p.a..
 - (iii) The weighted average change in spread on the assets backing the with-profits business is 148 basis points which reduces the market value of corporate bonds backing with profits business by 8.43%. For non-profit business in the with-profits fund the equivalent change in spreads was 133 basis points leading to a reduction in the market value of corporate bonds of 7.97%. A similar level of credit test is applied for debts, reinsurance and derivative positions. There are no non-reinsurance financing arrangements.
 - (iv) Persistency experience increases from current levels by 32.5%, thus assuming a greater number of guarantees and options are exercised. The realistic liability increased by 1.36% under the persistency stress.
 - (v) Not applicable
- (b) No additional management actions have been assumed.
- (c)
- (i) No shareholder support, other than the contingent loans, is required at 31 December 2008. The fund is fully covering the risk capital margin without the need for additional shareholder support. The RCM is assumed to be backed by approved fixed interest securities within the fund.
 - (ii) Not applicable

Tax

11.) The Life DFA model applies future tax to the with-profit benefits reserve in accordance with the Scheme, with Life business taxed on I-E and Pensions business taxed on profits. For life business an estimate for tax on assets backing the future costs of contractual guarantees (line 41), and any additional tax on the working capital, is estimated using an approximate method.
-) The taxation status of the surplus emerging within the with-profits fund is under discussion with HMRC.

Realistic current liabilities allow for any current tax liability of the fund.

Derivatives

12. The with-profits fund has the following major positions:
- Short futures backing asset share of £1186m notional at a level of 4390 in FTSE 100
 - Overseas short futures of £526m notional. The majority of these futures are Eurostoxx, S&P and Topix positions with levels of 2450, 900 and 862 respectively. Also included are £166m notional in smaller positions.
 - A long FTSE 100 futures position of £178m notional and overseas sold positions of £19m notional

- to match the equity component of maturity guarantees.
- FTSE 100 put options with a market value of £237m held to match the strike and term of the equity component of maturity guarantees. The fund currently holds 182,000 equity capital return put options with strikes ranging from 3,987 to 6,647 and 32,000 equity total return put options with strikes ranging from 2,000 to 8,000.
- Swaptions held to match financial options with a market value of £1m. These swaptions have a nominal value of £1.21bn and strikes ranging from 7.7% to 10.7%.
- Interest rate swaps held to match financial options with a market value of £154m. This is split into receiver swaps (£303m) and payer swaps (-£148m). Receiver swaps have a nominal value of £1.12bn and strikes ranging from 4.65% to 5.19%. Payer swaps have a nominal value of £1.56bn and strikes ranging from 4.82% to 5.35%.
- Inflation rate swaps are held as part of the reinsurance agreement with Friends Provident Reinsurance Services Limited (“FPRE”). These swaps protect the fund against significant rises in price inflation and have a market value of -£14m.

Analysis of Working Capital

13. The following shows an approximate analysis of working capital between 31 December 2007 and 31 December 2008.

	£m
Opening position at start of year	247
Modelling changes and opening adjustments	(13)
Expected Investment return on opening working capital	11
Mismatch profits or losses on assets backing future policy related liabilities	(2)
Assumption changes	
Economic	103
Non-economic	23
Other variances	
Economic	(102)
Non-economic	65
Changes in other liabilities of lines 47 and 51 of form 19	(15)
Other	(7)
Closing position at end of year	311
Reduction in future guarantee charges	(20)
Closing position at end of year as per F19.L68	291

The main items in the analysis of change are split out into more detail below:

Economic assumption changes

Working capital increased due to:

- Yield Curve movements (£103m)

- Reduction in long term equity backing ratio (£98m)
- Liquidity premium assumption increased (Relates to non-profit business only) (£29m)

Working capital reduced due to:

- Increased market volatility (-£59m)
- Changes to correlations between asset types in the model (-£68m)

Other Economic variances

Working capital increased due to:

- Surplus on asset share assets due to shorting strategy (£33m)
- Change in liquidity premium benefit due to increased spreads (£54m)

Working capital reduced due to:

- Impact of the embedded value of non profit business economic variance (-£185m)
- Other items (-£4m)

Other Non-Economic variances

Working capital increased due to:

- Surplus from difference between modelled and actual claims and unexpected offs on cost of guarantees and guaranteed annuity options (£49m)
- Transfer from NPF to WPF for error in non profit deferred annuity pay outs (£22m)
- Other items (-£5m)

Optional Disclosure

14. None.

RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2008

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

The Financial Services Authority, on the application of the firm, made a direction in September 2005 under section 148 of the Financial Services and Markets Act 2000. The direction allows the Company to include, under PRU 8.3, the £300m 6.875% Step up Tier 1 Insurance Capital Securities, issued by Friends Provident Plc on 18 November 2003, as innovative tier one capital resources.

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

	<u>2008</u>	<u>2007</u>
	£000	£000
Total admissible assets (long-term)	16,996,895	19,812,487
Total admissible assets (other than long-term)	937,782	1,118,813
Less:		
Mathematical reserves, after distribution of surplus (long-term)	(14,981,991)	(16,766,388)
Total other insurance and non-insurance liabilities (long-term)	(1,080,297)	(693,493)
Total liabilities (other than long-term)	(1,622)	(4,833)
Net admissible assets	1,870,767	3,466,586
Add:		
Solvency margin relating to insurance undertakings	311,798	266,296
Total capital resources after deductions	2,182,565	3,732,882

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

The amounts at line 27 contain the 2003 STIC of £300m and 2005 STIC of £495m plus interest accrued of £15.8m. The amounts at line 27 are restricted to £342m with the remaining in £468.8m in line 43.

***0308* Charges on Future Profits**

On 16th December 2004, the Company securitised the cash flows expected to emerge from a book of its life insurance policies by entering into a reinsurance contract with Friends Provident Reinsurance Services Limited ("FPRE"). The reinsurance agreement provides regulatory capital of £125.4m (2007: £119.6m) to the Company.

As future surpluses emerge on the book of life insurance policies the amounts due to FPRE under the reinsurance contract will be paid. Hence £125.4m has been included as a charge on future profits in line 95 of Form 3.

Notes to the Return

Friends Provident Life and Pensions Limited

Financial year ended 31 December 2008

***0310* Valuation differences**

Positive valuation differences included within line 14 are:

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

Liability for future reinsurance premium payable	£105m
Realistic Balance Sheet Long Term Business Provision	£454m
Liability at amortised cost	£12m
Deferred front end fee	£8m

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

Removal of reinsurers' credit risk adjustment	£5m
Actuarial reserve for strategic review costs	£51m
Full allowance for the reinsurance of liabilities under the reinsurance agreement with Friends Provident Reinsurance Services Limited	£3m
Deferred tax	£29m

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

	<u>2008</u>
	£000
Movement Form 3 Line 12	(312,921)
Include UK GAAP transfer from non technical account to technical account	176,291
Payment of 2005 STIC interest	31,510
Deferred Taxation	(5,544)
<hr/>	
Total equalling Form 16 line 59	(110,664)

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

- i) The company held unlisted equity, fixed & variable interest securities valued at £385m.
- ii) Lines 41, 46 & 48 include assets to the value of £90.2m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interest or remainders in property other than land or buildings.

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

The Company held hybrid securities valued at £563.6m in the long-term fund and £37.3m in the shareholder fund.

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

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

Notes to the Return

Friends Provident Life and Pensions Limited

Financial year ended 31 December 2008

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

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

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

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

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

At 31 December 2008 the Company had no counterparty exposures exceeding the upper limit based on the long-term business amount.

