



FRIENDS PROVIDENT

Friends Provident Pensions Limited

Annual Return
as at
31st December 2008

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

Appendices 9.1, 9.3, 9.4 & 9.6

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

Friends Provident Pensions Limited

Year ended 31st December 2008

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

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

| | Company registration number | GL/UK/CM | day month year | | | Units |
|--|-----------------------------|----------|----------------------------------|----|----|--------------------------------|
| | R2 | 475201 | GL | 31 | 12 | 2008 |
| | | | As at end of this financial year | | | As at end of the previous year |
| | | | 1 | | | 2 |

Capital resources

| | | | |
|---|----|--------|--------|
| Capital resources arising within the long-term insurance fund | 11 | 173967 | 106814 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 151782 | 147443 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 325749 | 254257 |

Guarantee fund

| | | | |
|--|----|--------|--------|
| Guarantee fund requirement | 21 | 46322 | 45468 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 279427 | 208789 |

Minimum capital requirement (MCR)

| | | | |
|--|----|--------|--------|
| Long-term insurance capital requirement | 31 | 138966 | 136403 |
| Resilience capital requirement | 32 | 10000 | 10000 |
| Base capital resources requirement | 33 | 2518 | 2231 |
| Individual minimum capital requirement | 34 | 148966 | 146403 |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34+35) | 36 | 148966 | 146403 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 251266 | 181056 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 214025 | 144455 |

Enhanced capital requirement

| | | | |
|--|----|--------|--------|
| With-profits insurance capital component | 39 | | |
| Enhanced capital requirement | 40 | 148966 | 146403 |

Capital resources requirement (CRR)

| | | | |
|--|----|--------|--------|
| Capital resources requirement (greater of 36 and 40) | 41 | 148966 | 146403 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 176783 | 107854 |

Contingent liabilities

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

Covering Sheet to Form 2

Form 2

Name of insurer **Friends Provident Pensions 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 resourcesName of insurer **Friends Provident Pensions Limited**

Global business

Financial year ended **31 December 2008**

| Company registration number | GL/UK/CM | day | month | year | Units | |
|-----------------------------|----------------------------|------------------------------|--|--|-------------|-------------|
| R3 | 475201 | GL | 31 | 12 | 2008 | £000 |
| | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | | |
| | 1 | 2 | 3 | 4 | | |

Core tier one capital

| | | | | | |
|---|-----------|--|----------|----------|----------|
| Permanent share capital | 11 | | 773000 | 773000 | 683000 |
| Profit and loss account and other reserves | 12 | | (182329) | (182329) | (208994) |
| Share premium account | 13 | | | | |
| Positive valuation differences | 14 | | | | 7815 |
| Fund for future appropriations | 15 | | | | |
| Core tier one capital in related undertakings | 16 | | | | |
| Core tier one capital (sum of 11 to 16) | 19 | | 590671 | 590671 | 481821 |

Tier one waivers

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

Other tier one capital

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

| | | | | | |
|---|-----------|--|--------|--------|--------|
| Total tier one capital before deductions (19+24+25+26+27+28) | 31 | | 590671 | 590671 | 481821 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | | | |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | 10145 | 10145 | |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | 10145 | 10145 | |
| Total tier one capital after deductions (31-37) | 39 | | 580526 | 580526 | 481821 |

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

Global business

Financial year ended **31 December 2008**

| | Company registration number | GL/ UK/ CM | day month year | | | Units |
|-----------|-----------------------------------|----------------------------------|------------------------------------|---|---|-------------|
| R3 | 475201 | GL | 31 | 12 | 2008 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | 4 | |

Tier two capital

| | | | | | |
|---|-----------|--|--|--|--|
| Implicit items, (tier two waivers and amounts excluded from line 22) | 41 | | | | |
| Perpetual non-cumulative preference shares excluded from line 25 | 42 | | | | |
| Innovative tier one capital excluded from line 27 | 43 | | | | |
| 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 | | | | |
| Upper tier two capital (44 to 47) | 49 | | | | |

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

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

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

Global business

Financial year ended **31 December 2008**

| | Company registration number | GL/ UK/ CM | day month year | | | Units |
|-----------|-----------------------------------|----------------------------------|------------------------------------|---|---|-------------|
| R3 | 475201 | GL | 31 | 12 | 2008 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | 4 | |

Total capital resources

| | | | | | |
|---|-----------|--|--------|--------|--------|
| Positive adjustments for regulated non-insurance related undertakings | 71 | | | | |
| Total capital resources before deductions (39+69+71) | 72 | | 580526 | 580526 | 481821 |
| Inadmissible assets other than intangibles and own shares | 73 | | 254777 | 254777 | 227564 |
| Assets in excess of market risk and counterparty limits | 74 | | | | |
| Deductions for related ancillary services undertakings | 75 | | | | |
| Deductions for regulated non-insurance related undertakings | 76 | | | | |
| Deductions of ineligible surplus capital | 77 | | | | |
| Total capital resources after deductions (72-73-74-75-76-77) | 79 | | 325749 | 325749 | 254257 |

Available capital resources for GENPRU/INSRU tests

| | | | | | |
|--|-----------|--|--------|--------|--------|
| Available capital resources for guarantee fund requirement | 81 | | 325749 | 325749 | 254257 |
| Available capital resources for 50% MCR requirement | 82 | | 325749 | 325749 | 254257 |
| Available capital resources for 75% MCR requirement | 83 | | 325749 | 325749 | 254257 |

Financial engineering adjustments

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

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

 Name of insurer **Friends Provident Pensions Limited**

Global business

 Financial year ended **31 December 2008**

Long term insurance business

| | Company registration number | GL/UK/CM | day month year | | | Units | |
|---|--|----------|--------------------------|----|-------|--------------------|------|
| | R11 | 475201 | GL | 31 | 12 | 2008 | £000 |
| | | | This financial year 1 | | | Previous year 2 | |
| Gross premiums written | | 11 | | | 2 | 7 | |
| Premiums taxes and levies (included in line 11) | | 12 | | | | | |
| Premiums written net of taxes and levies (11-12) | | 13 | | | 2 | 7 | |
| Premiums for classes 11, 12 or 13 (included in line 13) | | 14 | | | | | |
| Premiums for "actuarial health insurance" (included in line 13) | | 15 | | | | | |
| Sub-total A (13 + 1/2 14 - 2/3 15) | | 16 | | | 2 | 7 | |
| Gross premiums earned | | 21 | | | | | |
| Premium taxes and levies (included in line 21) | | 22 | | | | | |
| Premiums earned net of taxes and levies (21-22) | | 23 | | | | | |
| Premiums for classes 11, 12 or 13 (included in line 23) | | 24 | | | | | |
| Premiums for "actuarial health insurance" (included in line 23) | | 25 | | | | | |
| Sub-total H (23 + 1/2 24 - 2/3 25) | | 26 | | | | | |
| Sub-total I (higher of sub-total A and sub-total H) | | 30 | | | 2 | 7 | |
| Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure | | 31 | | | | | |
| Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate) | x 0.18 | 32 | | | 0 | 1 | |
| | Excess (if any) over 53.1M EURO x 0.02 | 33 | | | | | |
| Sub-total J (32-33) | | 34 | | | 0 | 1 | |
| Claims paid in period of 3 financial years | | 41 | | | 4206 | 3147 | |
| 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 | | | 9105 | 11696 | |
| 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 | | | 11244 | 12605 | |
| Sub-total C (41+42+43-44-45) | | 46 | | | 2066 | 2238 | |
| Amounts recoverable from reinsurers in respect of claims included in Sub-total C | | 47 | | | 1541 | 1872 | |
| Sub-total D (46-47) | | 48 | | | 525 | 366 | |
| Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00) | | 49 | | | 0.50 | 0.50 | |
| Premiums amount (Sub-total J x reinsurance ratio) | | 50 | | | 0 | 1 | |
| Provision for claims outstanding (before discounting and net of reinsurance) | | 51 | | | 3478 | 4384 | |
| Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero | | 52 | | | | | |
| Brought forward amount (See instruction 4) | | 53 | | | 77 | 96 | |
| Greater of lines 50 and 53 | | 54 | | | 77 | 96 | |

