



**FRIENDS PROVIDENT**

# **Friends Provident Life Assurance Limited**

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Annual Return  
as at  
31st December 2008

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

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## **Appendices 9.1, 9.3, 9.4 & 9.6**

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

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# Friends Provident Life Assurance Limited

Year ended 31<sup>st</sup> December 2008

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**Statement of solvency - long-term insurance business**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
	R2	782698	GL	31	12	2008
			<b>As at end of this financial year</b>			<b>As at end of the previous year</b>
			1			2

**Capital resources**

Capital resources arising within the long-term insurance fund	11	252380	296440
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	33751	81002
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	286131	377442

**Guarantee fund**

Guarantee fund requirement	21	35689	28099
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	250442	349343

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	107068	84297
Resilience capital requirement	32	40000	20000
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	147068	104297
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	147068	104297
Excess (deficiency) of available capital resources to cover 50% of MCR	37	212597	325293
Excess (deficiency) of available capital resources to cover 75% of MCR	38	175830	299219

**Enhanced capital requirement**

With-profits insurance capital component	39		
Enhanced capital requirement	40	147068	104297

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	147068	104297
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	139063	273145

**Contingent liabilities**

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

**Form 2**

Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

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

.....  
**C.A.J. Bellringer**      **Director**

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

**25 March 2009**

**Components of capital resources**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R3</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		

**Core tier one capital**

Permanent share capital	<b>11</b>		434000	434000	434000
Profit and loss account and other reserves	<b>12</b>		(100909)	(100909)	(18324)
Share premium account	<b>13</b>		12	12	12
Positive valuation differences	<b>14</b>		45145	45145	83496
Fund for future appropriations	<b>15</b>		67329	67329	142427
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		445577	445577	641611

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		445577	445577	641611
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>				
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		445577	445577	641611

**Components of capital resources**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
R3	782698	GL	31	12	2008	£000	
		General insurance business	Long-term insurance business	Total as at the end of this financial year	3	Total as at the end of the previous year	4
		1	2				

**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					
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44					
Perpetual cumulative preference shares	45					
Perpetual subordinated debt and securities	46					
Upper tier two capital in related undertakings	47					
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>					

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

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

**Components of capital resources**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>			445577	445577	641611
Inadmissible assets other than intangibles and own shares	<b>73</b>			159446	159446	264169
Assets in excess of market risk and counterparty limits	<b>74</b>					
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>			286131	286131	377442

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

Available capital resources for guarantee fund requirement	<b>81</b>			286131	286131	377442
Available capital resources for 50% MCR requirement	<b>82</b>			286131	286131	377442
Available capital resources for 75% MCR requirement	<b>83</b>			286131	286131	377442

**Financial engineering adjustments**

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

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

 Name of insurer **Friends Provident Life Assurance Limited**

Global business

 Financial year ended **31 December 2008**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	782698	GL	31	12	2008	£000
			This financial year			Previous year	
			1			2	
Gross premiums written			11			58953	56125
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			58953	56125
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			58953	56125
Gross premiums earned			21			58953	56125
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			58953	56125
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			58953	56125
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			58953	56125
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			10611	10103
	Excess (if any) over 53.1M EURO x 0.02		33			343	382
<b>Sub-total J (32-33)</b>			34			10268	9721
Claims paid in period of 3 financial years			41			69684	49533
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			27703	18009
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			6588	4489
<b>Sub-total C (41+42+43-44-45)</b>			46			90799	63053
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			48318	30795
<b>Sub-total D (46-47)</b>			48			42481	32258
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.50	0.51
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			5134	4973
Provision for claims outstanding (before discounting and net of reinsurance)			51			20198	13884
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53			6355	6355
Greater of lines 50 and 53			54			6355	6355



**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				<b>11</b>	36			36
Claims paid in reference period				<b>21</b>	69684			49533
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			<b>22</b>				
	For insurance business accounted for on an accident year basis			<b>23</b>	27703			18009
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			<b>24</b>				
	For insurance business accounted for on an accident year basis			<b>25</b>	6588			4489
Claims incurred in reference period (21+22+23-24-25)				<b>26</b>	90799			63053
Claims incurred for classes 11, 12 or 13 (included in 26)				<b>27</b>				
Claims incurred for "actuarial health insurance" (included in 26)				<b>28</b>				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				<b>29</b>	90799			63053
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				<b>31</b>	30266			21018
Division of sub-total F (gross adjusted claims amount)	x 0.26			<b>32</b>	7869			5465
	Excess (if any) over 37.2M EURO x 0.03			<b>33</b>	30			
<b>Sub-total G (32-33)</b>				<b>39</b>	7839			5465
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				<b>41</b>	3920			2796
Higher of premiums amount and brought forward amount (11.54)				<b>42</b>	6355			6355
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				<b>43</b>	6355			6355

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance 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
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	4758	4001
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	6846	11348
	Other	<b>46</b>	16570	26433
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>		
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	9282	18382
	More than one month withdrawal	<b>55</b>		23000
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance 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	
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>	
Claims outstanding	<b>61</b>	
Provision for unexpired risks	<b>62</b>	
Other	<b>63</b>	

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	
	Intermediaries	<b>72</b>	
Salvage and subrogation recoveries		<b>73</b>	
Reinsurance	Accepted	<b>74</b>	
	Ceded	<b>75</b>	
Dependants	due in 12 months or less	<b>76</b>	
	due in more than 12 months	<b>77</b>	
Other	due in 12 months or less	<b>78</b>	105
	due in more than 12 months	<b>79</b>	170

**Other assets**

Tangible assets	<b>80</b>	
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	30
Cash in hand	<b>82</b>	21
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>	
Accrued interest and rent	<b>84</b>	524
Deferred acquisition costs (general business only)	<b>85</b>	1372
Other prepayments and accrued income	<b>86</b>	
Deductions from the aggregate value of assets		<b>87</b>
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	38115
		84833

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance 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
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	38115	84833
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(22)	(3376)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	38093	81457
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance 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	782698	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
							60
							70

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	2617	3863
	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	79404	165686
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	70330	87312
Rights under derivative contracts		44	568	
Fixed interest securities	Approved	45	430920	207692
	Other	46	198855	3880
Variable interest securities	Approved	47	4283	2183
	Other	48	3212	
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	79	248
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	30581	10959
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	7069	218
	Property linked	59	1505809	2307583

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance 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	
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>	
Claims outstanding	<b>61</b>	
Provision for unexpired risks	<b>62</b>	
Other	<b>63</b>	

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	1440	3103
	Intermediaries	<b>72</b>	11778	9590
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	20981	12965
	due in more than 12 months	<b>79</b>		35407

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	27711	
Cash in hand	<b>82</b>		5947
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	9224	2581
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		
Deductions from the aggregate value of assets	<b>87</b>		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	2404921	2859287

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance 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
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2404921	2859287
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	68	68
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	159378	264101
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1748055	2209137
Other asset adjustments (may be negative)	<b>101</b>	27278	6845
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	4339700	5339438
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Other Business Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	30689	21693	
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	273606	59660
	Other	<b>46</b>	194731	
Variable interest securities	Approved	<b>47</b>	2403	2183
	Other	<b>48</b>	3212	
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	79	248	
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	14503	6500
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	7069	218
	Property linked	<b>59</b>	1505809	2307583



**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Other Business Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>	
Claims outstanding	<b>61</b>	
Provision for unexpired risks	<b>62</b>	
Other	<b>63</b>	

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	1414	3076
	Intermediaries	<b>72</b>	11778	9590
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	20577	12148
	due in more than 12 months	<b>79</b>	6020	44862

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	26813	
Cash in hand	<b>82</b>		6333
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	7232	331
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		
Deductions from the aggregate value of assets	<b>87</b>		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	2105935	2474425

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Other Business Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2105935	2474425
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	159378	264101
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1746979	2207971
Other asset adjustments (may be negative)	<b>101</b>	22725	6835
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	4035017	4953332
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Closed Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	
Land and buildings						11	60	70

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	2617	3863
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>	79404	165686	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	39641	65619	
Rights under derivative contracts	<b>44</b>	568		
Fixed interest securities	Approved	<b>45</b>	157314	148032
	Other	<b>46</b>	4124	3880
Variable interest securities	Approved	<b>47</b>	1880	
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	16078	4459
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Closed Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>	
Claims outstanding	<b>61</b>	
Provision for unexpired risks	<b>62</b>	
Other	<b>63</b>	

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	26	27
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	404	817
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	898	
Cash in hand	<b>82</b>		165
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	1992	2250
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		
Deductions from the aggregate value of assets	<b>87</b>		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	305006	394868

**Analysis of admissible assets**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Closed Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	305006	394868
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	68	68
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1076	1166
Other asset adjustments (may be negative)	<b>101</b>	(7912)	(9445)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	298238	386657
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**Name of insurer **Friends Provident Life Assurance 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
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Mathematical reserves, after distribution of surplus	<b>11</b>	2103657	2499218	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	188801	155544	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2292458	2654762	
Claims outstanding	Gross	<b>15</b>	25990	15887
	Reinsurers' share	<b>16</b>	14239	6845
	Net (15-16)	<b>17</b>	11751	9042
Provisions	Taxation	<b>21</b>	2002	9902
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	7586	4093
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	5332	11805
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	6445	
	Other	<b>38</b>	15769	28788
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	48885	63630	
Excess of the value of net admissible assets	<b>51</b>	63579	140896	
Total liabilities and margins	<b>59</b>	2404922	2859288	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	6302	10453
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1505809	2307583

Total liabilities (11+12+49)	<b>71</b>	2152542	2562848
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	1748055	2209137
Other adjustments to liabilities (may be negative)	<b>74</b>	72422	90341
Capital and reserves and fund for future appropriations	<b>75</b>	366682	477113
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)	<b>76</b>	4339701	5339439

**Long term insurance business liabilities and margins**Name of insurer **Friends Provident Life Assurance Limited**

Global business

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

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	226053	237819	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	(107)	(593)	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	225946	237226	
Claims outstanding	Gross	<b>15</b>	1845	1918
	Reinsurers' share	<b>16</b>	30	10
	Net (15-16)	<b>17</b>	1815	1908
Provisions	Taxation	<b>21</b>		3809
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	105	70
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>		472	
Creditors	Taxation	<b>37</b>	12465	9455
	Other	<b>38</b>	1097	1032
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	15482	16746	
Excess of the value of net admissible assets	<b>51</b>	63579	140896	
Total liabilities and margins	<b>59</b>	305007	394868	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	710	498
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	241535	254565
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	1076	1166
Other adjustments to liabilities (may be negative)	<b>74</b>	(11702)	(11502)
Capital and reserves and fund for future appropriations	<b>75</b>	67329	142427
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)	<b>76</b>	298238	386656

**Long term insurance business liabilities and margins**Name of insurer **Friends Provident Life Assurance Limited**

Global business

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

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	1877604	2261399	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	188908	156137	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2066512	2417536	
Claims outstanding	Gross	<b>15</b>	24145	13969
	Reinsurers' share	<b>16</b>	14209	6835
	Net (15-16)	<b>17</b>	9936	7134
Provisions	Taxation	<b>21</b>	2002	6093
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	7481	4023
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	5332	11805
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	14672	27834
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	39423	56889	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	2105935	2474425	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	5592	9955
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1505809	2307583