***1318* Other asset adjustments**

	<u>With Profit</u>	<u>Non Profit</u>	<u>Shareholders</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Reinsurers' share of Claims outstanding	1	3	-
Variation margin	73	-	-
Taxation	(4)	(8)	(9)
	<hr/> 70	<hr/> (5)	<hr/> (9)

***1322* Total long term fund**

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

***1323* Capital support account assets**

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

***1401* & *1501* Provisions for reasonably adverse variations**

The contracts for differences shown in Form 17 lines 12 to 13 are held as part of the Company's arrangements to hedge against liabilities arising under guaranteed annuity options. The contracts for differences are covered and therefore there is no requirement for a provision for adverse changes under IPRU (INS) rule 5.3.

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

- 1) No charge has been made on the assets of the Company to secure the liabilities of any other person (other than liabilities under an insurance contract).
- 2) Provision has been made for the total potential liability of £0.5m (2007: £58.0m) relating to taxation on unrealised capital gains arising in linked funds. There are no further contingent liabilities relating to unrealised capital gains tax.

Notes to the Return

Friends Provident Life and Pensions Limited
Financial year ended 31 December 2008

- 3) In accordance with guidance issued by the Financial Services Authority, the Company has reviewed the appropriateness of advice given to policyholders who purchased personal pensions contracts after 1988.

These reviews have now been substantially completed. £4m (2007: £4m) remains within the long-term business provision in respect of residual associated costs and contingencies. During the year £nil (2007: £nil) was released into surplus.

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

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

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

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

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

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

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

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

- 7) The Company is not aware of any other fundamental uncertainties.

Notes to the Return

Friends Provident Life and Pensions Limited

Financial year ended 31 December 2008

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

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

***1405* Other Liabilities**

	<u>With Profit</u>	<u>Non Profit</u>
	<u>£m</u>	<u>£m</u>
Deferred taxation	4	8
Long term business provision	(450)	43
Provision for subsidiary undertaking	(42)	-
Reinsurers' share of Claims outstanding	(1)	(3)
Intercompany with Non Profit funds	122	-
Intercompany with With Profit funds	-	(122)
Variation margin	(73)	-
Deferred front end fees	-	(8)
	<hr/>	<hr/>
	(440)	(82)

***1507* Other adjustments**

	<u>Shareholders</u>
	<u>£m</u>
Provision for a subsidiary undertaking (FPRE)	63
Taxation	(9)
	<hr/>
	54

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

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

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

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

***1701* Variation margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £50.2m. Variation margin of £440m has been included in form 13 line 44.

***1702* Quasi-derivatives**

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

Notes to the Return

Friends Provident Life and Pensions Limited

Financial year ended 31 December 2008

***1811* Capital support account assets**

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

***1911* Capital support account assets**

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

***4002* Other income and expenditure**

Other income in the With Profits Fund comprises of £36.3m of fund management charges and £0.1m of income from policy loans.

Other expenditure in the Non Profit Fund relates to £24.7m of fund management charges.

***4004* Transfer from long term insurance business fund to shareholder fund**

A transfer of £12m of assets has taken place from the With Profits fund to the shareholder fund. This is reflected through form 13 line 46 and form 40 line 26.

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

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

Investment income and expenses:

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

Expenses:

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

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

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

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

Taxation:

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

Notes to the Return

Friends Provident Life and Pensions Limited

Financial year ended 31 December 2008

***4008* Management services**

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

Investment management and advisory services were provided during the year by FP Fund Managers Limited and F&C Property Asset Management (formerly ISIS Property Asset Management Limited plc), both wholly owned subsidiaries of F&C Asset Management plc (formerly ISIS Asset Management plc). The Friends Provident group directly holds 52.19% of the ordinary share capital of F&C Asset Management plc.

***4011* Total long term fund**

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

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

Assets within this form have been valued as follows:

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

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

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

At the end of 2008 the internal linked funds held rights of £880,645 and liabilities of £522,539 under derivative contracts.

***4403* Variation margin**

There is a liability to repay variation margin of £nil at the year end.

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

Other expenditure totalling £1m comprises of costs in relation to the purchase and sales of investments.