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

Global business

Financial year ended **31 December 2008**

Long term insurance business

| | | Company registration number | GL/ UK/ CM | day month year | | | Units | |
|---|---|-----------------------------------|------------------|--------------------------|-------------|----|--------------------|-------------|
| | | R12 | 475201 | GL | 31 | 12 | 2008 | £000 |
| | | | | This financial year 1 | | | Previous year 2 | |
| Reference period (No. of months) See INSPRU 1.1.63R | | | | 11 | 36 | | | 36 |
| Claims paid in reference period | | | | 21 | 4206 | | | 3147 |
| Claims outstanding carried forward at the end of the reference period | For insurance business accounted for on an underwriting year basis | | | 22 | | | | |
| | For insurance business accounted for on an accident year basis | | | 23 | 9105 | | | 11696 |
| Claims outstanding brought forward at the beginning of the reference period | For insurance business accounted for on an underwriting year basis | | | 24 | | | | |
| | For insurance business accounted for on an accident year basis | | | 25 | 11244 | | | 12605 |
| Claims incurred in reference period (21+22+23-24-25) | | | | 26 | 2066 | | | 2238 |
| Claims incurred for classes 11, 12 or 13 (included in 26) | | | | 27 | | | | |
| Claims incurred for "actuarial health insurance" (included in 26) | | | | 28 | | | | |
| Sub-total E (26 +1/2 27 - 2/3 28) | | | | 29 | 2066 | | | 2238 |
| Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period) | | | | 31 | 689 | | | 746 |
| Division of sub-total F (gross adjusted claims amount) | x 0.26 | | | 32 | 179 | | | 194 |
| | Excess (if any) over 37.2M EURO x 0.03 | | | 33 | | | | |
| Sub-total G (32-33) | | | | 39 | 179 | | | 194 |
| Claims amount Sub-total G x reinsurance ratio (11.49) | | | | 41 | 90 | | | 97 |
| Higher of premiums amount and brought forward amount (11.54) | | | | 42 | 77 | | | 96 |
| General insurance capital requirement (higher of lines 41 and 42) | | | | 43 | 90 | | | 97 |

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

Global business

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

| | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets |
|--------------------|-----------------------------------|------------------|-----------|-----------|-------------|---|---|
| R13 | 475201 | GL | 31 | 12 | 2008 | £000 | 1 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | 11 | | | | |

Investments in group undertakings and participating interests

| | | | | |
|----------------------------|-----------------|-----------|-----|-----|
| UK insurance dependants | Shares | 21 | | |
| | Debts and loans | 22 | | |
| Other insurance dependants | Shares | 23 | | |
| | Debts and loans | 24 | | |
| Non-insurance dependants | Shares | 25 | 274 | 274 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | | |
| Participating interests | Shares | 29 | | |
| | Debts and loans | 30 | | |

Other financial investments

| | | | | |
|--|--------------------------------|-----------|--------|--------|
| Equity shares | | 41 | | 1 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | | |
| Rights under derivative contracts | | 44 | | |
| Fixed interest securities | Approved | 45 | 22143 | 33191 |
| | Other | 46 | 105143 | 111506 |
| Variable interest securities | Approved | 47 | | |
| | Other | 48 | 94 | 432 |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | | |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | | |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 21400 | 4020 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |
| Deposits with ceding undertakings | | 57 | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

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

Global business

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

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|---------------|-----------|-----------|-----------|---|---------------------------------------|----------|
| R13 | 475201 | GL | 31 | 12 | 2008 | £000 | 1 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | |
|------------------------------------|----------------------------|-----------|------|
| Direct insurance business | Policyholders | 71 | |
| | Intermediaries | 72 | |
| Salvage and subrogation recoveries | | 73 | |
| Reinsurance | Accepted | 74 | |
| | Ceded | 75 | |
| Dependants | due in 12 months or less | 76 | |
| | due in more than 12 months | 77 | |
| Other | due in 12 months or less | 78 | 21 |
| | due in more than 12 months | 79 | 2040 |

Other assets

| | | |
|---|-----------|--------|
| Tangible assets | 80 | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 4 |
| Cash in hand | 82 | 272 |
| Other assets (particulars to be specified by way of supplementary note) | 83 | |
| Accrued interest and rent | 84 | 2838 |
| Deferred acquisition costs (general business only) | 85 | |
| Other prepayments and accrued income | 86 | |
| Deductions from the aggregate value of assets | 87 | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 153045 |
| | | 154633 |

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

Global business

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

| | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets |
|------------|-----------------------------------|------------------|----------------|-----------|---|---|--------------------------|
| R13 | 475201 | GL | 31 | 12 | 2008 | £000 | 1 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

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

| | | | |
|---|------------|--------|--------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 153045 | 154633 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | | |
| Other asset adjustments (may be negative) | 101 | (1263) | (7186) |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 151782 | 147447 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | | |

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

Global business

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

| | Company registration number | GL/UK/CM | day | month | year | Units | Category of assets |
|--------------------|-----------------------------|-----------|-----------|-----------|-------------|---|---------------------------------------|
| R13 | 475201 | GL | 31 | 12 | 2008 | £000 | 10 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | 11 | | | | |

Investments in group undertakings and participating interests

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

Other financial investments

| | | | | |
|--|--------------------------------|-----------|---------|----------|
| Equity shares | 41 | 62644 | 112401 | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | 2832 | 4325 | |
| Rights under derivative contracts | 44 | 7329 | 3806 | |
| Fixed interest securities | Approved | 45 | 243944 | 268533 |
| | Other | 46 | 420573 | 496950 |
| Variable interest securities | Approved | 47 | 76060 | 34343 |
| | Other | 48 | 1813091 | 1623047 |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | | | |
| Other loans | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 43321 | 36740 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | 56 | | | |
| Deposits with ceding undertakings | 57 | | | |
| Assets held to match linked liabilities | Index linked | 58 | 4509 | 8591 |
| | Property linked | 59 | 7867702 | 10969834 |

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

Global business

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

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|---------------|-----------|-----------|-----------|---|---------------------------------------|-----------|
| R13 | 475201 | GL | 31 | 12 | 2008 | £000 | 10 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|-----------|-------|-------|
| Direct insurance business | Policyholders | 71 | 604 | 2913 |
| | Intermediaries | 72 | 1902 | 473 |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | 173 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 15620 | 21890 |
| | due in more than 12 months | 79 | 9562 | 11716 |

Other assets

| | | | |
|---|-----------|----------|----------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 48192 | |
| Cash in hand | 82 | | 145296 |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 24136 | 15904 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | 184 | 681 |
| Deductions from the aggregate value of assets | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 10642205 | 13757616 |

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

Global business

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

| | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets |
|------------|-----------------------------------|------------------|----------------|-----------|---|---|--------------------------|
| R13 | 475201 | GL | 31 | 12 | 2008 | £000 | 10 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

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

| | | | |
|---|------------|----------|----------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 10642205 | 13757616 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | 254777 | 227564 |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 4537781 | 2593284 |
| Other asset adjustments (may be negative) | 101 | 772 | (1600) |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 15435535 | 16576864 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | | |

Long term insurance business liabilities and margins

Name of insurer **Friends Provident Pensions Limited**
Global business
Financial year ended **31 December 2008**
Total business/Sub fund **31 Total Long Term Insurance Business**
Units **£000**