Total liabilities (11+12+49)	<b>71</b>	1917027	2318288
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	1746979	2207971
Other adjustments to liabilities (may be negative)	<b>74</b>	71658	92387
Capital and reserves and fund for future appropriations	<b>75</b>	299353	334686
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)	<b>76</b>	4035017	4953332



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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R15</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
				<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
				<b>1</b>	<b>2</b>	

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	4342	3204
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	22	627
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	4364	3831
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	4364	3831

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>			606
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Amounts deducted from technical provisions for discounting	<b>82</b>			
Other adjustments (may be negative)	<b>83</b>		(22)	(3376)
Capital and reserves	<b>84</b>		33751	81002
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>		38093	81457

**Profit and loss account (non-technical account)**

Name of insurer

**Friends Provident Life Assurance 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			(50000)	(50000)
Investment income	Income		14			4811	4826
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16				15463
Investment charges	Investment management charges, including interest		17			194	280
	Value re-adjustments on investments		18			206	15814
	Loss on the realisation of investments		19			418	
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			(46007)	(45805)
Tax on profit or loss on ordinary activities			31			1244	1472
Profit or loss on ordinary activities after tax (29-31)			39			(47251)	(47277)
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			(47251)	(47277)
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			(47251)	(47277)

**Analysis of derivative contracts**Name of insurer **Friends Provident Life Assurance 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	
		<b>R17</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>		568		1123		16485	31114
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>		568		1123		16485	31114
Adjustment for variation margin		<b>52</b>						(946)	
Total (51 + 52)		<b>53</b>		568		177			

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 contracts**Name of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total Long-term Business - Closed Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>782698</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>12</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets		Liabilities		Bought / Long		Sold / Short	
		<b>1</b>		<b>2</b>		<b>3</b>		<b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>		568		1123		16485	31114
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>		568		1123		16485	31114
Adjustment for variation margin		<b>52</b>						(946)	
Total (51 + 52)		<b>53</b>		568		177			

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

## Long-term insurance business : Revenue account

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

Financial year	Previous year
1	2

**Income**

Earned premiums	11	606007	217869
Investment income receivable before deduction of tax	12	125300	131817
Increase (decrease) in the value of non-linked assets brought into account	13	52029	(15220)
Increase (decrease) in the value of linked assets	14	(560937)	(125247)
Other income	15	23693	15436
<b>Total income</b>	<b>19</b>	<b>246092</b>	<b>224655</b>

**Expenditure**

Claims incurred	21	427630	346656
Expenses payable	22	213082	248537
Interest payable before the deduction of tax	23	1392	538
Taxation	24	16292	(15067)
Other expenditure	25		
Transfer to (from) non technical account	26	(50000)	(50000)
<b>Total expenditure</b>	<b>29</b>	<b>608396</b>	<b>530664</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(362304)	(306009)
Fund brought forward	49	2654762	2960771
Fund carried forward (39+49)	59	2292458	2654762

## Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	5383	5138
Investment income receivable before deduction of tax	12	16426	17160
Increase (decrease) in the value of non-linked assets brought into account	13	18623	(9062)
Increase (decrease) in the value of linked assets	14		
Other income	15	65	73
<b>Total income</b>	<b>19</b>	<b>40497</b>	<b>13309</b>

**Expenditure**

Claims incurred	21	51180	44354
Expenses payable	22	1076	1458
Interest payable before the deduction of tax	23	74	51
Taxation	24	(553)	1159
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>51777</b>	<b>47022</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(11280)	(33713)
Fund brought forward	49	237226	270939
Fund carried forward (39+49)	59	225946	237226

## Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	600624	212731
Investment income receivable before deduction of tax	12	108874	114657
Increase (decrease) in the value of non-linked assets brought into account	13	33406	(6158)
Increase (decrease) in the value of linked assets	14	(560937)	(125247)
Other income	15	23628	15363
<b>Total income</b>	<b>19</b>	<b>205595</b>	<b>211346</b>

**Expenditure**

Claims incurred	21	376450	302302
Expenses payable	22	212006	247079
Interest payable before the deduction of tax	23	1318	487
Taxation	24	16845	(16226)
Other expenditure	25		
Transfer to (from) non technical account	26	(50000)	(50000)
<b>Total expenditure</b>	<b>29</b>	<b>556619</b>	<b>483642</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(351024)	(272296)
Fund brought forward	49	2417536	2689832
Fund carried forward (39+49)	59	2066512	2417536

## Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance 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	226236	8923	34048	269207	232709
Single premiums	12	69325	416508	12987	498820	559515

**Reinsurance - external**

Regular premiums	13	62599	52	292	62943	55697
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	(3526)	(18)	18730	15186	10035
Single premiums	16	75616	448	7827	83891	508623

**Net of reinsurance**

Regular premiums	17	167163	8889	15026	191078	166977
Single premiums	18	(6291)	416060	5160	414929	50892

**Total**

Gross	19	295561	425431	47035	768027	792224
Reinsurance	20	134689	482	26849	162020	574355
Net	21	160872	424949	20186	606007	217869



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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

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

Regular premiums	11	2258	289		2547	3074
Single premiums	12		2842		2842	2070

**Reinsurance - external**

Regular premiums	13	6			6	6
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	2252	289		2541	3068
Single premiums	18		2842		2842	2070

**Total**

Gross	19	2258	3131		5389	5144
Reinsurance	20	6			6	6
Net	21	2252	3131		5383	5138

## Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	223978	8634	34048	266660	229635
Single premiums	12	69325	413666	12987	495978	557445

**Reinsurance - external**

Regular premiums	13	62593	52	292	62937	55691
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	(3526)	(18)	18730	15186	10035
Single premiums	16	75616	448	7827	83891	508623

**Net of reinsurance**

Regular premiums	17	164911	8600	15026	188537	163909
Single premiums	18	(6291)	413218	5160	412087	48822

**Total**

Gross	19	293303	422300	47035	762638	787080
Reinsurance	20	134683	482	26849	162014	574349
Net	21	158620	421818	20186	600624	212731

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

Name of insurer **Friends Provident Life Assurance 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	86565	3158	1398	91121	67414
Disability periodic payments	12	2821			2821	2204
Surrender or partial surrender	13	383476	152481	3381	539338	397003
Annuity payments	14	589	15206		15795	5302
Lump sums on maturity	15	36308	2294		38602	35075
<b>Total</b>	<b>16</b>	<b>509759</b>	<b>173139</b>	<b>4779</b>	<b>687677</b>	<b>506998</b>

**Reinsurance - external**

Death or disability lump sums	21	41685	3		41688	27197
Disability periodic payments	22	240			240	182
Surrender or partial surrender	23	83			83	
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>42008</b>	<b>3</b>		<b>42011</b>	<b>27379</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	17754	104	8	17866	14057
Disability periodic payments	32					
Surrender or partial surrender	33	197707	1209	1207	200123	118884
Annuity payments	34					
Lump sums on maturity	35	47			47	22
<b>Total</b>	<b>36</b>	<b>215508</b>	<b>1313</b>	<b>1215</b>	<b>218036</b>	<b>132963</b>

**Net of reinsurance**

Death or disability lump sums	41	27126	3051	1390	31567	26160
Disability periodic payments	42	2581			2581	2022
Surrender or partial surrender	43	185686	151272	2174	339132	278119
Annuity payments	44	589	15206		15795	5302
Lump sums on maturity	45	36261	2294		38555	35053
<b>Total</b>	<b>46</b>	<b>252243</b>	<b>171823</b>	<b>3564</b>	<b>427630</b>	<b>346656</b>

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed 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	2765	381		3146	2310
Disability periodic payments	12					
Surrender or partial surrender	13	8423	4791		13214	12691
Annuity payments	14	69	3724		3793	1695
Lump sums on maturity	15	30464	823		31287	27824
<b>Total</b>	<b>16</b>	<b>41721</b>	<b>9719</b>		<b>51440</b>	<b>44520</b>

**Reinsurance - external**

Death or disability lump sums	21	177			177	166
Disability periodic payments	22					
Surrender or partial surrender	23	83			83	
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>260</b>			<b>260</b>	<b>166</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	2588	381		2969	2144
Disability periodic payments	42					
Surrender or partial surrender	43	8340	4791		13131	12691
Annuity payments	44	69	3724		3793	1695
Lump sums on maturity	45	30464	823		31287	27824
<b>Total</b>	<b>46</b>	<b>41461</b>	<b>9719</b>		<b>51180</b>	<b>44354</b>

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	83800	2777	1398	87975	65104
Disability periodic payments	12	2821			2821	2204
Surrender or partial surrender	13	375053	147690	3381	526124	384312
Annuity payments	14	520	11482		12002	3607
Lump sums on maturity	15	5844	1471		7315	7251
<b>Total</b>	<b>16</b>	<b>468038</b>	<b>163420</b>	<b>4779</b>	<b>636237</b>	<b>462478</b>

**Reinsurance - external**

Death or disability lump sums	21	41508	3		41511	27031
Disability periodic payments	22	240			240	182
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>41748</b>	<b>3</b>		<b>41751</b>	<b>27213</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	17754	104	8	17866	14057
Disability periodic payments	32					
Surrender or partial surrender	33	197707	1209	1207	200123	118884
Annuity payments	34					
Lump sums on maturity	35	47			47	22
<b>Total</b>	<b>36</b>	<b>215508</b>	<b>1313</b>	<b>1215</b>	<b>218036</b>	<b>132963</b>

**Net of reinsurance**

Death or disability lump sums	41	24538	2670	1390	28598	24016
Disability periodic payments	42	2581			2581	2022
Surrender or partial surrender	43	177346	146481	2174	326001	265428
Annuity payments	44	520	11482		12002	3607
Lump sums on maturity	45	5797	1471		7268	7229
<b>Total</b>	<b>46</b>	<b>210782</b>	<b>162104</b>	<b>3564</b>	<b>376450</b>	<b>302302</b>

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

Name of insurer **Friends Provident Life Assurance 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	71028	(892)	37642	107778	143242
Commission - other	12	5393	71	2230	7694	4287
Management - acquisition	13	49629		15555	65184	80002
Management - maintenance	14	20569	4110	1594	26273	19550
Management - other	15	5911	136	221	6268	1572
<b>Total</b>	<b>16</b>	<b>152530</b>	<b>3425</b>	<b>57242</b>	<b>213197</b>	<b>248653</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	103	5	7	115	116
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>103</b>	<b>5</b>	<b>7</b>	<b>115</b>	<b>116</b>

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	71028	(892)	37642	107778	143242
Commission - other	42	5290	66	2223	7579	4171
Management - acquisition	43	49629		15555	65184	80002
Management - maintenance	44	20569	4110	1594	26273	19550
Management - other	45	5911	136	221	6268	1572
<b>Total</b>	<b>46</b>	<b>152427</b>	<b>3420</b>	<b>57235</b>	<b>213082</b>	<b>248537</b>