***4802* Interest in default**

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

***4804* Derivative yields**

Lines 28.1 and 25.2 for the With Profits Fund contain put options with a value of £237.4m. These combine with equity having a value of £892.3m with yield 10.08% to give a combined value of £1,129m with yield 4.40%.

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

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

***4807* Maximum discount rate for with profits business**

The FSA, on the application of the firm, made a direction in December 2008 under section 148 of the Act. The effect of the direction is to modify INSPRU 3.1.46R so that risk-adjusted yield assumed for the investment or reinvestment of sums denominated in sterling for the firm's with profits business must be no more than the greater of (i) the forward gilts yield and (ii) the forward rate on sterling interest rate swaps as reduced by that part of the rate that represents compensation for credit risk.

Notes to the Return

Friends Provident Life and Pensions Limited

Financial year ended 31 December 2008

***4901* Rating agencies**

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

***5010* Inter-Fund Reinsurance**

The figures given include any inter-fund reinsurance arrangements within FPLP. This has the effect of increasing the gross figures by the total amount reinsured. This is offset by the same total being added in the intra-company reinsurance section, thus giving the correct overall net position. The amounts reinsured within FPLP at the end of December 2008 were:

Form 52:

UK Life	95.9m
UK Pension	54.0m
Overseas	108.3m

Form 53 - Linked:

UK Life	1,115.8m
Overseas	104.4m

***5701* Negative reserves**

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

***5801* Movement in the percentage of distributed surplus**

Lines 61-64 of Form 58 for the With Profit Fund are dependent on the proportions of Conventional With Profit and Unitised With Profit business in force within the Fund. As a consequence the movement in the percentage of distributed surplus allocated to policyholders of the With Profit Fund as a whole between 2007 (line 62) and 2008 (line 61) is more than that prescribed in IPRU(INS) 3.3.

Directors' certificate required by rule 9.34 of the Accounts and Statements Rules
Friends Provident Life and Pensions Limited
Financial year ended 31 December 2008
Global Business

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by waivers dated 15 September 2005, 12 December 2008 and 30 December 2008 issued under section 148 of the Financial Services and Markets Act 2000 which continue to have effect; and
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (c) that the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3; and
 - (d) that we have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice in preparing the return from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

T.J. MATTHEWS
Director

R.G. ELLIS
Secretary

C.A.J. BELLRINGER
Director

25 March 2009

Revised Directors' Certificate

Revised Directors' Certificate required by rules 9.6(5) and 9.34 of the Accounts and Statements Rules

Financial year ended 31 December 2008

We certify:

- (i) The attached revised Form 2 and Form 18 when taken with the remainder of the annual return approved on 25 March 2009 form the revised annual return which supersedes the original annual return. The revised annual return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by waivers dated 15 September 2005, 12 December 2008 and 30 December 2008 issued under section 148 of the Financial Services and Markets Act 2000 which continue to have effect; the revised Form 2 and Form 18 have been so prepared as if they had been prepared as at the date on which the original annual return was prepared and certified by the directors, being 25 March 2009, and accordingly do not take account of events which have taken place after the date on which the original annual return was certified by the directors;
- (ii) that we have, in preparing the revised annual return, taken and paid due regard to-
 - (i) advice in preparing the revised annual 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 revised annual return from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

T.J. MATTHEWS
Director

R.G. ELLIS
Secretary

E.B. BOURKE
Director

22 July 2009

**Report of the auditor to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers
Friends Provident Life & Pensions Limited
Financial year ended 31 December 2008**

We have examined the following documents prepared by the Company 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 Insurance Prudential Sourcebook, (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 58 and 60, (including the supplementary notes) on pages 1, 3 to 5, 6 to 30, 31 to 44, 49 to 51, 52 to 54, 116 to 118, and 125 (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on page 182 (‘the Statement’);
- the valuation report required by rule IPRU(INS) 9.31(a) (‘the valuation report’);
- the statements, analysis and reports required by IPRU(INS) rule 9.31(b) (‘the realistic valuation report’)

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes) on pages 45, 46 to 48, 55 to 112, 113 to 115, 119 to 124
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 183 and 184;
- the certificate required by IPRU(INS) rule 9.34 on page 179 (‘the certificate’).