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

| | | | | |
|--|---------------------------|-----------|----------|---------|
| Mathematical reserves, after distribution of surplus | 11 | 8643664 | 12012809 | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | | |
| Balance of surplus/(valuation deficit) | 13 | 173967 | 106814 | |
| Long term insurance business fund carried forward (11 to 13) | 14 | 8817631 | 12119623 | |
| Claims outstanding | Gross | 15 | 4239 | 4476 |
| | Reinsurers' share | 16 | 772 | |
| | Net (15-16) | 17 | 3467 | 4476 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | 23 | | | |
| Creditors | Direct insurance business | 31 | 9445 | 5480 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 1791891 | 1610571 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | 36 | | | |
| Creditors | Taxation | 37 | | |
| | Other | 38 | 19771 | 17466 |
| Accruals and deferred income | 39 | | | |
| Provision for "reasonably foreseeable adverse variations" | 41 | | | |
| Total other insurance and non-insurance liabilities (17 to 41) | 49 | 1824574 | 1637993 | |
| Excess of the value of net admissible assets | 51 | | | |
| Total liabilities and margins | 59 | 10642205 | 13757616 | |

| | | | |
|--|-----------|---------|----------|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 7867702 | 10969834 |

| | | | |
|--|-----------|----------|----------|
| Total liabilities (11+12+49) | 71 | 10468238 | 13650802 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 4537781 | 2593285 |
| Other adjustments to liabilities (may be negative) | 74 | (9373) | 6215 |
| Capital and reserves and fund for future appropriations | 75 | 438889 | 326562 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75) | 76 | 15435535 | 16576864 |

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

Global business

Financial year ended **31 December 2008**

| Company registration number | GL/UK/CM | day | month | year | Units | |
|-----------------------------|---------------|-----------|-----------|---|---------------------------------------|-------------|
| R15 | 475201 | GL | 31 | 12 | 2008 | £000 |
| | | | | As at end of this financial year | As at end of the previous year | |
| | | | | 1 | 2 | |

Technical provisions (gross amount)

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

Provisions and creditors

| | | | | |
|---|---------------------------|-----------|------|----------|
| Provisions | Taxation | 21 | | 3 |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | | 31 | | |
| Creditors | Direct insurance business | 41 | | |
| | Reinsurance accepted | 42 | | |
| | Reinsurance ceded | 43 | | |
| Debenture loans | Secured | 44 | | |
| | Unsecured | 45 | | |
| Amounts owed to credit institutions | | 46 | | |
| Creditors | Taxation | 47 | | 1130 |
| | Foreseeable dividend | 48 | | |
| | Other | 49 | 1263 | 6057 |
| Accruals and deferred income | | 51 | | |
| Total (19 to 51) | | 59 | 1263 | 7190 |
| Provision for "reasonably foreseeable adverse variations" | | 61 | | |
| Cumulative preference share capital | | 62 | | |
| Subordinated loan capital | | 63 | | |
| Total (59 to 63) | | 69 | 1263 | 7190 |

| | | | | |
|---|-----------|--|--|--|
| Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance | 71 | | | |
|---|-----------|--|--|--|

| | | | | |
|--|-----------|--------|--|--------|
| Amounts deducted from technical provisions for discounting | 82 | | | |
| Other adjustments (may be negative) | 83 | (1263) | | (7186) |
| Capital and reserves | 84 | 151782 | | 147443 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84) | 85 | 151782 | | 147447 |

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

Global business

Financial year ended **31 December 2008**

| | | Company registration number | GL/ UK/ CM | day | month | year | Units |
|--|--|-----------------------------------|------------------|------------------------|-------|------------------|---------|
| | | R16 | GL | 31 | 12 | 2008 | £000 |
| | | | | This financial year | | Previous year | |
| | | | | 1 | | 2 | |
| Transfer (to)/from the general insurance business technical account | From Form 20 | | 11 | | | | |
| | Equalisation provisions | | 12 | | | | |
| Transfer from the long term insurance business revenue account | | | 13 | | | (80000) | (60000) |
| Investment income | Income | | 14 | | | 5554 | 9866 |
| | Value re-adjustments on investments | | 15 | | | | |
| | Gains on the realisation of investments | | 16 | | | | 1760 |
| Investment charges | Investment management charges, including interest | | 17 | | | 457 | 688 |
| | Value re-adjustments on investments | | 18 | | | 13019 | 8388 |
| | Loss on the realisation of investments | | 19 | | | 2492 | |
| 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 | | | (90414) | (57450) |
| Tax on profit or loss on ordinary activities | | | 31 | | | (2261) | 730 |
| Profit or loss on ordinary activities after tax (29-31) | | | 39 | | | (88153) | (58180) |
| 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 | | | (88153) | (58180) |
| Dividends (paid or foreseeable) | | | 51 | | | | |
| Profit or loss retained for the financial year (49-51) | | | 59 | | | (88153) | (58180) |

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

Global business

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

| | | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets | |
|---------------------------------------|---------------------------|--|------------------|-------------------------|--|---------------------------|-------------|--------------------------|----------|
| | | R17 | 475201 | GL | 31 | 12 | 2008 | £000 | 1 |
| Derivative contracts | | Value as at the end of this financial year | | | Notional amount as at the end of this financial year | | | | |
| | | Assets 1 | | Liabilities 2 | | Bought / Long 3 | | Sold / Short 4 | |
| Futures and contracts for differences | Fixed-interest securities | 11 | | | | | | | |
| | Interest rates | 12 | | | | | | | |
| | Inflation | 13 | | | | | | | |
| | Credit index / basket | 14 | | | | | | | |
| | Credit single name | 15 | | | | | | | |
| | Equity index | 16 | | | | | | | |
| | Equity stock | 17 | | | | | | | |
| | Land | 18 | | | | | | | |
| | Currencies | 19 | | | | | | | |
| | Mortality | 20 | | | | | | | |
| | Other | 21 | | | | | | | |
| In the money options | Swaptions | 31 | | | | | | | |
| | Equity index calls | 32 | | | | | | | |
| | Equity stock calls | 33 | | | | | | | |
| | Equity index puts | 34 | | | | | | | |
| | Equity stock puts | 35 | | | | | | | |
| | Other | 36 | | | | | | | |
| Out of the money options | Swaptions | 41 | | | | | | | |
| | Equity index calls | 42 | | | | | | | |
| | Equity stock calls | 43 | | | | | | | |
| | Equity index puts | 44 | | | | | | | |
| | Equity stock puts | 45 | | | | | | | |
| | Other | 46 | | | | | | | |
| Total (11 to 46) | | 51 | | | | | | | |
| Adjustment for variation margin | | 52 | | | | | | | |
| Total (51 + 52) | | 53 | | | | | | | |

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

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

Global business

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

| | | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets | |
|---------------------------------------|---------------------------|--|------------------|----------------|--|---------------|-------------|--------------------------|-----------|
| | | R17 | 475201 | GL | 31 | 12 | 2008 | £000 | 10 |
| Derivative contracts | | Value as at the end of this financial year | | | Notional amount as at the end of this financial year | | | | |
| | | Assets | | Liabilities | | Bought / Long | | Sold / Short | |
| | | | | 1 | 2 | 3 | 4 | | |
| Futures and contracts for differences | Fixed-interest securities | 11 | | | | | | | |
| | Interest rates | 12 | | | | | | | |
| | Inflation | 13 | | | | | | | |
| | Credit index / basket | 14 | | | | | | | |
| | Credit single name | 15 | | | | | | | |
| | Equity index | 16 | | 668 | | | 19360 | | |
| | Equity stock | 17 | | | | | | | |
| | Land | 18 | | | | | | | |
| | Currencies | 19 | | | | 3095 | 4173 | 36965 | |
| | Mortality | 20 | | | | | | | |
| | Other | 21 | | | | | | | |
| In the money options | Swaptions | 31 | | 7006 | | | 37500 | | |
| | Equity index calls | 32 | | | | | | | |
| | Equity stock calls | 33 | | | | | | | |
| | Equity index puts | 34 | | | | | | | |
| | Equity stock puts | 35 | | | | | | | |
| | Other | 36 | | | | | | | |
| Out of the money options | Swaptions | 41 | | | | | | | |
| | Equity index calls | 42 | | | | | | | |
| | Equity stock calls | 43 | | | | | | | |
| | Equity index puts | 44 | | | | | | | |
| | Equity stock puts | 45 | | | | | | | |
| | Other | 46 | | | | | | | |
| Total (11 to 46) | | 51 | | 7674 | | 3095 | 61033 | 36965 | |
| Adjustment for variation margin | | 52 | | (345) | | | | | |
| Total (51 + 52) | | 53 | | 7329 | | 3095 | | | |