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed 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		15		15	8
Commission - other	12	5	1		6	10
Management - acquisition	13					
Management - maintenance	14	634	431		1065	1429
Management - other	15	(6)	(4)		(10)	11
<b>Total</b>	<b>16</b>	<b>633</b>	<b>443</b>		<b>1076</b>	<b>1458</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41		15		15	8
Commission - other	42	5	1		6	10
Management - acquisition	43					
Management - maintenance	44	634	431		1065	1429
Management - other	45	(6)	(4)		(10)	11
<b>Total</b>	<b>46</b>	<b>633</b>	<b>443</b>		<b>1076</b>	<b>1458</b>

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	71028	(907)	37642	107763	143234
Commission - other	12	5388	70	2230	7688	4277
Management - acquisition	13	49629		15555	65184	80002
Management - maintenance	14	19935	3679	1594	25208	18121
Management - other	15	5917	140	221	6278	1561
<b>Total</b>	<b>16</b>	<b>151897</b>	<b>2982</b>	<b>57242</b>	<b>212121</b>	<b>247195</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	103	5	7	115	116
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>103</b>	<b>5</b>	<b>7</b>	<b>115</b>	<b>116</b>

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	71028	(907)	37642	107763	143234
Commission - other	42	5285	65	2223	7573	4161
Management - acquisition	43	49629		15555	65184	80002
Management - maintenance	44	19935	3679	1594	25208	18121
Management - other	45	5917	140	221	6278	1561
<b>Total</b>	<b>46</b>	<b>151794</b>	<b>2977</b>	<b>57235</b>	<b>212006</b>	<b>247079</b>



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

Name of insurer **Friends Provident Life Assurance 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	1050193	1566171
Directly held assets in collective investment schemes of connected companies	12	460295	769541
Directly held assets in other collective investment schemes	13	4373	4593
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>1514861</b>	<b>2340305</b>
Provision for tax on unrealised capital gains	15	113	1246
Secured and unsecured loans	16		
Other liabilities	17	8939	31475
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>1505809</b>	<b>2307584</b>

**Directly held linked assets**

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

**Total**

Value of directly held linked assets and units held (18+21)	31	1505809	2307584
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>1505809</b>	<b>2307584</b>

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

Name of insurer **Friends Provident Life Assurance 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	31137	43813
Investment income attributable to the funds before deduction of tax	12	99068	110220
Increase (decrease) in the value of investments in the financial year	13	(560863)	(124214)
Other income	14	182	329
<b>Total income</b>	<b>19</b>	<b>(430476)</b>	<b>30148</b>

**Expenditure**

Value of total cancellation of units	21	360165	268710
Charges for management	22	11238	13905
Charges in respect of tax on investment income	23	1483	747
Taxation on realised capital gains	24	(10292)	17341
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(1133)	(34891)
Other expenditure	26	9837	2695
<b>Total expenditure</b>	<b>29</b>	<b>371298</b>	<b>268507</b>

Increase (decrease) in funds in financial year (19-29)	39	(801774)	(238359)
Internal linked fund brought forward	49	2307583	2545942
Internal linked funds carried forward (39+49)	59	1505809	2307583

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

Name of insurer **Friends Provident Life Assurance 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	113314		19080	132394	173376
Single premium business	12	1201		217	1418	11167
<b>Total</b>	<b>13</b>	<b>114515</b>		<b>19297</b>	<b>133812</b>	<b>184543</b>

**Amount of new regular  
premiums**

Direct insurance business	21	45245	8	22503	67756	75548
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>45245</b>	<b>8</b>	<b>22503</b>	<b>67756</b>	<b>75548</b>

**Amount of new single  
premiums**

Direct insurance business	25	67028	8426	12921	88375	512106
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>67028</b>	<b>8426</b>	<b>12921</b>	<b>88375</b>	<b>512106</b>

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

Name of insurer

Friends Provident Life Assurance 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
325	Level term assurance	35734	12988		
330	Decreasing term assurance	30506	9303		
340	Accelerated critical illness (guaranteed premiums)	15478	7576		
345	Accelerated critical illness (reviewable premiums)	6597	3842		
350	Stand-alone critical illness (guaranteed premiums)	1991	658		
355	Stand-alone critical illness (reviewable premiums)	1609	822		
360	Income protection non-profit (guaranteed premiums)	19508	8722		
420	Group income protection	457	692		
500	Life UWP single premium			2	99
505	Life UWP whole life regular premium		5		
510	Life UWP endowment regular premium - savings	7	17		
700	Life property linked single premium			1199	66929
710	Life property linked whole life regular premium	62	33		
715	Life property linked endowment regular premium - savings	1147	543		
720	Life property linked endowment regular premium - target cash	9	5		







**Long-term insurance business : Non- linked assets**

Name of insurer **Friends Provident Life Assurance 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	312447	312447	13575	3.80	
Other fixed interest securities	13	200501	200501	13433	7.77	
Variable interest securities	14	8067	8067	249	8.71	
UK listed equity shares	15	5526	5731	397	10.20	
Non-UK listed equity shares	16	151	2698	159	8.75	
Unlisted equity shares	17					
Other assets	18	112621	109869	6	0.00	
<b>Total</b>	<b>19</b>	<b>639313</b>	<b>639313</b>	<b>27820</b>	<b>4.53</b>	

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

Land and buildings	21	60	2677	191	7.12	(32.82)
Approved fixed interest securities	22	122787	122787	5834	3.25	15.25
Other fixed interest securities	23	2895	2895	230	12.45	(12.14)
Variable interest securities	24	1884	1884	32	4.32	
UK listed equity shares	25	71765	75088	5205	10.11	(32.86)
Non-UK listed equity shares	26	1962	34938	2060	8.77	(26.02)
Unlisted equity shares	27	2617				
Other assets	28	54780	18481	660	3.75	(32.82)
<b>Total</b>	<b>29</b>	<b>258750</b>	<b>258750</b>	<b>14212</b>	<b>6.17</b>	<b>(8.63)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					(22.97)
Return allocated to non taxable 'asset shares'	32					(23.00)
Return allocated to taxable 'asset shares'	33					(16.96)



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

Name of insurer **Friends Provident Life Assurance Limited**  
 Category of assets **11 Total Long-term Business - Other Business 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	276035	276035	11845	3.87	
Other fixed interest securities	13	199169	199169	13328	7.76	
Variable interest securities	14	8067	8067	249	8.71	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	109786	109786	3	0.00	
<b>Total</b>	<b>19</b>	<b>593057</b>	<b>593057</b>	<b>25425</b>	<b>4.52</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Category of assets **12 Total Long-term Business - Closed 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	36412	36412	1730	3.26	
Other fixed interest securities	13	1332	1332	106	9.68	
Variable interest securities	14					
UK listed equity shares	15	5526	5731	397	10.20	
Non-UK listed equity shares	16	151	2698	159	8.75	
Unlisted equity shares	17					
Other assets	18	2835	83	3	2.86	
<b>Total</b>	<b>19</b>	<b>46256</b>	<b>46256</b>	<b>2395</b>	<b>4.62</b>	

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

Land and buildings	21	60	2677	191	7.12	(32.82)
Approved fixed interest securities	22	122787	122787	5834	3.25	15.25
Other fixed interest securities	23	2895	2895	230	12.45	(12.14)
Variable interest securities	24	1884	1884	32	4.32	
UK listed equity shares	25	71765	75088	5205	10.11	(32.86)
Non-UK listed equity shares	26	1962	34938	2060	8.77	(26.02)
Unlisted equity shares	27	2617				
Other assets	28	54780	18481	660	3.75	(32.82)
<b>Total</b>	<b>29</b>	<b>258750</b>	<b>258750</b>	<b>14212</b>	<b>6.17</b>	<b>(8.63)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					(22.97)
Return allocated to non taxable 'asset shares'	32					(23.00)
Return allocated to taxable 'asset shares'	33					(16.96)

## Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance 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
<b>UK Government approved fixed interest securities</b>	<b>11</b>	398344	11.76	3.58	3.58
<b>Other approved fixed interest securities</b>	<b>21</b>	36889	10.90	4.30	4.30
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	48494	9.90	5.74	4.47
AA/Aa	<b>32</b>	58473	9.89	6.89	4.96
A/A	<b>33</b>	77864	8.89	9.35	5.09
BBB/Baa	<b>34</b>	17858	6.99	10.10	5.12
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	708	2.87	5.62	3.69
<b>Total other fixed interest securities</b>	<b>39</b>	203396	9.23	7.84	4.90
<b>Approved variable interest securities</b>	<b>41</b>	4310	7.66	4.96	4.96
<b>Other variable interest securities</b>	<b>51</b>	5641	6.79	10.11	5.48
<b>Total (11+21+39+41+51)</b>	<b>61</b>	648580	10.84	5.02	4.06

## Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**  
 Category of assets **11 Total Long-term Business - Other Business Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	239146	14.55	3.80	3.80
<b>Other approved fixed interest securities</b>	<b>21</b>	36889	10.90	4.30	4.30
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	48494	9.90	5.74	4.47
AA/Aa	<b>32</b>	56862	9.96	6.90	4.96
A/A	<b>33</b>	75513	9.01	9.21	5.10
BBB/Baa	<b>34</b>	17603	7.02	9.96	5.12
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	698	2.78	5.30	3.66
<b>Total other fixed interest securities</b>	<b>39</b>	199169	9.30	7.76	4.90
<b>Approved variable interest securities</b>	<b>41</b>	2426	4.34	5.45	5.45
<b>Other variable interest securities</b>	<b>51</b>	5641	6.79	10.11	5.48
<b>Total (11+21+39+41+51)</b>	<b>61</b>	483270	11.96	5.55	4.32

## Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**  
 Category of assets **12 Total Long-term Business - Closed Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	159199	7.56	3.25	3.25
<b>Other approved fixed interest securities</b>	<b>21</b>				
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>				
AA/Aa	<b>32</b>	1611	7.51	6.58	4.80
A/A	<b>33</b>	2351	5.20	14.06	4.80
BBB/Baa	<b>34</b>	255	5.20	19.63	5.25
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	10	9.35	27.92	5.87
<b>Total other fixed interest securities</b>	<b>39</b>	4227	6.09	11.58	4.83
<b>Approved variable interest securities</b>	<b>41</b>	1884	11.95	4.32	4.32
<b>Other variable interest securities</b>	<b>51</b>				
<b>Total (11+21+39+41+51)</b>	<b>61</b>	165310	7.58	3.47	3.30

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

Name of insurer **Friends Provident Life Assurance 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	126392	55527		181919	197761
Form 51 - non-profit	12	(79232)	616828	(19345)	518251	59544
Form 52	13	4375	14108		18483	19376
Form 53 - linked	14	2098351	993795	42256	3134401	4474335
Form 53 - non-linked	15	(20622)	8910	(4016)	(15728)	(46739)
Form 54 - linked	16	(609)	7685		7076	222
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>2128654</b>	<b>1696853</b>	<b>18895</b>	<b>3844402</b>	<b>4704499</b>

**Reinsurance - external**

Form 51 - with-profits	21	1013			1013	1099
Form 51 - non-profit	22	93146	0		93147	18622
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	6			6	9
Form 54 - linked	26	7			7	4
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>94172</b>	<b>0</b>		<b>94173</b>	<b>19735</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33	4369	14108		18477	19327
Form 53 - linked	34	1594471		34121	1628592	2166752
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>1598841</b>	<b>14108</b>	<b>34121</b>	<b>1647069</b>	<b>2186079</b>