This report is made solely to the company’s directors as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor’s report has been commissioned by the company’s directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the FSA of its regulatory functions in respect of the company conferred on the FSA by or under the Financial Services and Markets Act 2000.

Our audit work has been undertaken so that we might state to the company’s directors those matters we are required to state to them in an auditor’s report issued pursuant to IPRU(INS) rule 9.35 and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate) under the provisions of the Rules. The requirements of the Rules have been modified by the waivers issued under section 148 of the Financial Services and Markets Act 2000 on 15 September 2005, 12 December 2008 and 30 December 2008. Under IPRU(INS) rule 9.11, the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate 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 company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report and the realistic valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement, the valuation report and the realistic valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement, the valuation report and the realistic 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, the valuation report and the realistic 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 rule IPRU(INS) 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 company.

Opinion

In our opinion:

- i) the Forms, the Statement, the valuation report and the realistic 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
- ii) the methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

KPMG Audit Plc
Registered Auditor
London
25 March 2009

**Auditor's Report to the Directors on resubmission pursuant to regulatory requirement
Friends Provident Life & Pensions Limited
Financial year ended 31 December 2008**

We have examined the attached revised Form 2 and Form 18, and the remainder of the return falling within the scope of the audit that was certified by the directors on 25 March 2009, which, taken together, form the revised annual return superseding the original annual return. This revised return comprises:

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 58 and 60, (including the supplementary notes) ('the Forms');
- the statements required by IPRU(INS) rule 9.29 ('the Statement');
- the valuation report required by IPRU(INS) rule 9.31(a) ('the valuation report'); and
- the statements, analysis and reports required by IPRU(INS) rule 9.31(b) (the realistic valuation report)

The revision has been made by the company pursuant to IPRU(INS) rule 9.6(5) and the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook, ('the Rules') made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 and the revised annual return as a whole has been prepared by the company pursuant to the Rules. The revised annual return has been prepared on the basis of complying with the Rules as at the date of the directors' approval of the original annual return, dated 25 March 2009, and accordingly does not take account of events that have taken place after the date on which the original annual return was approved:

We withdraw our report, dated 25 March 2009, upon the original annual return.

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36;
- the certificate required by IPRU(INS) rule 9.34 ('the certificate').

This report is made solely to the company's directors, as a body, in accordance with the terms of our engagement letter dated 6 August 2008 and pursuant to requirements of the FSA. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that a revised auditor's report has been commissioned by the company's directors and issued pursuant to requirements of the FSA and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company's directors those matters we have agreed to state to them in an auditor's report issued pursuant to the requirements of the FSA and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of the revised annual return (including the Forms, the Statements, the valuation report, and the realistic valuation report. The requirements of the Rules have been modified by the waivers issued under section 148 of the Financial Services and Markets Act 2000 on 15 September 2005, 12 December 2008 and 30 December 2008. Under IPRU(INS) rules 9.6(5) and 9.11, the Forms, the Statements, valuation report, realistic valuation report and the forms and statements not examined by us and the certificate are required to be prepared in the manner specified by the Rules 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, and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

Under the terms of our engagement, it is our responsibility to form an independent opinion as to whether the Forms, the Statements, the valuation report and realistic valuation report, meet these requirements and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work on the revised annual return in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 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 Statements, the valuation report and the realistic valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statements, the valuation report and the realistic valuation report. The examination of revised Forms 2 and 18 includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made. 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 Statements, the valuation report, the realistic 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:

- i) the revised annual return, seen as at 25 March 2009, the date the original annual Return was approved by the directors, fairly states the information provided on the basis required by the Rules as modified and has been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report in the revised annual return and the realistic valuation report prepared in accordance with IPRU(INS) rule 9.31 as at 25 March 2009, the date the original return was approved by the directors, appropriately reflect the requirements of INSPRU 1.2 and 1.3

KPMG Audit Plc
Registered Auditor
London
22 July 2009

**Additional information on derivative and quasi-derivative contracts
(IPRU (INS) rule 9.29)
Friends Provident Life and Pensions Limited
Financial year ended 31 December 2008**

Derivative Contracts

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

- a) Investment Guidelines.
Investment guidelines operated by the company during 2008 were to use derivative contracts only for the purpose of efficient portfolio management or a reduction in investment risk. No swaps or other OTC derivatives were permitted without specific authority of senior management. All obligations arising out of derivative contracts were required to be covered.

The long term fund held derivatives during the year, which at the time when acquired were not likely to be exercised. These were held for purpose of protecting the fund from falling equity markets & interest rate sensitivity.
- b) Guidelines in respect of derivatives not likely to be exercised.
The guidelines make no 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. However the guidelines only allow the use of derivatives for the purpose of efficient portfolio management or a reduction in investment risks.
- c) Use of derivatives not likely to be exercised.
The maximum exposure during the year on derivatives was £638.5m.
No other contracts were entered into which were not, at the time of entry, reasonably likely to be exercised.
- d) The Company held no derivative contracts during the financial period other than permitted derivative contracts within GENPRU 2 Annex 7R, or any contracts that required 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 INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Statement of additional information on shareholder controllers required by IPRU (INS) 9.30 Friends Provident Life and Pensions Limited Financial year ended 31 December 2008

Shareholder Controller

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

- a) The shareholder controller is Friends Provident plc.
- b) At the end of the financial year Friends Provident plc held 100% of the issued share capital of Friends Provident Life and Pensions Limited.

RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Information on With Profits Actuary as required by IPRU (INS) 9.36.

Friends Provident Life and Pensions Limited Financial year ended 31 December 2008

The Company has requested Mike Collins, the With Profits Actuary to provide particulars specified in IPRU(INS) Rule 9.36 and the following details for the full year to 31 December 2008 have been furnished pursuant to that request.

- (a) At 31st December 2008, the actuary had a direct interest in 25,342 ordinary shares (including 8,311 shares in the Share Incentive Plan) of 10p each in Friends Provident plc.

Share options held and shares to be acquired under savings-related share schemes, Executive Share Option Schemes and Long Term Incentive Plans are:

	Held at 31/12/08	Exercised in 2008
Sharesave Scheme 2007	0	-
Sharesave Scheme 2008	12,661	-
Executive Share Option Scheme 2002	10,808	-
Executive Share Option Scheme 2004	26,153	-
Executive Share Option Scheme 2005	0	-

- (b) He was not interested at any time during the year in any shares in, or debentures of, the Company or its subsidiaries.
- (c) During the year:-
- He had a sole pecuniary interest in one policy on his life administered by Friends Provident Pensions Limited (FPP). No premiums were paid during the year and the policy value at the end of the year was £17,994.
 - The actuary and his spouse had a pecuniary interest in three policies on their joint lives administered by Friends Provident Life and Pensions Limited (FPLP) with annual premiums amounting to £1,214 and sum assured £37,492 following the surrender of one unit linked policy for £17,149.
 - The actuary's spouse had a pecuniary interest in one single premium policy on her life administered by FPLP. Income of £375 was received during the year and the policy value at the end of the year was £4,142.77.
- (d) The aggregate amount of remuneration and value of other benefits receivable by the With Profits Actuary (excluding pension contributions) was £131,525.
- (e) He is a member of the Friends Provident Pension Scheme, a UK defined benefit pension plan which during 2008 was a contributory scheme.
- (f) His other pecuniary benefits receivable are provided under the standard terms and conditions of the Group's permanent health insurance scheme.