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 Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Income

| | | | |
|--|-----------|------------------|----------------|
| Earned premiums | 11 | 1423294 | 1005440 |
| Investment income receivable before deduction of tax | 12 | 498983 | 434897 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | (111021) | (44405) |
| Increase (decrease) in the value of linked assets | 14 | (3973516) | 349161 |
| Other income | 15 | | 79 |
| Total income | 19 | (2162260) | 1745172 |

Expenditure

| | | | |
|--|-----------|----------------|----------------|
| Claims incurred | 21 | 930055 | 980123 |
| Expenses payable | 22 | 167756 | 197385 |
| Interest payable before the deduction of tax | 23 | 89161 | 66077 |
| Taxation | 24 | 6442 | (8046) |
| Other expenditure | 25 | 26317 | 32052 |
| Transfer to (from) non technical account | 26 | (80000) | (60000) |
| Total expenditure | 29 | 1139731 | 1207591 |

| | | | |
|---|----|-----------|----------|
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | (3301991) | 537581 |
| Fund brought forward | 49 | 12119622 | 11582041 |
| Fund carried forward (39+49) | 59 | 8817631 | 12119622 |

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance 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 |

Gross

| | | | | | | |
|------------------|----|-----|---------|--|---------|---------|
| Regular premiums | 11 | | 1231827 | | 1231827 | 1093898 |
| Single premiums | 12 | 539 | 1074273 | | 1074812 | 1671310 |

Reinsurance - external

| | | | | | | |
|------------------|----|--|--------|--|--------|---------|
| Regular premiums | 13 | | 1659 | | 1659 | 1907 |
| Single premiums | 14 | | 487401 | | 487401 | 1701562 |

Reinsurance - intra-group

| | | | | | | |
|------------------|----|--|--------|--|--------|--------|
| Regular premiums | 15 | | (4025) | | (4025) | (6741) |
| Single premiums | 16 | | 398310 | | 398310 | 63040 |

Net of reinsurance

| | | | | | | |
|------------------|----|-----|---------|--|---------|---------|
| Regular premiums | 17 | | 1234193 | | 1234193 | 1098732 |
| Single premiums | 18 | 539 | 188562 | | 189101 | (93292) |

Total

| | | | | | | |
|-------------|----|-----|---------|--|---------|---------|
| Gross | 19 | 539 | 2306100 | | 2306639 | 2765208 |
| Reinsurance | 20 | | 883345 | | 883345 | 1759768 |
| Net | 21 | 539 | 1422755 | | 1423294 | 1005440 |

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance 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 |

Gross

| | | | | | | |
|--------------------------------|-----------|-------------|----------------|--|----------------|----------------|
| Death or disability lump sums | 11 | 42 | 17593 | | 17635 | 16510 |
| Disability periodic payments | 12 | 1077 | 246 | | 1323 | 975 |
| Surrender or partial surrender | 13 | 382 | 873803 | | 874185 | 946390 |
| Annuity payments | 14 | | 163901 | | 163901 | 140751 |
| Lump sums on maturity | 15 | | 28806 | | 28806 | 29653 |
| Total | 16 | 1501 | 1084349 | | 1085850 | 1134279 |

Reinsurance - external

| | | | | | | |
|--------------------------------|-----------|------------|---------------|--|---------------|---------------|
| Death or disability lump sums | 21 | | 480 | | 480 | 158 |
| Disability periodic payments | 22 | 789 | 176 | | 965 | 695 |
| Surrender or partial surrender | 23 | | | | | |
| Annuity payments | 24 | | 121460 | | 121460 | 122002 |
| Lump sums on maturity | 25 | | | | | |
| Total | 26 | 789 | 122116 | | 122905 | 122855 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------------|-----------|--|--------------|--|--------------|--------------|
| Death or disability lump sums | 31 | | 463 | | 463 | 432 |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | | 21708 | | 21708 | 24528 |
| Annuity payments | 34 | | 9807 | | 9807 | 4856 |
| Lump sums on maturity | 35 | | 912 | | 912 | 1485 |
| Total | 36 | | 32890 | | 32890 | 31301 |

Net of reinsurance

| | | | | | | |
|--------------------------------|-----------|------------|---------------|--|---------------|---------------|
| Death or disability lump sums | 41 | 42 | 16650 | | 16692 | 15920 |
| Disability periodic payments | 42 | 288 | 70 | | 358 | 280 |
| Surrender or partial surrender | 43 | 382 | 852095 | | 852477 | 921862 |
| Annuity payments | 44 | | 32634 | | 32634 | 13893 |
| Lump sums on maturity | 45 | | 27894 | | 27894 | 28168 |
| Total | 46 | 712 | 929343 | | 930055 | 980123 |

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance 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 |

Gross

| | | | | | | |
|--------------------------|-----------|--|---------------|--|---------------|---------------|
| Commission - acquisition | 11 | | 43473 | | 43473 | 74183 |
| Commission - other | 12 | | 8529 | | 8529 | 4009 |
| Management - acquisition | 13 | | 66343 | | 66343 | 84719 |
| Management - maintenance | 14 | | 41813 | | 41813 | 32217 |
| Management - other | 15 | | 8439 | | 8439 | 3174 |
| Total | 16 | | 168597 | | 168597 | 198302 |

Reinsurance - external

| | | | | | | |
|--------------------------|-----------|--|------------|--|------------|------------|
| Commission - acquisition | 21 | | | | | |
| Commission - other | 22 | | 841 | | 841 | 917 |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| Total | 26 | | 841 | | 841 | 917 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------|-----------|--|--|--|--|--|
| Commission - acquisition | 31 | | | | | |
| Commission - other | 32 | | | | | |
| Management - acquisition | 33 | | | | | |
| Management - maintenance | 34 | | | | | |
| Management - other | 35 | | | | | |
| Total | 36 | | | | | |

Net of reinsurance

| | | | | | | |
|--------------------------|-----------|--|---------------|--|---------------|---------------|
| Commission - acquisition | 41 | | 43473 | | 43473 | 74183 |
| Commission - other | 42 | | 7688 | | 7688 | 3092 |
| Management - acquisition | 43 | | 66343 | | 66343 | 84719 |
| Management - maintenance | 44 | | 41813 | | 41813 | 32217 |
| Management - other | 45 | | 8439 | | 8439 | 3174 |
| Total | 46 | | 167756 | | 167756 | 197385 |

Long-term insurance business : Linked funds balance sheet

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

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

Internal linked funds (excluding cross investment)

| | | | |
|--|-----------|----------------|-----------------|
| Directly held assets (excluding collective investment schemes) | 11 | 6338532 | 7673294 |
| Directly held assets in collective investment schemes of connected companies | 12 | 1534470 | 1078702 |
| Directly held assets in other collective investment schemes | 13 | | 2274263 |
| Total assets (excluding cross investment) (11+12+13) | 14 | 7873002 | 11026259 |
| Provision for tax on unrealised capital gains | 15 | | |
| Secured and unsecured loans | 16 | | |
| Other liabilities | 17 | 29700 | 99915 |
| Total net assets (14-15-16-17) | 18 | 7843302 | 10926344 |

Directly held linked assets

| | | | |
|--------------------------------------|----|-------|-------|
| Value of directly held linked assets | 21 | 22288 | 38478 |
|--------------------------------------|----|-------|-------|

Total

| | | | |
|---|-----------|----------------|-----------------|
| Value of directly held linked assets and units held (18+21) | 31 | 7865590 | 10964822 |
| Surplus units | 32 | | |
| Deficit units | 33 | 2112 | 5012 |
| Net unit liability (31-32+33) | 34 | 7867702 | 10969834 |

Long-term insurance business : Revenue account for internal linked fundsName of insurer **Friends Provident Pensions Limited**

Total business

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

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

Income

| | | | |
|---|-----------|------------------|----------------|
| Value of total creation of units | 11 | 1960079 | 2782471 |
| Investment income attributable to the funds before deduction of tax | 12 | 332597 | 523332 |
| Increase (decrease) in the value of investments in the financial year | 13 | (3960463) | 120323 |
| Other income | 14 | 7154 | 5682 |
| Total income | 19 | (1660633) | 3431808 |