**Net of reinsurance**

Form 51 - with-profits	41	125379	55527		180906	196662
Form 51 - non-profit	42	(172378)	616828	(19345)	425104	40922
Form 52	43	5			5	48
Form 53 - linked	44	503879	993795	8135	1505809	2307583
Form 53 - non-linked	45	(20628)	8910	(4016)	(15734)	(46748)
Form 54 - linked	46	(616)	7685		7069	218
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>435641</b>	<b>1682744</b>	<b>(15226)</b>	<b>2103160</b>	<b>2498685</b>

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed 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	126392	55527		181919	197761
Form 51 - non-profit	12	2010	42649		44658	40633
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>128402</b>	<b>98176</b>		<b>226578</b>	<b>238394</b>

**Reinsurance - external**

Form 51 - with-profits	21	1013			1013	1099
Form 51 - non-profit	22	7	1		9	9
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1020</b>	<b>1</b>		<b>1022</b>	<b>1108</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41	125379	55527		180906	196662
Form 51 - non-profit	42	2002	42647		44650	40624
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>127382</b>	<b>98174</b>		<b>225556</b>	<b>237286</b>

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

Name of insurer **Friends Provident Life Assurance Limited**Total business / subfund **31 Other Business 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	(81242)	574180	(19345)	473592	18911
Form 52	13	4375	14108		18483	19376
Form 53 - linked	14	2098351	993795	42256	3134401	4474335
Form 53 - non-linked	15	(20622)	8910	(4016)	(15728)	(46739)
Form 54 - linked	16	(609)	7685		7076	222
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	2000252	1598677	18895	3617824	4466105

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	93139	(1)		93138	18614
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	6			6	9
Form 54 - linked	26	7			7	4
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	93152	(1)		93151	18627

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33	4369	14108		18477	19327
Form 53 - linked	34	1594471		34121	1628592	2166752
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	1598841	14108	34121	1647069	2186079

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	(174381)	574181	(19345)	380454	297
Form 52	43	5			5	48
Form 53 - linked	44	503879	993795	8135	1505809	2307583
Form 53 - non-linked	45	(20628)	8910	(4016)	(15734)	(46748)
Form 54 - linked	46	(616)	7685		7069	218
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	308259	1584570	(15226)	1877604	2261399



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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed 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	6380	95224	644				49927
120	Conventional endowment with-profits OB savings	9247	83340	1172				72811
125	Conventional endowment with-profits OB target cash	206	4222	107				3655
300	Regular premium non-profit WL/EA OB	774	3145	36				1548
325	Level term assurance	190	18589	45				90
330	Decreasing term assurance	54	9145	38				39
390	Deferred annuity non-profit	30	0					4
395	Annuity non-profit (PLA)	126	59					329

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **21 Closed 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		1292	4				929
120	Conventional endowment with-profits OB savings		100	1				84
300	Regular premium non-profit WL/EA OB		11	0				7

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

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

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
155	Conventional pensions endowment with-profits	48	536	1				472
165	Conventional deferred annuity with-profits	3737	6288	239				48983
175	Group conventional deferred annuity with-profits	393	826	22				5964
205	Miscellaneous conventional with-profits		3267	1				107
300	Regular premium non-profit WL/EA OB	7	98					104
325	Level term assurance	177	3965	15				74
390	Deferred annuity non-profit	128	154					1583
400	Annuity non-profit (CPA)	2182	2936					40888



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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	984	3880	139				1536
325	Level term assurance	145140	18763531	46009				39846
330	Decreasing term assurance	129064	14492823	37625				(30744)
340	Accelerated critical illness (guaranteed premiums)	125098	10279876	60227				(60277)
345	Accelerated critical illness (reviewable premiums)	35262	3427952	19173				(3467)
350	Stand-alone critical illness (guaranteed premiums)	7857	474578	2796				(4692)
355	Stand-alone critical illness (reviewable premiums)	7339	521292	3328				(3620)
360	Income protection non-profit (guaranteed premiums)	83699	1245113	38024				(54635)
385	Income protection claims in payment	166	2736					26363
395	Annuity non-profit (PLA)	6	538					4649
420	Group income protection	1716	63945	2450				(3571)
425	Group income protection claims in payment	5	179					1340
435	Miscellaneous non-profit							30
440	Additional reserves non-profit OB							6000

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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
300	Regular premium non-profit WL/EA OB		213	2				114
325	Level term assurance		14709014	29698				79372
330	Decreasing term assurance		9311687	18880				8763
340	Accelerated critical illness (guaranteed premiums)		7364318	23302				(17587)
345	Accelerated critical illness (reviewable premiums)		2565409	7199				9684
350	Stand-alone critical illness (guaranteed premiums)		333559	1229				(793)
355	Stand-alone critical illness (reviewable premiums)		390808	1080				141
360	Income protection non-profit (guaranteed premiums)		336244	251				6016
385	Income protection claims in payment		686					6849
420	Group income protection		35524	47				(75)
425	Group income protection claims in payment		93					656

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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
325	Level term assurance	299	22402	110				8
390	Deferred annuity non-profit	346	579					8791
400	Annuity non-profit (CPA)	30778	35178					562854
435	Miscellaneous non-profit							2526





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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	8513	1537516	6956				(15965)
330	Decreasing term assurance	343	53816	328				382
350	Stand-alone critical illness (guaranteed premiums)	5060	277129	1971				(3763)

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	71	2675		2649	2649	(51)	2598
505	Life UWP whole life regular premium	21	19875	183	239	239	(13)	226
510	Life UWP endowment regular premium - savings	156	2666	325	814	814	(23)	791
515	Life UWP endowment regular premium - target cash	341	7776	303	778	775	(15)	760

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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
574	UWP investment only reinsurance		4481	21	4481	4477	(107)	4369

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	1182	14028	45	14028	13997		13997
535	Group money purchase pensions UWP	9	117	7	117	111		111

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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
574	UWP investment only reinsurance		14145	52	14145	14108		14108

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	50539	1693837		1667353	1667353	(30473)	1636880
710	Life property linked whole life regular premium	7620	344275	3727	33722	33174	2963	36137
715	Life property linked endowment regular premium - savings	10750	133710	8500	62395	62355	707	63062
720	Life property linked endowment regular premium - target cash	3706	105447	2408	32022	31639	738	32376
790	Miscellaneous protection rider	742	62	31			444	444
794	Property linked investment only reinsurance		303830		303830	303830		303830
800	Additional reserves property linked						5000	5000

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
790	Miscellaneous protection rider		2				6	6





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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	48549	575550	7519	547985	539149	9408	548558
735	Group money purchase pensions property linked	4705	103095	634	103095	98974	(547)	98427
794	Property linked investment only reinsurance		355671		355671	355671		355671
795	Miscellaneous property linked						49	49

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	378	14777		13431	13431	(497)	12934
715	Life property linked endowment regular premium - savings	25270	46072	40898	20690	20690	(3519)	17171
794	Property linked investment only reinsurance		8135		8135	8135		8135

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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		34121		34121	34121		34121



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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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		1		7	7		7

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business 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	259	318		7685	7685		7685

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

(Sheet 1)

Name of insurer **Friends Provident Life Assurance 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
Aegon Ethical Corporate Bond ISA	01 - life - stock market managed fund	48	FP Accumulation 0.00%	0.00%	0.9819	0.8667	(11.73)
Aegon Ethical Equity ISA	05 - life - UK equity	29	FP Accumulation 0.00%	0.00%	1.0776	0.7742	(28.16)
Aegon Sterling Corporate Bond ISA	01 - life - stock market managed fund	23	FP Accumulation 0.00%	0.00%	0.9759	0.8267	(15.29)
Artemis Capital ISA	05 - life - UK equity	32	FP Accumulation 0.00%	0.00%	1.1436	0.6965	(39.10)
Artemis European ISA	06 - life - overseas equity	87	FP Accumulation 0.00%	0.00%	1.2608	0.7708	(38.86)
Artemis Global Growth ISA	06 - life - overseas equity	27	FP Accumulation 0.00%	0.00%	1.3094	0.8507	(35.03)
Artemis Income ISA	05 - life - UK equity	125	FP Accumulation 0.00%	0.00%	1.1771	0.9264	(21.30)
Artemis UK Growth ISA	05 - life - UK equity	5	FP Accumulation 0.00%	0.00%	1.0578	0.7230	(31.65)
Artemis UK Special Situations ISA	05 - life - UK equity	85	FP Accumulation 0.00%	0.00%	1.1560	0.8441	(26.98)
Cazenove Growth & Income ISA	05 - life - UK equity	4	FP Accumulation 0.00%	0.00%	1.1578	0.8523	(26.39)
Cazenove UK Dynamic ISA	05 - life - UK equity	9	FP Accumulation 0.00%	0.00%	1.1297	0.7823	(30.75)
Credit Suisse Multi Manager Cautious ISA	03 - life - defensive managed fund	8	FP Accumulation 0.00%	0.00%	1.0386	0.8672	(16.50)
Credit Suisse Multi Manager Constellation ISA	06 - life - overseas equity	8	Cross Holdings	0.00%	1.1135	0.8503	(23.63)
Credit Suisse Multi Manager Ethical Portfolio ISA	01 - life - stock market managed fund	8	Cross Holdings	0.00%	1.1033	0.8377	(24.08)
European ISA	06 - life - overseas equity	71	FP Accumulation 0.00%	0.00%	1.4502	1.0441	(28.00)
F&C Global Real Estates ISA	06 - life - overseas equity	38	FP Accumulation 0.00%	0.00%	0.8053	0.5932	(26.34)
F&C Stewardship Income ISA	05 - life - UK equity	431	FP Accumulation 0.00%	0.00%	1.1882	0.7683	(35.34)
F&C Stewardship Internaional ISA	06 - life - overseas equity	28	FP Accumulation 0.00%	0.00%	1.0814	0.8366	(22.64)