Expenditure

| | | | |
|---|-----------|----------------|----------------|
| Value of total cancellation of units | 21 | 1320640 | 1393494 |
| Charges for management | 22 | 83637 | 86741 |
| Charges in respect of tax on investment income | 23 | 6073 | 3587 |
| Taxation on realised capital gains | 24 | | |
| Increase (decrease) in amount set aside for tax on capital gains not yet realised | 25 | | |
| Other expenditure | 26 | 12059 | 15516 |
| Total expenditure | 29 | 1422409 | 1499338 |

| | | | |
|--|----|-----------|----------|
| Increase (decrease) in funds in financial year (19-29) | 39 | (3083042) | 1932470 |
| Internal linked fund brought forward | 49 | 10926344 | 8993874 |
| Internal linked funds carried forward (39+49) | 59 | 7843302 | 10926344 |

Long-term insurance business : Summary of new business

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

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

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

| | | | | | | |
|--------------------------|-----------|--|---------------|--|---------------|---------------|
| Regular premium business | 11 | | 80163 | | 80163 | 132179 |
| Single premium business | 12 | | 60033 | | 60033 | 107609 |
| Total | 13 | | 140196 | | 140196 | 239788 |

**Amount of new regular
premiums**

| | | | | | | |
|---------------------------|-----------|--|---------------|--|---------------|---------------|
| Direct insurance business | 21 | | 375101 | | 375101 | 460112 |
| External reinsurance | 22 | | | | | |
| Intra-group reinsurance | 23 | | | | | |
| Total | 24 | | 375101 | | 375101 | 460112 |

**Amount of new single
premiums**

| | | | | | | |
|---------------------------|-----------|--|---------------|--|---------------|----------------|
| Direct insurance business | 25 | | 892720 | | 892720 | 1457120 |
| External reinsurance | 26 | | | | | |
| Intra-group reinsurance | 27 | | 91 | | 91 | 1268 |
| Total | 28 | | 892811 | | 892811 | 1458388 |

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Pensions Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Pension / Direct Insurance Business

| Product code number | Product description | Regular premium business | | Single premium business | |
|---------------------|---|--|--------------------|--|--------------------|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 400 | Annuity non-profit (CPA) | | | 16913 | 255571 |
| 525 | Individual pensions UWP | 2 | 46 | 29 | 444 |
| 535 | Group money purchase pensions UWP | 72 | 1269 | 84 | 3440 |
| 725 | Individual pensions property linked | 5629 | 19284 | 10188 | 165916 |
| 735 | Group money purchase pensions property linked | 74460 | 354503 | 32643 | 464686 |
| 905 | Index linked annuity | | | 176 | 2662 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
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Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Friends Provident Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 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 | 246497 | 246497 | 11568 | 3.62 | |
| Other fixed interest securities | 13 | 435129 | 435129 | 31682 | 8.25 | |
| Variable interest securities | 14 | 1889744 | 1889744 | 89705 | 4.95 | |
| UK listed equity shares | 15 | 60553 | 63037 | 3804 | 10.00 | |
| Non-UK listed equity shares | 16 | 2091 | 2091 | 21 | 1.83 | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 135980 | 133496 | 3382 | 2.54 | |
| Total | 19 | 2769994 | 2769994 | 140163 | 5.35 | |

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

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

| | | Value of assets 1 | Mean term 2 | Yield before adjustment 3 | Yield after adjustment 4 |
|---|-----------|----------------------|----------------|---------------------------------|--------------------------------|
| UK Government approved fixed interest securities | 11 | 205236 | 10.40 | 3.46 | 3.46 |
| Other approved fixed interest securities | 21 | 41262 | 11.22 | 4.42 | 4.42 |
| Other fixed interest securities | | | | | |
| AAA/Aaa | 31 | 57090 | 9.51 | 5.43 | 4.32 |
| AA/Aa | 32 | 94809 | 8.97 | 7.61 | 5.10 |
| A/A | 33 | 212719 | 8.82 | 8.97 | 5.24 |
| BBB/Baa | 34 | 36068 | 8.65 | 9.71 | 5.44 |
| BB/Ba | 35 | 1165 | 7.08 | 13.43 | 5.63 |
| B/B | 36 | 617 | 3.24 | 40.00 | 4.52 |
| CCC/Caa | 37 | 2441 | 8.12 | 11.59 | 5.70 |
| Other (including unrated) | 38 | 30220 | 10.00 | 7.63 | 4.86 |
| Total other fixed interest securities | 39 | 435129 | 8.99 | 8.25 | 5.08 |
| Approved variable interest securities | 41 | 71963 | 12.68 | 4.02 | 4.31 |
| Other variable interest securities | 51 | 1817781 | 17.25 | 4.99 | 4.49 |
| Total (11+21+39+41+51) | 61 | 2571370 | 15.08 | 5.38 | 4.50 |

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance 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 |

Gross

| | | | | | |
|------------------------|-----------|-------------|-----------------|-----------------|-----------------|
| Form 51 - with-profits | 11 | | | | |
| Form 51 - non-profit | 12 | 9642 | 2798191 | 2807833 | 2607915 |
| Form 52 | 13 | | 135812 | 135812 | 142962 |
| Form 53 - linked | 14 | | 9934029 | 9934029 | 11535485 |
| Form 53 - non-linked | 15 | | 207204 | 207204 | 221948 |
| Form 54 - linked | 16 | | 83091 | 83091 | 87410 |
| Form 54 - non-linked | 17 | | | | |
| Total | 18 | 9642 | 13158328 | 13167970 | 14595720 |

Reinsurance - external

| | | | | | |
|------------------------|-----------|-------------|----------------|----------------|----------------|
| Form 51 - with-profits | 21 | | | | |
| Form 51 - non-profit | 22 | 4622 | 1685701 | 1690323 | 1722442 |
| Form 52 | 23 | | | | |
| Form 53 - linked | 24 | | 1719867 | 1719867 | 98595 |
| Form 53 - non-linked | 25 | | (8073) | (8073) | (4930) |
| Form 54 - linked | 26 | | 66344 | 66344 | 73857 |
| Form 54 - non-linked | 27 | | | | |
| Total | 28 | 4622 | 3463839 | 3468461 | 1889964 |

Reinsurance - intra-group

| | | | | | |
|------------------------|-----------|-------------|----------------|----------------|---------------|
| Form 51 - with-profits | 31 | | | | |
| Form 51 - non-profit | 32 | 1054 | 561354 | 562408 | 78483 |
| Form 52 | 33 | | 134739 | 134739 | 142446 |
| Form 53 - linked | 34 | | 346460 | 346460 | 467056 |
| Form 53 - non-linked | 35 | | | | |
| Form 54 - linked | 36 | | 12238 | 12238 | 4962 |
| Form 54 - non-linked | 37 | | | | |
| Total | 38 | 1054 | 1054792 | 1055845 | 692947 |

Net of reinsurance

| | | | | | |
|------------------------|-----------|-------------|----------------|----------------|-----------------|
| Form 51 - with-profits | 41 | | | | |
| Form 51 - non-profit | 42 | 3967 | 551136 | 555103 | 806990 |
| Form 52 | 43 | | 1073 | 1073 | 517 |
| Form 53 - linked | 44 | | 7867702 | 7867702 | 10969834 |
| Form 53 - non-linked | 45 | | 215277 | 215277 | 226877 |
| Form 54 - linked | 46 | | 4509 | 4509 | 8591 |
| Form 54 - non-linked | 47 | | | | |
| Total | 48 | 3967 | 8639697 | 8643664 | 12012809 |