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

Name of insurer **Friends Provident Life Assurance 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
F&C Stewardship Managed ISA	02 - life - balanced managed fund	224	FP Accumulation 0.00%	0.00%	1.1084	0.8317	(24.97)
F&C Strategic Bond ISA	01 - life - stock market managed fund	205	FP Accumulation 0.00%	0.00%	1.0711	0.8290	(22.60)
Fidelity European ISA	06 - life - overseas equity	135	FP Accumulation 0.00%	0.00%	1.2629	1.0131	(19.78)
Fidelity Moneybuilder ISA	01 - life - stock market managed fund	70	FP Accumulation 0.00%	0.00%	1.0280	0.9789	(4.77)
Fidelity Multi Managed Special Situations ISA	05 - life - UK equity	15	FP Accumulation 0.00%	0.00%	1.0476	0.6859	(34.53)
Fidelity Portfolio ISA	02 - life - balanced managed fund	14	FP Accumulation 0.00%	0.00%	1.1446	0.9029	(21.11)
Fidelity Wealthbuilder ISA	06 - life - overseas equity	12	FP Accumulation 0.00%	0.00%	1.1207	0.8599	(23.27)
Fidelity State Asia Pacific Leaders ISA	06 - life - overseas equity	56	FP Accumulation 0.00%	0.00%	1.6072	1.3586	(15.47)
First State Emerging Markets ISA	06 - life - overseas equity	24	FP Accumulation 0.00%	0.00%	1.4093	1.1547	(18.06)
Fixed Interest ISA	01 - life - stock market managed fund	201	FP Accumulation 0.00%	0.00%	1.0705	1.1286	5.43
Index Linked ISA	01 - life - stock market managed fund	103	FP Accumulation 0.00%	0.00%	1.1501	1.1899	3.46
FP UK Special Situations ISA	05 - life - UK equity	8	FP Accumulation 0.00%	0.00%	1.1477	0.8275	(27.90)
Gartmore Cautious Managed ISA	03 - life - defensive managed fund	272	FP Accumulation 0.00%	0.00%	1.0667	0.9904	(7.15)
Gartmore Emerging Markets ISA	06 - life - overseas equity	40	FP Accumulation 0.00%	0.00%	1.5560	0.9164	(41.11)
Invesco Perpetual Asian ISA	06 - life - overseas equity	32	FP Accumulation 0.00%	0.00%	1.4506	1.0408	(28.25)
Invesco Perpetual Corporate Bond ISA	01 - life - stock market managed fund	232	FP Accumulation 0.00%	0.00%	1.0667	0.9861	(7.56)
Invesco Perpetual Distribution ISA	03 - life - defensive managed fund	67	FP Accumulation 0.00%	0.00%	1.1573	0.9314	(19.52)
Invesco Perpetual Global Bond ISA	01 - life - stock market managed fund	45	FP Accumulation 0.00%	0.00%	1.0285	1.2741	23.87



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

Name of insurer **Friends Provident Life Assurance 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
Invesco Perpetual High Income ISA	05 - life - UK equity	740	FP Accumulation 0.00%	0.00%	1.3372	1.0958	(18.05)
Invesco Perpetual Japan ISA	06 - life - overseas equity	4	FP Accumulation 0.00%	0.00%	1.0025	1.0064	0.39
Invesco Perpetual Monthly Income Plus ISA	01 - life - stock market managed fund	52	FP Accumulation 0.00%	0.00%	1.0379	0.8129	(21.68)
Investec American ISA	06 - life - overseas equity	10	FP Accumulation 0.00%	0.00%	1.0879	0.8596	(20.99)
Investec Cautious Managed ISA	03 - life - defensive managed fund	244	FP Accumulation 0.00%	0.00%	1.0518	0.9528	(9.41)
Investec Managed Distribution ISA	01 - life - stock market managed fund	15	FP Accumulation 0.00%	0.00%	1.0794	0.9960	(7.73)
Investec Sterling Bond ISA	01 - life - stock market managed fund	27	FP Accumulation 0.00%	0.00%	1.0124	0.9896	(2.25)
Investec UK Blue Chip ISA	05 - life - UK equity	1	Cross Holdings	0.00%	1.1483	0.8307	(27.66)
Investec UK Smaller Companies ISA	05 - life - UK equity	9	FP Accumulation 0.00%	0.00%	1.1460	0.7106	(37.99)
JPM Cautious Total Return ISA	03 - life - defensive managed fund	91	FP Accumulation 0.00%	0.00%	1.1080	1.0875	(1.85)
JPM Natural Resources ISA	06 - life - overseas equity	29	FP Accumulation 0.00%	0.00%	1.4921	0.7276	(51.24)
Lazard European Alpha ISA	06 - life - overseas equity	11	FP Accumulation 0.00%	0.00%	1.2712	1.0259	(19.30)
Lazard UK Alpha ISA	05 - life - UK equity	16	FP Accumulation 0.00%	0.00%	1.1388	0.7778	(31.70)
Lazard UK Income ISA	05 - life - UK equity	6	FP Accumulation 0.00%	0.00%	1.0922	0.7365	(32.56)
Life- American	06 - life - overseas equity	1976	Accumulation 4	1.00%	7.4058	6.4112	(13.43)
Life- Asian Growth	06 - life - overseas equity	2768	Accumulation 4	1.00%	7.4651	4.9048	(34.30)
Life- Commercial Property	07 - life - property	320612	Accumulation SY	0.00%	4.7997	3.7054	(22.80)
Life- Conscience	05 - life - UK equity	1310	Accumulation 4	1.00%	3.6876	2.4501	(33.56)

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

Name of insurer **Friends Provident Life Assurance 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- Deposit	03 - life - defensive managed fund	4355	Accumulation 4	1.00%	5.5740	5.7923	3.92
Life- European	06 - life - overseas equity	11871	Accumulation 4	1.00%	18.4297	13.8571	(24.81)
Life- Extra Income Distribution	01 - life - stock market managed fund	2557	Accumulation 4	1.00%	1.3647	0.9597	(29.68)
Life- Far Eastern Growth	06 - life - overseas equity	3228	Accumulation 4	1.00%	6.5537	4.5732	(30.22)
Life- Fixed Interest	01 - life - stock market managed fund	17855	Accumulation SY	0.00%	3.6298	3.7177	2.42
Life- Income Accumulation	05 - life - UK equity	12140	Accumulation 4	1.00%	20.1499	15.2224	(24.45)
Life- Income Distribution	01 - life - stock market managed fund	5099	Accumulation 4	1.00%	6.8535	4.9114	(28.34)
Life- International	06 - life - overseas equity	7054	Accumulation 4	1.00%	5.3773	4.1190	(23.40)
Life- Managed	04 - life - other managed fund	53495	Accumulation 4	1.00%	15.4164	12.3550	(19.86)
Life- Mixed	04 - life - other managed fund	57984	Accumulation 4	1.00%	14.3080	11.9205	(16.69)
Life- Tokyo Unit Trust	06 - life - overseas equity	2915	Accumulation 4	1.00%	5.9000	5.7228	(3.00)
Life- UK Equity	05 - life - UK equity	19827	Accumulation 4	1.00%	13.0890	9.4782	(27.59)
M&G Global Basics ISA	06 - life - overseas equity	70	FP Accumulation 0.00%	0.00%	1.3246	0.9859	(25.57)
M&G Property Portfolio ISA	07 - life - property	400	FP Accumulation 0.00%	0.00%	0.9659	0.7874	(18.48)
M&G Recovery ISA	05 - life - UK equity	36	FP Accumulation 0.00%	0.00%	1.1733	0.8642	(26.34)
M&G UK Select Growth ISA	05 - life - UK equity	8	Cross Holdings	0.00%	1.1779	0.9130	(22.49)
Managed ISA	04 - life - other managed fund	240	FP Accumulation 0.00%	0.00%	1.2300	0.9777	(20.51)
Blackrock American ISA	06 - life - overseas equity	7	FP Accumulation 0.00%	0.00%	1.0223	0.8451	(17.34)

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

Name of insurer **Friends Provident Life Assurance 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
Blackrock Special Situations ISA	05 - life - UK equity	5	FP Accumulation 0.00%	0.00%	1.0603	0.7588	(28.44)
Blackrock UK Dynamic ISA	05 - life - UK equity	37	FP Accumulation 0.00%	0.00%	1.2274	0.8016	(34.69)
Blackrock UK Income ISA	05 - life - UK equity	16	FP Accumulation 0.00%	0.00%	1.1052	0.8137	(26.37)
Multi Manager Balanced ISA	02 - life - balanced managed fund	405	FP Accumulation 0.00%	0.00%	1.2663	1.0147	(19.87)
Multi Manager Cautious ISA	03 - life - defensive managed fund	541	FP Accumulation 0.00%	0.00%	1.1889	0.9918	(16.58)
Multi Manager Distribution ISA	01 - life - stock market managed fund	668	FP Accumulation 0.00%	0.00%	1.1061	0.8325	(24.73)
Multi Manager Growth ISA	01 - life - stock market managed fund	170	FP Accumulation 0.00%	0.00%	1.3433	1.0488	(21.92)
New Star High Yield Bond ISA	01 - life - stock market managed fund	29	FP Accumulation 0.00%	0.00%	1.0815	0.7201	(33.41)
New Star Higher Income ISA	05 - life - UK equity	12	FP Accumulation 0.00%	0.00%	0.9918	0.5814	(41.38)
New Star Managed ISA	03 - life - defensive managed fund	28	FP Accumulation 0.00%	0.00%	1.0456	0.6717	(35.76)
New Star Property ISA	07 - life - property	528	FP Accumulation 0.00%	0.00%	0.9542	0.7608	(20.27)
New Star Tri-Star Retail Income ISA	03 - life - defensive managed fund	7	Cross Holdings	0.00%	0.9409	0.7444	(20.88)
North American ISA	06 - life - overseas equity	15	FP Accumulation 0.00%	0.00%	1.1383	0.9734	(14.49)
Norwich Property Trust ISA	07 - life - property	112	FP Accumulation 0.00%	0.00%	0.8454	0.6758	(20.06)
Norwich Sustainable Futures European ISA	06 - life - overseas equity	16	FP Accumulation 0.00%	0.00%	1.2070	0.9765	(19.10)
Pension- American	16 - individual pension - overseas equity	3408	Accumulation C	1.00%	8.8855	7.5659	(14.85)
Pension- Asian Growth	16 - individual pension - overseas equity	9094	Accumulation C	1.00%	10.4479	6.4851	(37.93)
Pension- Commercial Property	17 - individual pension - property	687912	Accumulation SY	0.00%	6.2833	4.8355	(23.04)

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

Name of insurer **Friends Provident Life Assurance 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
Pension- Conscience	15 - individual pension - UK equity	8947	Accumulation C	1.00%	4.4703	2.8545	(36.14)
Pension- Deposit	13 - individual pension - defensive managed fund	24437	Accumulation C	1.00%	5.1789	5.4211	4.68
Pension- European	16 - individual pension - overseas equity	29523	Accumulation C	1.00%	15.0266	10.8769	(27.62)
Pension- Far Eastern Growth	16 - individual pension - overseas equity	12859	Accumulation C	1.00%	8.6443	5.6973	(34.09)
Pension- Fixed Interest	11 - individual pension - stock market managed fund	65918	Accumulation SY	0.00%	5.3204	5.6066	5.38
Pension- Greig Middleton	16 - individual pension - overseas equity	3317	Accumulation C	1.00%	5.5272	4.4916	(18.74)
Pension- Income Accumulation	15 - individual pension - UK equity	22519	Accumulation C	1.00%	11.3378	8.2578	(27.17)
Pension- International	16 - individual pension - overseas equity	2148	Accumulation C	1.00%	4.1428	3.1236	(24.60)
Pension- Managed	14 - individual pension - other managed fund	254179	Accumulation C	1.00%	48.4609	37.8471	(21.90)
Pension- Managed Balanced Exempt	12 - individual pension - balanced managed fund	3063	Accumulation C	1.00%	4.6591	3.5034	(24.81)
Pension- Mixed	14 - individual pension - other managed fund	233510	Accumulation C	1.00%	7.7252	6.2782	(18.73)
Pension- Tokyo	16 - individual pension - overseas equity	9877	Accumulation C	1.00%	5.9994	5.8276	(2.86)
Pension- UK Equity	15 - individual pension - UK equity	18373	Accumulation C	1.00%	8.5240	5.9744	(29.91)
Schroder Alpha Plus ISA	05 - life - UK equity	29	FP Accumulation 0.00%	0.00%	1.2302	0.7886	(35.90)
Schroder Gilt and Fixed Interest ISA	01 - life - stock market managed fund	58	FP Accumulation 0.00%	0.00%	1.0400	1.1581	11.36
Schroder Income ISA	05 - life - UK equity	25	FP Accumulation 0.00%	0.00%	1.1473	0.8903	(22.40)
Schroder S&P Managed Distribution Portfolio ISA	03 - life - defensive managed fund	14	FP Accumulation 0.00%	0.00%	1.0734	0.8225	(23.37)
Schroder UK Mid 250 ISA	05 - life - UK equity	270	FP Accumulation 0.00%	0.00%	1.1542	0.6879	(40.40)