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

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 |
| 360 | Income protection non-profit (guaranteed premiums) | 464 | 927 | 34 | | | | 430 |
| 385 | Income protection claims in payment | 7 | 20 | | | | | 35 |
| 390 | Deferred annuity non-profit | 48 | 7 | | | | | 524 |
| 395 | Annuity non-profit (PLA) | 45 | 12 | | | | | 84 |
| 420 | Group income protection | 714 | 16511 | 274 | | | | 317 |
| 425 | Group income protection claims in payment | 20 | 1329 | | | | | 8219 |
| 435 | Miscellaneous non-profit | | | | | | | 34 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 |
|--------------------------|---|---|------------------------|---------------------------------------|-----------------------------|--------------------------------|------------------------|--------------------------------------|
| 425 | Group income protection claims in payment | | 768 | | | | | 4622 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 |
| 395 | Annuity non-profit (PLA) | | 12 | | | | | 84 |
| 420 | Group income protection | | 13012 | 216 | | | | 250 |
| 425 | Group income protection claims in payment | | 88 | | | | | 720 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 |
| 315 | Individual deposit administration non-profit | 45105 | 183220 | 4419 | | | | 195145 |
| 320 | Group deposit administration non-profit | 2696 | 100091 | 2901 | | | | 124780 |
| 325 | Level term assurance | 9269 | 1423469 | 3041 | | | | 1052 |
| 330 | Decreasing term assurance | 2514 | 328477 | 669 | | | | (647) |
| 390 | Deferred annuity non-profit | 4842 | 2168 | | | | | 32508 |
| 400 | Annuity non-profit (CPA) | 103068 | 161800 | | | | | 2444363 |
| 410 | Group life | 5046 | 426942 | 867 | | | | 758 |
| 435 | Miscellaneous non-profit | 5 | 128 | 2 | | | | 8 |
| 440 | Additional reserves non-profit OB | | | | | | | 225 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 |
| 390 | Deferred annuity non-profit | | 857 | | | | | 11866 |
| 400 | Annuity non-profit (CPA) | | 34812 | | | | | 548840 |
| 410 | Group life | | 362900 | 737 | | | | 644 |
| 435 | Miscellaneous non-profit | | 108 | 1 | | | | 4 |
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Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 | 1950 | 23514 | 1560 | 23148 | 23148 | 174 | 23322 |
| 535 | Group money purchase pensions UWP | 8891 | 114396 | 11151 | 114126 | 114126 | (1636) | 112490 |
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Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 | | 137275 | | 137275 | 137275 | (2535) | 134739 |
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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|----------------------------|---|---|--------------------------|---|-------------------------------|----------------------------------|--------------------------|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 725 | Individual pensions property linked | 243192 | 1932293 | 80128 | 1905342 | 1902501 | 69292 | 1971793 |
| 735 | Group money purchase pensions property linked | 668669 | 5036500 | 1061648 | 5020408 | 5019616 | 46723 | 5066339 |
| 794 | Property linked investment only reinsurance | | 3088860 | 60349 | 3011912 | 3011912 | 76948 | 3088860 |
| 800 | Additional reserves property linked | | | | | | 14242 | 14242 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 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 | 3736 | 3846 | | 83091 | 83091 | | 83091 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / 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 | | 3199 | | 66344 | 66344 | | 66344 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