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

Name of insurer **Friends Provident Life Assurance 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 UK Smaller Companies ISA	05 - life - UK equity	6	Cross Holdings	0.00%	1.0526	0.6082	(42.22)
Stewardship ISA	05 - life - UK equity	684	FP Accumulation 0.00%	0.00%	1.3396	0.8634	(35.55)
Threadneedle Equity and Bond ISA	03 - life - defensive managed fund	41	FP Accumulation 0.00%	0.00%	1.1260	1.0799	(4.10)
Threadneedle Global Select ISA	06 - life - overseas equity	9	FP Accumulation 0.00%	0.00%	1.1934	0.9662	(19.04)
Threadneedle UK Corporate Bond ISA	01 - life - stock market managed fund	28	FP Accumulation 0.00%	0.00%	1.0044	0.9032	(10.07)
UK Equity ISA	05 - life - UK equity	46	FP Accumulation 0.00%	0.00%	1.3422	0.9425	(29.78)
Morley Global Balanced Income Life ISA Fund	02 - life - balanced managed fund	6	Cross Holdings	0.00%	0.9775	0.6190	(36.67)
Morley Global Cautious Income Life ISA Fund	03 - life - defensive managed fund	8	Cross Holdings	0.00%	1.0041	0.8187	(18.46)

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **Friends Provident Life Assurance Limited**Subfund **21 Closed 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	123874	2.50	2.92	4.03
UK F51 L&GA NP	2002	2.70	3.05	4.56
UK F51 Pensions WP	45349	3.20	3.20	4.03
UK F51 Pensions WP	8804	3.90	3.90	4.03
UK F51 Pensions NP	42440	3.40	3.40	4.56
UK F51 Pensions NP	207	3.90	3.90	4.56
Miscellaneous UK F51 L&GA WP	1505			
Miscellaneous UK F51 Pensions WP	1374			
<b>Total</b>	225556			

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **Friends Provident Life Assurance Limited**Subfund **31 Other Business 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	(180411)	2.70	3.38	3.50
UK F52 L&GA	5	3.00	3.75	5.63
UK F53 L&GA NL	(26252)	2.70	3.38	3.50
UK F51 Pensions NP	76922	3.40	3.40	3.50
UK F51 Pensions NP	485941	4.18	4.18	4.29
UK F53 Pensions NL	1773	3.40	3.40	3.50
OS F51 NP	(19345)	3.40	3.40	3.50
OS F53 NL	(7781)	3.40	3.40	3.50
Miscellaneous UK F51 L&GA NP	6030			3.50
Miscellaneous UK F53 L&GA NL	5624			3.50
Miscellaneous UK F51 Pensions NP	11317			3.50
Miscellaneous UK F53 Pensions NL	7137			3.50
Miscellaneous OS F53 NL	3765			3.50
<b>Total</b>	364725			

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

Name of insurer **Friends Provident Life Assurance 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	2292458	2654762
Bonus payments in anticipation of a surplus	12	13324	11348
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2305782	2666110
Mathematical reserves	21	2103160	2498685
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	202622	167425

**Composition of surplus**

Balance brought forward	31	155544	159374
Transfer from non-technical account	32	50000	50000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(2922)	(41949)
Total	39	202622	167425

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	13324	11348
Cash bonuses	42		
Reversionary bonuses	43	497	533
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	13821	11881
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	13821	11881
Surplus carried forward	49	188801	155544
Total (48+49)	59	202622	167425

**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 Assurance Limited**  
 Total business / subfund **21 Closed Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	225946	237226
Bonus payments in anticipation of a surplus	12	13324	11348
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	239270	248574
Mathematical reserves	21	225556	237286
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	13714	11288

**Composition of surplus**

Balance brought forward	31	(593)	15889
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	14307	(4601)
Total	39	13714	11288

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	13324	11348
Cash bonuses	42		
Reversionary bonuses	43	497	533
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	13821	11881
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	13821	11881
Surplus carried forward	49	(108)	(593)
Total (48+49)	59	13714	11288

**Percentage of distributed surplus allocated to policyholders**

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

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

Name of insurer **Friends Provident Life Assurance Limited**  
 Total business / subfund **31 Other Business Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	2066512	2417536
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2066512	2417536
Mathematical reserves	21	1877604	2261399
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	188908	156137

**Composition of surplus**

Balance brought forward	31	156137	143485
Transfer from non-technical account	32	50000	50000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(17229)	(37347)
Total	39	188908	156137

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	188908	156137
Total (48+49)	59	188908	156137

**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 Assurance Limited**  
 Original insurer **41 National Mutual**  
 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	15489	4425		CWP	N	15489
Endowment assurance	20	27771	8943		CWP	N	27771
Endowment assurance	25	43191	9316		CWP	N	43191
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	71604	20458		CWP	N	71604
Regular premium pension	20	126087	29097		CWP	N	126087
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 Assurance Limited**  
 Original insurer **41 National Mutual**  
 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	13856			CWP	N	27502
Endowment assurance	20	26279			CWP	N	35432
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 requirement**Name of insurer **Friends Provident Life Assurance 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%	1255517	1255517			
Classes I (other), II and IX	12	0.1%			0.50		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	47511220	13632706		71267	63812
Classes III, VII and VIII	15	0.3%	584029	584039	1.00	1752	1869
<b>Total</b>	<b>16</b>		49350767	15472263		73019	65681

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					6355	6355
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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%	777525	677681	0.87	6777	2802
Classes III, VII and VIII (investment risk)	33	1%	25641	25641	1.00	256	174
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	70595	70595	1.00	706	975
Classes III, VII and VIII (other)	35	25%				1151	726
Class IV (other)	36	1%	(44624)	(57418)	1.29	(574)	(335)
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					8316	4341

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	(1868)	(1868)			
Classes I (other), II and IX	42	3%	777525	677681	0.87	20330	8405
Classes III, VII and VIII (investment risk)	43	3%	25641	25641	1.00	769	522
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	70595	70595			
Classes III, VII and VIII (other)	45	0%	3017631	1389026			
Class IV (other)	46	3%	(44624)	(57418)	1.29	(1723)	(1006)
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		3844899	2103657		19377	7920

<b>Long term insurance capital requirement</b>	<b>51</b>					107068	84297
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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 31<sup>st</sup> December 2008
- (2) The previous investigation related to 31<sup>st</sup> December 2007
- (3) Not applicable.

### **2. Product Range**

#### New products

- Income Protection increasing in line with the Retail Prices Index

This product allows the benefit amount to increase in line with RPI, without the requirement for further underwriting.

#### Products Withdrawn

The following products were withdrawn in 2008:

- 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)

The Closed Fund is a sub-fund of the long-term fund that contains with profits business. It is now closed to new business except by increment.

### 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 - 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) There are no non-profit deposit administration contracts.
- (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:

- Optimum Life Plan
- Income Replacement Plan

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

- Personal Pension Scheme

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 report period.
- (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', '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 business a net premium valuation method has been used. The liabilities are calculated as the differences between the present value of the sums assured and bonuses and of the future net premiums. The net premiums are based on the rates of interest and mortality used in the valuation, and are limited to a maximum of the office premium.
- (ii) For conventional non-profit business, a gross premium valuation has been adopted.
- (iii) 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. 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.
- (iv) The reserve for accumulating with-profit 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, other than for 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.
- (ii) For conventional 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 where this increases the liability.
- (iii) 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) Non Standard Methods

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

- 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.
- A reserve equal to a multiple of premium is held for some minor ancillary benefits.
- The amount held as a reserve against the payment of extra benefits in the event of accidental death and against the payment of benefits or the waiver of premiums in the event of total disablement was three times the additional annual premium payable for this benefit.

- For single premium income protection business 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.

(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	2.7		3.4		3.1		3.9	
Other non profit business and unit linked	2.7		3.4	3.4	3.1		3.9	3.8
Unitised With profits	3.0				3.2			
With profits deferred annuities:								
in deferment	2.5		3.2		2.9		3.7	
in possession	2.5		3.9		2.9		4.4	
Other with profit business	2.5		3.2		2.9		3.7	
Pension annuities written between 01/01/2007 and 30/06/2008, reinsured from Friends Provident Pensions Limited.			4.18				N/A	

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	N/A	2.9	2.6	3.4	N/A	3.3
High rate	4.7	4.7	N/A	4.7	5.6	5.6	N/A	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.

(3) Adjustment of Yields for Risk

- 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.
- 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.
- 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
<b>Regular Premium Income Protection</b>				
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
<b>Term assurances paying death benefits only</b>				
Smokers	93% TMS00 (Select) (5)	88% TFS00 (Select) (5)	126% TM92 (Select) (5)	116% TF92 (Select) (5)
Non-Smokers	93% TMN00 (Select) (5)	86% TFN00 (Select) (5)	58% TM92 (Select) (5)	63% TF92 (Select) (5)
Non-Differentiated <sup>(1)</sup>	105% TMN00 (Select) (5)	105% TFN00 (Select) (5)	69% TM92 (Select) (5)	126% TF92 (Select) (5)
With Profit Term Assurance	105% TMN00 (Select) (5)	105% TFN00 (Select) (5)	80% AM80	80% AF80
<b>Unit Linked Business</b>				
Unit Linked Business	80% A67/70	80% A67/70	80% A67/70	80% A67/70
<b>Deferred annuities</b>				
- in deferment	65% AMC00ult	55% AFC00ult	35% AM80	35% AF80
<b>- Annuity options on vesting – individual contracts</b>				
Pension business	80% RMV92 C2025	80% RFV92 C2025	80% RMV92 C2025	80% RFV92 C2025
<b>- options on vesting – executive pensions</b>				
Pension business	95% PMA92 C2025	95% PFA92 C2025	95% PMA92 C2025	95% PFA92 C2025
<b>Annuities in possession – individual contracts</b>				
Pension business (Pre 2003)	83-94% RMV00	87-94% RFV00	83-94% RMV00	87-94% RFV00
<b>Annuities in possession – group contracts</b>				
Pension business (Pre 2003)	81-94% PCMA00	90-94% PCFA00	81-94% PCMA00	90-94% PCFA00

<sup>(1)</sup> 'Non-differentiated' refers to a separate block of business where smoker status was not disclosed. This business is assumed to have a different mortality experience to business sold where smoker status was required to be disclosed and hence uses a different percentage of the mortality table. 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 produced by the above mortality tables, having applied the percentage given, is shown below: Annuity options on vesting – individual contracts  
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

Options on vesting – executive pensions  
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 contracts - pension business  
Modified RMV00/RFV00 for 2008, Modified RMV00/RFV00 for 2007

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

Annuities in possession - group contracts - pension business (Pre 2003)  
Modified PCMA00/PCFA00 for 2008, Modified PCMA00/PCFA00 for 2007

Current Age	Expectation at Age	31.12.2008		31.12.2007	
		Male	Female	Male	Female
45	65	26.65	27.37	26.55	27.37
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

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 (the same rates as in 2007). The percentages are 100% for males and 75% for females (for both 2008 and 2007).