| Product code number 1 | Product description 2 | Number of policyholders / scheme members 3 | Amount of benefit 4 | Amount of annual office premiums 5 | Nominal value of units 6 | Discounted value of units 7 | Other liabilities 8 | Amount of mathematical reserves 9 |
|--------------------------|--------------------------|---|------------------------|---------------------------------------|-----------------------------|--------------------------------|------------------------|--------------------------------------|
| 905 | Index linked annuity | | 548 | | 12238 | 12238 | | 12238 |
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Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|------------------------------------|---|-----------------|---------------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| A E E U | 12 - individual pension - balanced managed fund | 808 | FP Accumulation 0.75% PRE | 0.75% | 1.4990 | 1.1786 | (21.37) |
| Balanced | 12 - individual pension - balanced managed fund | 3816963 | Cross Holdings | 0.00% | 1.5192 | 1.2074 | (20.52) |
| Guaranteed Deposit | 13 - individual pension - defensive managed fund | 492881 | Cross Holdings | 0.00% | 10.8552 | 11.4747 | 5.71 |
| Equity | 15 - individual pension - UK equity | 1815873 | Cross Holdings | 0.00% | 1.6851 | 1.1819 | (29.86) |
| European | 16 - individual pension - overseas equity | 262268 | FP Accumulation 0.75% PRE | 0.75% | 8.5413 | 6.1754 | (27.70) |
| Fixed Interest | 11 - individual pension - stock market managed fund | 921923 | Cross Holdings | 0.00% | 2.0439 | 2.1548 | 5.42 |
| Higher Equity | 15 - individual pension - UK equity | 25943 | L&M 0.50% | 0.50% | 4.3068 | 3.1229 | (27.49) |
| Index Linked | 11 - individual pension - stock market managed fund | 117442 | Cross Holdings | 0.00% | 2.1957 | 2.2714 | 3.45 |
| International | 16 - individual pension - overseas equity | 1405109 | Cross Holdings | 0.00% | 1.6824 | 1.3326 | (20.79) |
| Investment Trust | 11 - individual pension - stock market managed fund | 178419 | L&M 0.75% | 0.75% | 60.2051 | 36.9710 | (38.59) |
| JP Morgan Fleming Investment Trust | 11 - individual pension - stock market managed fund | 20545 | - | 0.00% | 5.4400 | 3.3910 | (37.67) |
| Lower Equity | 15 - individual pension - UK equity | 40586 | Cross Holdings | 0.00% | 1.0881 | 0.9474 | (12.93) |
| Managed Portfolio | 14 - individual pension - other managed fund | 9443 | FP Accumulation 0.75% PRE | 0.75% | 1.4724 | 1.1437 | (22.32) |
| Manged Stewardship | 14 - individual pension - other managed fund | 371720 | Cross Holdings | 0.00% | 1.7288 | 1.2971 | (24.98) |
| North American | 16 - individual pension - overseas equity | 63815 | Cross Holdings | 0.00% | 0.7431 | 0.6376 | (14.19) |
| Pacific Basin | 16 - individual pension - overseas equity | 116451 | Cross Holdings | 0.00% | 2.0534 | 1.3768 | (32.95) |
| Property | 17 - individual pension - property | 346460 | Cross Holdings | 0.00% | 2.3684 | 1.8224 | (23.05) |
| Retirement Annuity | 11 - individual pension - stock market managed fund | 256521 | Cross Holdings | 0.00% | 1.3871 | 1.5750 | 13.54 |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|--|---|-----------------|---------------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Schroder Managed | 14 - individual pension - other managed fund | 726 | FP Accumulation 1.00% PRE | 1.00% | 1.4215 | 1.0666 | (24.97) |
| Stewardship | 15 - individual pension - UK equity | 875199 | FP Accumulation 0.75% PRE | 0.75% | 17.1843 | 10.9071 | (36.53) |
| UK Index Tracker | 11 - individual pension - stock market managed fund | 92502 | Cross Holdings | 0.00% | 1.3527 | 0.9630 | (28.81) |
| Activ Consensus Enhanced | 12 - individual pension - balanced managed fund | 223589 | 0.00% | 0.00% | 1.4287 | 1.1495 | (19.54) |
| Aegon Global Bond | 11 - individual pension - stock market managed fund | 521 | 0.00% | 0.00% | 0.9980 | 0.8442 | (15.41) |
| Aegon High Yield Bond | 11 - individual pension - stock market managed fund | 539 | 0.00% | 0.00% | 1.0037 | 0.7374 | (26.52) |
| Aegon Sterling Corporate Bond | 11 - individual pension - stock market managed fund | 1763 | 0.00% | 0.00% | 0.9950 | 0.8339 | (16.19) |
| Artemis Capital | 15 - individual pension - UK equity | 3851 | 0.00% | 0.00% | 1.4959 | 0.9109 | (39.11) |
| Artemis European Growth | 16 - individual pension - overseas equity | 14438 | 0.00% | 0.00% | 1.7460 | 1.0673 | (38.87) |
| Artemis Global Growth | 16 - individual pension - overseas equity | 10986 | 0.00% | 0.00% | 1.4919 | 0.9691 | (35.04) |
| Artemis Income | 15 - individual pension - UK equity | 5127 | 0.00% | 0.00% | 1.4572 | 1.1467 | (21.30) |
| Artemis New Enterprise | 15 - individual pension - UK equity | 171 | 0.00% | 0.00% | 1.1799 | 0.8924 | (24.37) |
| Artemis UK Growth | 15 - individual pension - UK equity | 1296 | 0.00% | 0.00% | 1.2909 | 0.8823 | (31.65) |
| Artemis UK Smaller Companies | 15 - individual pension - UK equity | 298 | 0.00% | 0.00% | 1.1791 | 0.5901 | (49.96) |
| Artemis UK Special Situations | 15 - individual pension - UK equity | 12242 | 0.00% | 0.00% | 1.4760 | 1.0777 | (26.99) |
| Baillie Gifford (60:40) Worldwide Equity Pension | 16 - individual pension - overseas equity | 13986 | Cross Holdings | 0.00% | 1.2393 | 0.9359 | (24.49) |
| Baillie Gifford Japanese | 16 - individual pension - overseas equity | 4040 | 0.00% | 0.00% | 0.9274 | 0.9477 | 2.18 |
| Baillie Gifford North American | 16 - individual pension - overseas equity | 1350 | 0.00% | 0.00% | 1.1100 | 0.9142 | (17.64) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|----------------------------------|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Baillie Gifford Overseas Equity | 16 - individual pension - overseas equity | 1544 | 0.00% | 0.00% | 1.2703 | 1.0238 | (19.41) |
| BGI All Stocks | 11 - individual pension - stock market managed fund | 42439 | Cross Holdings | 0.00% | 1.0855 | 1.0585 | (2.48) |
| BGI American Growth | 16 - individual pension - overseas equity | 11 | Cross Holdings | 0.00% | 0.9814 | 0.7536 | (23.21) |
| BGI Cash | 13 - individual pension - defensive managed fund | 21845 | Cross Holdings | 0.00% | 1.1359 | 1.1971 | 5.39 |
| BGI Fixed Interest Tracking | 11 - individual pension - stock market managed fund | 84928 | Cross Holdings | 0.00% | 1.1006 | 1.1550 | 4.95 |
| Cazenove European | 16 - individual pension - overseas equity | 422 | 0.00% | 0.00% | 1.4666 | 1.3073 | (10.87) |
| Cazenove UK Growth & Income | 15 - individual pension - UK equity | 950 | 0.00% | 0.00% | 1.2560 | 0.9245 | (26.39) |
| F&C Cautious Managed | 13 - individual pension - defensive managed fund | 29415 | 0.00% | 0.00% | 1.1024 | 0.9599 | (12.92) |
| F&C MultiManager Balanced | 12 - individual pension - balanced managed fund | 12343 | 0.00% | 0.00% | 1.3679 | 1.0985 | (19.70) |
| F&C MultiManager Cautious | 13 - individual pension - defensive managed fund | 5156 | 0.00% | 0.00% | 1.2507 | 1.0449 | (16.46) |
| F&C MultiManager Distribution | 11 - individual pension - stock market managed fund | 7275 | 0.00% | 0.00% | 1.1606 | 0.8709 | (24.96) |
| F&C MultiManager Growth | 11 - individual pension - stock market managed fund | 8405 | 0.00% | 0.00% | 1.4622 | 1.1435 | (21.80) |
| F&C Smaller Companies | 15 - individual pension - UK equity | 5833 | 0.00% | 0.00% | 1.4747 | 0.9179 | (37.76) |
| F&C Stewardship Income | 15 - individual pension - UK equity | 16683 | 0.00% | 0.00% | 1.3690 | 0.8851 | (35.35) |
| F&C Strategic Bond | 11 - individual pension - stock market managed fund | 7842 | 0.00% | 0.00% | 1.1812 | 0.9142 | (22.61) |
| Fidelity Moneybuilder Income | 11 - individual pension - stock market managed fund | 3084 | 0.00% | 0.00% | 1.1305 | 1.0766 | (4.77) |
| FP CIF Euro Bond | 16 - individual pension - overseas equity | 745 | 0.00% | 0.00% | 1.0861 | 1.5125 | 39.27 |
| FP CIF European Equity Investors | 16 - individual pension - overseas equity | 8497 | 0.00% | 0.00% | 1.4393 | 1.0728 | (25.47) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| FP CIF Global Equity | 16 - individual pension - overseas equity | 16656 | 0.00% | 0.00% | 1.1316 | 0.8659 | (23.48) |
| FP CIF Global High Yield | 11 - individual pension - stock market managed fund | 5394 | 0.00% | 0.00% | 1.1369 | 1.2835 | 12.90 |
| FP CIF US Equity Investors | 16 - individual pension - overseas equity | 3766 | 0.00% | 0.00% | 1.1010 | 0.9584 | (12.95) |
| FP Special Situations | 15 - individual pension - UK equity | 2881 | 0.00% | 0.00% | 1.2150 | 0.8684 | (28.52) |
| Framlington Health | 15 - individual pension - UK equity | 207 | 0.00% | 0.00% | 0.9641 | 0.9025 | (6.39) |
| Framlington Managed Balanced | 12 - individual pension - balanced managed fund | 5483 | 0.00% | 0.00% | 1.2687 | 1.0172 | (19.83) |
| Framlington Monthly Income | 15 - individual pension - UK equity | 121 | 0.00% | 0.00% | 1.0888 | 0.6110 | (43.88) |
| Framlington UK Select Opportunities | 15 - individual pension - UK equity | 468 | 0.00% | 0.00% | 1.2542 | 0.8965 | (28.53) |
| Framlington UK Smaller Companies | 15 - individual pension - UK equity | 152 | 0.00% | 0.00% | 1.0513 | 0.5332 | (49.28) |
| Global Equity (40:60) Index | 16 - individual pension - overseas equity | 47799 | 0.00% | 0.00% | 1.4216 | 1.0958 | (22.92) |
| Hargreaves Lans. M/Manager Income & Growth | 15 - individual pension - UK equity | 2744 | 0.00% | 0.00% | 1.2963 | 0.9737 | (24.89) |
| Hargreaves Lans. M/Manager Special Situations | 12 - individual pension - balanced managed fund | 3275 | 0.00% | 0.00% | 1.2933 | 0.8938 | (30.89) |
| Hargreaves Lans. M/Manager Ultimate | 15 - individual pension - UK equity | 1631 | 0.00% | 0.00% | 1.2423 | 0.9360 | (24.66) |
| Invesco Perpetual Asian | 16 - individual pension - overseas equity | 984 | 0.00% | 0.00% | 2.0367 | 1.4613 | (28.25) |
| Invesco Perpetual Corporate Bond | 11 - individual pension - stock market managed fund | 13374 | 0.00% | 0.00% | 1.1479 | 1.0611 | (7.56) |
| Invesco Perpetual Distribution | 11 - individual pension - stock market managed fund | 1823 | 0.00% | 0.00% | 1.2166 | 0.9790 | (19.52) |
| Invesco Perpetual Global Bond | 11 - individual pension - stock market managed fund | 1516 | 0.00% | 0.00% | 1.1007 | 1.3634 | 23.87 |
| Invesco Perpetual High Income | 15 - individual pension - UK equity | 54405 | 0.00% | 0.00% | 1.7241 | 1.4128 | (18.06) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---------------------------------|--|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Invesco Perpetual Income | 15 - individual pension - UK equity | 2771 | 0.00% | 0.00% | 1.4926 | 1.2178 | (18.41) |
| Invesco Perpetual Japan | 16 - individual pension - overseas equity | 902 | 0.00% | 0.00% | 1.2367 | 1.2415 | 0.39 |
| Invesco Perpetual UK Pension | 15 - individual pension - UK equity | 697 | 0.00% | 0.00% | 1.3309 | 1.0553 | (20.71) |
| Invesco UK Aggressive | 15 - individual pension - UK equity | 781 | 0.00% | 0.00% | 1.2914 | 0.9947 | (22.98) |
| Investec Cautious Managed | 13 - individual pension - defensive managed fund | 5708 | 0.00% | 0.00% | 1.1910 | 1.0789 | (9.42) |
| Japan Equity Index | 16 - individual pension - overseas equity | 7213 | Cross Holdings | 0.00% | 1.1818 | 1.1930 | 0.95 |
| JPM Cautious Total Return Fund | 13 - individual pension - defensive managed fund | 4950 | 0.00% | 0.00% | 1.0993 | 1.0707 | (2.61) |
| JPMF Japan | 16 - individual pension - overseas equity | 642 | 0.00% | 0.00% | 0.7950 | 0.7621 | (4.15) |
| JPMF Natural Resources | 16 - individual pension - overseas equity | 4867 | 0.00% | 0.00% | 1.9301 | 0.9398 | (51.31) |
| Jupiter Financial Opportunities | 15 - individual pension - UK equity | 992 | 0.00% | 0.00% | 1.3158 | 1.4296 | 8.65 |
| Jupiter Income | 15 - individual pension - UK equity | 947 | 0.00% | 0.00% | 1.2765 | 0.9492 | (25.64) |
| Legg Mason US Equity On-shore | 16 - individual pension - overseas equity | 262 | 0.00% | 0.00% | 0.9524 | 0.5553 | (41.70) |
| M&G Property Portfolio | 17 - individual pension - property | 6920 | 0.00% | 0.00% | 0.9673 | 0.7887 | (18.46) |
| M&G Recovery | 15 - individual pension - UK equity | 1271 | Cross Holdings | 0.00% | 1.2324 | 0.9077 | (26.35) |
| M&G UK Select Fund | 15 - individual pension - UK equity | 175 | 0.00% | 0.00% | 1.0792 | 0.8302 | (23.07) |
| Blackrock Gold & General | 15 - individual pension - UK equity | 1797 | 0.00% | 0.00% | 1.9601 | 1.6241 | (17.14) |
| Blackrock Special Situations | 15 - individual pension - UK equity | 1217 | Cross Holdings | 0.00% | 1.1320 | 0.8100 | (28.44) |
| Blackrock UK Dynamic | 15 - individual pension - UK equity | 5372 | 0.00% | 0.00% | 1.5201 | 0.9927 | (34.70) |