(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
<b>Accelerated Critical Illness Mortality</b>				
- Smokers	89% CIBT02 mort	111% CIBT02 mort	89% CIBT02 mort	111% CIBT02 mort
- Non-Smokers	45% CIBT02 mort	51% CIBT02 mort	45% CIBT02 mort	51% CIBT02 mort
<b>Standalone Critical Illness Morbidity</b>				
- Smokers	87% CIBT02	89% CIBT02	87% CIBT02	89% CIBT02
- Non-Smokers	51% CIBT02	64% CIBT02	51% CIBT02	64% CIBT02

In years one and two, the rates 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:

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

#### (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

### **Closed Fund**

All classes of business in the Closed Fund have been valued on a net premium valuation basis, with no Zillmer adjustments applied. The same method was used for 2007.

### **Other Business 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		26.34	0.118			12.81	0.1	
	Otherwise	N/a	33.49	0.118	0	N/a	9.61	0.1	0
UWP single premium pension (525 / 545)	All	N/a	32.01	0.118	0	N/a	7.31	0.1	0
UL bond (700)	All	N/a	12.62	0.353	0	N/a	12.07	0.3	0
UL savings endowment (715)	Premium Paying		75.73	0.353			72.44	0.3	
	Otherwise	N/a	12.62	0.353	0	N/a	12.07	0.3	0
UL target cash endowment (720)	Premium Paying		75.73	0.353			72.44	0.3	
	Otherwise	N/a	12.62	0.353	0	N/a	12.07	0.3	0
UL regular premium pension (725)	Premium Paying		100.97	0.353			96.58	0.3	
	Otherwise	N/a	12.62	0.353	0	N/a	12.07	0.3	0
UL single premium pension (725)	All	N/a	12.62	0.353	0	N/a	12.07	0.3	0
UL group single premium pension (735)	All	N/a	12.62	0.353	0	N/a	12.07	0.3	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.

- (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	N/a	N/a	3.7	N/a	N/a	4.5
Income Protection	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 liabilities for accumulating with-profit policies are fully reassured to FPLP. The future bonus rates used in valuing these contracts are zero.

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

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
		% p.a.	% p.a.	% p.a.	% p.a.
Level term - low rate	Lapse	7.6	5.4	3.6	3.6
Level term - high rate	Lapse	14.1	10.0	6.8	6.8
Decreasing term - low rate	Lapse	7.6	5.4	3.6	3.6
Decreasing term - high rate	Lapse	14.1	10.0	6.8	6.8
Accelerated critical illness - low rate	Lapse	7.6	5.4	3.6	3.6
Accelerated critical illness - high rate	Lapse	14.1	10.0	6.8	6.8
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	N/a	N/a	N/a	N/a
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	N/a	N/a	N/a	N/a
UL Group Pension	PUP	N/a	N/a	N/a	N/a

For products where negative reserves are permitted we use the combination of lapse rates shown above and interest rates in Section 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. In the calculation of the resilience capital requirement the derivative values and the yields on the combined assets are recalculated to reflect the market risk scenario being tested.

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

	<b>31/12/06</b>	<b>31/12/07</b>
Allowance for lapses on valuation of protection business	£2.6m	£69.5m
Allowance for negative reserves on valuation of protection business	£55.6m	£143.0m(*)
Allowance for lapses on valuation of unit-linked business	-	-
Allowance for negative reserves on valuation of unit-linked business	£1.6m	-

The impact would have been greater in 2007 were it not for the fact that £119m of negative reserves were still eliminated in accordance with INSPRU 1.2.24 (3)R. At the end of 2008 no negative liabilities were eliminated.



## 5. Options and Guarantees

### (1) Guaranteed Annuity Rate Options

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. It is assumed that 95% of the fund at retirement is taken in the form of an annuity.

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

<b>Product Name</b>	<b>Basic Reserve</b>	<b>Outstanding Durations</b>	<b>Guarantee Reserve</b>	<b>Guaranteed Rate</b>	<b>Increments allowed</b>	<b>Annuity Form</b>	<b>Retirement Ages</b>
<b>(i)</b>	<b>(ii) £m</b>	<b>(iii)</b>	<b>(iv) £m</b>	<b>(v)</b>	<b>(vi)</b>	<b>(vii)</b>	<b>(viii)</b>
Conventional Deferred Annuities	20.34	Up to 17 years	9	10%	No	Single Life; monthly in advance, guaranteed 5 years	60-70
Personal Pension (pre Series D)	25.33	Up to 17 years	7	9.5%	No	Single life, monthly in advance, guaranteed 5 years	60-75

### (2) Guaranteed Surrender and Unit-Linked Maturity Values

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

### (3) Guaranteed Insurability Options

(a) 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

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 implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £23.9m. 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:

<b>Homogeneous Risk Group</b>	<b>Implicit allowances £m</b>	<b>Explicit allowance (investment) £m</b>	<b>Explicit allowances (other) £m</b>	<b>Non-attributable expenses £m</b>	<b>Total £m</b>
Post April 2004 Unit Linked	0.0	2.8	2.5	0.8	6.1
All Expenses Attributable	0.6	2.4	14.8	0.0	17.8
Total	0.6	5.2	17.3	0.8	23.9

- (2) Where a net premium method has been used, the implicit allowance for expenses is the difference between the value of the future net premiums and the value of the future gross premiums. Otherwise, there is no implicit allowance for expenses.
- (3) The maintenance expenses in line 14 of Form 43 are £26.3m. Line 14 includes £0.8m in respect of expenses related to the purchase of investments in linked funds. These expenses 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 £2.2m of expenses that are not expected to recur in future years, mainly project costs related to cost saving initiatives implemented in 2008. The remaining difference from allowances arises from margins for adverse deviation.
- (4) The value of future profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is held.
- (5) The cost of closure to new business has been estimated, allowing in particular for redundancy costs and the cost of vacating properties. This was less than margins expected to emerge from in-force business on a prudent basis. Hence no additional reserve was required.
- (6) Non -attributable expenses have only been calculated for unit-linked and UWP products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation (or bonus reserve valuation for UWP), the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

## 7. Mismatching Reserves

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

Currency	Value of liabilities (£m)	Value of assets (£m)
Sterling	597	900
<b>Total</b>	<b>597</b>	<b>900</b>

- (2) As noted above, Friends Provident Life Assurance Limited has no liabilities denominated in currencies other than sterling.
- (3) Sterling liabilities are wholly matched by sterling assets, consequently no reserve for currency mismatching is considered necessary.
- (4) The most onerous of the scenarios specified by INSPRU 3.1.16R was:
- A fall in the market value of equities of 10%;
  - A fall in real estate values of 20%; and
  - A fall in yields on all fixed interest securities of 0.75% p.a.
- (5) There is no territory outside the United Kingdom in which the market value of the assets held exceeds 2.5% of the long term insurance assets (excluding those held to cover index-linked or property-linked liabilities). Accordingly, the same scenario as in (4) above has been used.
- (6) Resilience
- (a) The amount of the resilience capital requirement is £40m.
  - (b) The long-term insurance liabilities increased by £69.6m.
  - (c) The value of the assets allocated to match these liabilities increased by £34.1m from their value as shown in Form 13.
- (7) The nature and term of the assets matching liabilities is regularly reviewed to ensure continued appropriateness and no additional provision was required at the valuation date to ensure that the company could meet its obligations as they arise.

## 8. Other Special Reserves

Other special reserves in excess of 0.1% of the mathematical reserves (£3.8m) have been held as follows:

- (1) An additional expense reserve of £5m.
- (2) A strategic review of the group was carried out, the results of which were announced in January 2008. A reserve of £6m is held to cover the costs of actions arising as a result of this review

## 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.
  - (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 £6,812,271 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) Munich Re Financing Treaty
    - (i) Each month cashflows will be paid into a deficit account that after deducting interest at EURIBOR + 1.75% will reduce the amount outstanding to the Reinsurer. The initial amount of the deficit account was 16m euros as at 31<sup>st</sup> December 2007. Cashflows are made up of Premium margins and Clawback margins in respect of the unit linked savings plans (Friends Plan Basic, Friends Plan Private and Friends Plan Business) sold in Germany between 1<sup>st</sup> September 2006 and 31<sup>st</sup> December 2007. Premium margins represent that portion of each premium paid not allocated to policyholder units less cost of renewal commission. Clawback margins represent clawback of initial commission in respect of lapses, surrenders and paid up policies in each month.
    - (ii) The sterling reserve calculation takes into account the cashflows due to the Reinsurer. There is no overall affect on the sterling reserves as the sterling reserve is limited by the surrender penalty on the contract, both before and after taking the reinsurance premiums into account. The net impact is the regulatory excess capital at 31<sup>st</sup> December 2008 is increased by £9.2m, the outstanding value of the loan from Munich Re at 31<sup>st</sup> December 2008.

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			
Munich Reinsurance Company	Unit Linked business financing treaty providing 16m euros of finance subject to repayments as set out above in section p.	£0	Closed	£0m	N/A	No			
Swiss Re Life & Health Ltd	1 <sup>st</sup> surplus reinsurance for Group Life in excess of £1m up to £3m.	£5,071,799	Open	£3m	£1m	No			
					.	No			
	1st surplus reinsurance for Individual IP for excess over £15,600 p.a. initial benefit up to £156,000 p.a.				£15,600 p.a. for IP	No			
	Quota share reinsurance for non-linked life for 65% up to a maximum retention of £500,000 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 changed from 65% to 75%. With effect August 2006 percentage for decreasing term assurance (life cover only) decreased from 75% to 50%. With effect August 2007 level and decreasing life cover no longer reinsured.				25%	No			
	1 <sup>st</sup> 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). With effect from January 2007 benefit increased to £2,700 p.w. plus NI and pension fund contributions.				£27,434,381	Open	£21m	£300pw	No
	1 <sup>st</sup> surplus reinsurance for Executive Income Protection for £2,000 p.w initial benefit and over in some cases (except nil for D4 business). With effect from January 2007 benefit increased to £2,700 p.w plus NI and pension fund contributions.							£300pw	
Quota share reinsurance for Term Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium.	25%								
Munich Reinsurance Co	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £500,000 per life, and 100% thereafter to a maximum sum assured of £10m per life.	£29,724,740	Open	£71m	15%	No			
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.		Closed		N/A				
	1 <sup>st</sup> surplus reinsurance for Group Income Protection for £200,000 per annum Closed to new business with effect from November 2007.		Closed		N/A				
Friends Provident Life & Pensions Limited	Unitised With-Profit Fund. All investment benefits under Unitised With-Profit Funds.	£98,993,027	Open	£18m	nil	Yes – Parent Company			
	Linked Life Business		Open	£1,624m	nil				

## 10. Reversionary Bonus

- (1) The Bonus series meeting the stated conditions are shown in the table below.
- (2) Not applicable.
- (3) Super compound 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 %	
<b><u>Closed Fund (ex-National Mutual Policies)</u></b>				
Conventional Pension Fund policies	54.3	0.25/ 0.25	0.25 / 0.25	0.00
Conventional Life Fund policies	122.7	0.25/0.25	0.25/0.25	0.00

## Notes to the Return

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2008

### **\*0301\* Reconciliation of Net Admissible Assets to Total Capital Resources**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Total Admissible Assets	2,443,983	2,944,120
Less:		
Mathematical Reserves after distribution of surplus	(2,103,657)	(2,499,218)
Other Insurance & non-insurance liabilities	(49,831)	(63,630)
Liabilities other than long-term business	(4,364)	(3,830)
Net Admissible Assets	286,131	377,442

### **\*0310\* Valuation differences**

Positive valuation differences included within line 14 are:

#### ***In respect of liabilities valued lower than in the Companies Act accounts:***

Reduction in liabilities arising from reinsurance agreement with Munich Re	£9.2m
Deferred front end fees	£15.3m
Liabilities valued at amortised fair value	£52.7m

#### ***In respect of liabilities valued higher than in the Companies Act accounts:***

Deferred tax on deferred acquisition costs	£14.3m
Actuarial reserve for strategic review costs	£11.0m
Allowance for reinsurer credit risk	£6.8m

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

	<b>£000</b>
Movement Form 3 Line 12	(82,584)
Transfer of assets from shareholder fund to long term fund (Form 16 Line 13)	(50,000)
Surplus arisen on UK GAAP basis	85,333
Total equalling Form 16 line 59	(47,251)

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

- i) The Company held unlisted investments valued at £1,183,337.
- ii) Lines 46 & 48 include assets to the value of £2.1m 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 interests or remainders in property other than land or buildings.

## Notes to the Return

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2008

### **\*1302\* & \*1309\* Hybrid securities**

The Company held hybrid securities valued at £17.4m in the long-term fund and £2.7m in the shareholder fund.

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

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

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

The Company has operated its investment guidelines throughout the period in line with 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 Appointed Actuary of the Company. The Company's principal fund manager, F&C Asset Management plc (F&C), maintains a list of approved counterparties with limits based on the degree of risk inherent in each counterparty. F&C monitors regularly that actual exposures fall within approved limits. These restrictions apply equally to counterparties other than approved counterparties.

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

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

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

At 31 December 2008 the Company had no counterparty exposures exceeding the upper limit based on the base capital resources requirement and the long-term insurance business liabilities.

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

	Closed fund	Other business fund	Other than long-term insurance business
	£000	£000	£000
Reinsurer's share of claims outstanding	30	14,209	-
Asset value included in net creditors in Companies Act accounts	(159)	-	(22)
Tax creditor included in tax debtor in Companies Act accounts	(12,465)	-	-
Variation margin	946	-	-
Deferred tax debtor included in tax creditor in Companies Act accounts	3,735	8,516	-
	(7,913)	22,725	(22)

### **\*1401\* & \*1501\* Provisions for reasonably foreseeable adverse variations**

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



## Notes to the Return

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2008

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

- i) No charge has been made on the assets of the Company (other than liabilities under an insurance contract).
- ii) Provision has been made for the total potential liability of £0.1m (2007: £1.2m) relating to taxation on unrealised capital gains arising in linked funds. There are no further contingent liabilities relating to unrealised capital gains tax.
- iii) In accordance with guidance issued by the Financial Services Authority and the Personal Investment Authority, the Company has reviewed the appropriateness of advice given to policyholders who effected personal pensions contracts after 1988.
- These reviews have now been substantially completed. £2.5m remains within the long-term business provision in respect of residual associated costs and contingencies.
- iv) Friends Provident Life Assurance Limited has given an undertaking to LAUTRO (subsequently transferred to the PIA and now to the FSA under the Financial Services and Markets Act 2000) that it will assume responsibility for all liabilities (including complaints) and any other matters which may arise in connection with the business conducted on its behalf by FP Financial Management Limited, formerly NM Financial Management Limited. At the balance sheet date, no claims have been paid or are pending.
- v) Liabilities in relation to endowment complaints are being provided for and settled by Friends Provident Life and Pensions Limited, of which the Company is a subsidiary.
- vi) The Company is not aware of any fundamental uncertainties.

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

	Closed fund	Other business fund
	£000	£000
Deferred tax on deferred acquisition costs	-	(2,002)
Tax creditor included in tax debtor in Companies Act accounts	(12,465)	-
Deferred front end fees	-	15,310
Companies Act accounts fair value adjustment to liabilities	-	52,604
Capital gains tax discounting included in Companies Act accounts, excluded for FSA purposes	-	52
Remove reduction in liabilities arising from reinsurance agreement with Munich Re	-	9,244
Remove reinsurers credit risk	(54)	(17,758)
Variation margin	946	
Reinsurer's share of claims outstanding	30	14,209
Asset value included in net creditors in Companies Act accounts	(159)	
	(11,702)	71,659

### **\*1507\* Other adjustments**

	Other than long- term insurance business £000
Asset value included in net creditors in Companies Act accounts	(22)

## **Notes to the Return**

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2008

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

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 the Other Business Fund and other than long-term insurance business have 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 £nil. Variation margin of £nil 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 form 13.

### **\*4002\* Other income and expenditure**

Other income comprises unit management charges receivable from FPLP of £13.7m and policy loan fees.

### **\*4004\* Transfer from shareholder fund to long-term business fund**

A transfer of £50m of assets has taken place from the Shareholder Fund to the Other Business Fund. This is reflected through line 13 of form 16 and line 26 of form 40.

### **\*4006\* Long-term business funds**

The Company maintains two identified sub funds within the Long-term Insurance Business Fund; the

- i) Other Business Fund; and the
- ii) Closed Fund

All assets, income and expenditure relating to each sub fund are separately identified.

### **\*4008\* Management services**

Management services were provided during the year by Friends Provident Management Services Limited, a wholly owned subsidiary of Friends Provident plc.

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). The Friends Provident group directly holds 52.19% of the ordinary share capital of F&C Asset Management plc.

## **Notes to the Return**

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2008

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

#### **Property reinsurance agreements with Friends Provident Pensions Limited (FPP) and Friends Provident Life & Pensions Limited (FPLP)**

During the period 1 January 2008 to 31 December 2008 the Company (paid)/received amounts as follows with respect to the property-linked funds reinsurance agreement between the Company and both FPLP and FPP:

FPLP (£178.9m)

FPP (£19.9m)

#### **Other reinsurance agreements with FPLP**

New conventional life and PHI business written in FPLP during 2008 has been reinsured to the Company under an agreement dated 16 December 2003. Under this agreement FPLP reassured 50% of the liabilities relating to this business with the Company receiving 70% of the premiums (2007: 70%) but accepting liability for 100% of the expenses associated with the business. The aggregate amount reassured in 2008 was £7.0m.

The unit liabilities on unit linked life & savings business written by the Company since 1 April 2004 are reinsured back to FPLP. The aggregate amount reassured in 2008 was (£118.0m)

FPLP is the immediate parent undertaking of FPLAL and FPP.

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

Assets within this form have been valued as follows:

- i) Land and buildings have been valued at open market value.
- ii) Listed investments have been valued at market prices consistent with the pricing basis within those funds.
- iii) OEICs are carried at the market value at the balance sheet date.
- iv) Unit trusts are valued at either bid price or the price less discount as appropriate to the pricing basis of the respective internal fund.
- v) 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 £107,900m and liabilities of £693,700m under derivative contracts.

### **\*4403\* Liability to repay variation margin**

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

### **\*4502\* Other expenditure – Linked funds**

Other income totalling £62,000 comprises of underwriting commission. Other expenditure totalling £2,977,000 comprises of costs in relation to the purchase and sale of investments.

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

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

**Notes to the Return**

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2008

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

The investment returns in lines 21-29 column 5 for the Closed 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.

**\*4901\* Rating agencies**

The majority of ratings used in Form 49 were provided either by 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.

**\*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.

Positive mathematical reserves in the Other Business Fund have been almost entirely offset by negative reserves. Where this is the case, the yield on backing assets is shown as the INSPRU 3.1.45 yield on which the valuation interest rate is based.

**Directors' certificate required by rule 9.34 of the Accounts and Statements Rules  
Friends Provident Life Assurance 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; 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

**Report of the auditor to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers  
Friends Provident Life Assurance 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 17, 40 to 45, 48, 49, 58 and 60, (including the supplementary notes) on pages 1, 3 to 5, 6 to 26, 27 to 40, 46 to 48, 49 to 51, 86 to 88 and 91 (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on page 118 (‘the Statement’);
- the valuation report required by rule IPRU(INS) 9.31(a) (‘the 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 41, 42 to 45, 52 to 83, 84 to 85, 89 and 90
- statements required by IPRU(INS) rules 9.30 and 9.36 on pages 119 and 120;
- the certificate required by IPRU(INS) rule 9.34 on page 115 (‘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 and the forms and statements not examined by us and the certificate) under the provisions of the Rules. Under IPRU(INS) rule 9.11, the Forms, the Statement, the 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 prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the 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.

**Report of the auditor to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers**  
**Friends Provident Life Assurance Limited**  
**Financial year ended 31 December 2008**

**Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the 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 and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under 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 and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

KPMG Audit Plc  
Registered Auditor  
London  
25 March 2009

**Additional information on derivative and quasi-derivative contracts (IPRU (INS) rule 9.29)**  
**Friends Provident Life Assurance 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.
- 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 £2.7m.  
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) During the financial year the Company granted rights under derivative contracts providing consideration of £229,000.

**Summary of contracts;**

Description	Consideration £000
Exchange traded stock options;	
Man Group Call Option 19/09/08	85
Man Group Call Option 20/06/08	41
BG Group Call Option 20/06/08	39
Prudential Call Option 20/06/08	26
Royal Dutch Shell Call Option 19/09/08	24
Imperial Tobacco Call Option 19/09/08	14
	229



**Statement of additional information on shareholder controllers required by IPRU (INS) 9.30**  
**Friends Provident Life Assurance Limited**  
**Global Business**  
**Financial year ended 31 December 2008**

**Shareholder Controller**

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

- (a) The shareholder controller throughout the year was 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, which held 100% of the issued share capital of the company.

**RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**  
**Information on With Profits Actuary as required by IPRU (INS) 9.36.**  
**Friends Provident Life Assurance 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:-
- (i) He had a sole pecuniary interest in one policy on his life administered by Friends Provident Pensions Limited (FPP). No premiums were paid during the year and the policy value at the end of the year was £17,994.
- (ii) 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.
- (iii) The actuary's spouse had a pecuniary interest in one single premium policy on her life administered by FPLP. Income of £375 was received during the year and the policy value at the end of the year was £4,142.77.
- (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.