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

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---------------------------------------|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Blackrock UK Smaller Companies | 15 - individual pension - UK equity | 7237 | 0.00% | 0.00% | 0.9389 | 0.6512 | (30.65) |
| MLC Balanced Portfolio | 12 - individual pension - balanced managed fund | 495 | 0.00% | 0.00% | 1.1443 | 0.8252 | (27.89) |
| MLC Cautious Balanced Portfolio | 13 - individual pension - defensive managed fund | 109 | 0.00% | 0.00% | 1.1167 | 0.8767 | (21.49) |
| MLC Conservative Portfolio | 11 - individual pension - stock market managed fund | 101 | 0.00% | 0.00% | 1.0819 | 0.9159 | (15.34) |
| MLC Diversified Bond Portfolio | 11 - individual pension - stock market managed fund | 10 | Cross Holdings | 0.00% | 1.0405 | 0.9874 | (5.11) |
| MLC Diversified Share Portfolio | 15 - individual pension - UK equity | 34 | 0.00% | 0.00% | 1.1736 | 0.7492 | (36.16) |
| MLC Global Equity | 16 - individual pension - overseas equity | 8 | Cross Holdings | 0.00% | 1.1300 | 0.8696 | (23.05) |
| MLC Growth Portfolio | 15 - individual pension - UK equity | 120 | 0.00% | 0.00% | 1.1581 | 0.7845 | (32.26) |
| MLC High Income | 15 - individual pension - UK equity | 8 | Cross Holdings | 0.00% | 0.9966 | 0.8273 | (16.99) |
| MLC UK Equity | 15 - individual pension - UK equity | 9 | Cross Holdings | 0.00% | 1.2255 | 0.7826 | (36.14) |
| New Star European Growth | 16 - individual pension - overseas equity | 1124 | 0.00% | 0.00% | 1.4428 | 1.1309 | (21.62) |
| New Star High Yield Bond | 11 - individual pension - stock market managed fund | 1381 | 0.00% | 0.00% | 1.1842 | 0.7885 | (33.41) |
| New Star Managed Distribution | 13 - individual pension - defensive managed fund | 606 | 0.00% | 0.00% | 1.0567 | 0.6788 | (35.76) |
| New Star Property | 17 - individual pension - property | 7640 | 0.00% | 0.00% | 1.1032 | 0.8795 | (20.27) |
| New Star Sterling Bond | 11 - individual pension - stock market managed fund | 318 | 0.00% | 0.00% | 1.0376 | 0.7534 | (27.39) |
| NGP Baillie Gifford International | 16 - individual pension - overseas equity | 17022 | 0.00% | 0.00% | 1.2570 | 0.9844 | (21.69) |
| NGP Baillie Gifford Managed | 12 - individual pension - balanced managed fund | 38044 | 0.00% | 0.00% | 1.4237 | 1.1699 | (17.83) |
| NGP Baillie Gifford UK Equity Pension | 15 - individual pension - UK equity | 14331 | Cross Holdings | 0.00% | 1.7040 | 1.2193 | (28.44) |

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

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|--|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| NGP Balanced Index | 12 - individual pension - balanced managed fund | 234252 | 0.00% | 0.00% | 1.6842 | 1.3971 | (17.05) |
| NGP Balanced Multimanager | 12 - individual pension - balanced managed fund | 34860 | 0.00% | 0.00% | 1.5366 | 1.2123 | (21.11) |
| NGP BGI Consensus | 12 - individual pension - balanced managed fund | 77200 | 0.00% | 0.00% | 1.4968 | 1.2159 | (18.77) |
| NGP Cautious Index | 11 - individual pension - stock market managed fund | 56761 | 0.00% | 0.00% | 1.4763 | 1.4134 | (4.26) |
| NGP Cautious Multimanager | 13 - individual pension - defensive managed fund | 7005 | 0.00% | 0.00% | 1.3569 | 1.1967 | (11.81) |
| NGP Deposit | 13 - individual pension - defensive managed fund | 382716 | 0.00% | 0.00% | 1.4960 | 1.5816 | 5.72 |
| NGP Equity | 15 - individual pension - UK equity | 217389 | 0.00% | 0.00% | 1.3297 | 0.9327 | (29.86) |
| NGP European | 16 - individual pension - overseas equity | 107836 | 0.00% | 0.00% | 1.6705 | 1.2173 | (27.13) |
| NGP European Index Tracking | 11 - individual pension - stock market managed fund | 44160 | Cross Holdings | 0.00% | 1.8674 | 1.4378 | (23.00) |
| NGP Fidelity Worldwide Special Situation | 16 - individual pension - overseas equity | 4945 | 0.00% | 0.00% | 2.1955 | 1.5327 | (30.19) |
| NGP First State Asia Pacific | 16 - individual pension - overseas equity | 32500 | 0.00% | 0.00% | 2.8203 | 2.4019 | (14.84) |
| NGP First State Global Emerging Markets | 16 - individual pension - overseas equity | 26307 | 0.00% | 0.00% | 2.6485 | 2.1864 | (17.45) |
| NGP Fixed Interest | 11 - individual pension - stock market managed fund | 184457 | 0.00% | 0.00% | 1.6591 | 1.7491 | 5.43 |
| NGP Global Equity (50:50) Index | 16 - individual pension - overseas equity | 692812 | 0.00% | 0.00% | 2.1058 | 1.5955 | (24.23) |
| NGP Global Equity Multimanager | 16 - individual pension - overseas equity | 31267 | 0.00% | 0.00% | 1.6442 | 1.2925 | (21.39) |
| NGP Global Index Tracking | 11 - individual pension - stock market managed fund | 346325 | 0.00% | 0.00% | 2.2401 | 1.6702 | (25.44) |
| NGP HSBC Amanah Global Equity Index | 16 - individual pension - overseas equity | 2135 | 0.00% | 0.00% | 1.4369 | 1.3250 | (7.79) |
| NGP Indexed Linked | 11 - individual pension - stock market managed fund | 61684 | 0.00% | 0.00% | 1.6864 | 1.7447 | 3.46 |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|--------------------------------------|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| NGP International | 16 - individual pension - overseas equity | 87207 | 0.00% | 0.00% | 1.3650 | 1.0812 | (20.79) |
| NGP Investec UK Blue Chip | 15 - individual pension - UK equity | 3076 | 0.00% | 0.00% | 1.8188 | 1.3196 | (27.45) |
| NGP Lazard European Alpha | 16 - individual pension - overseas equity | 19710 | 0.00% | 0.00% | 2.2099 | 1.7896 | (19.02) |
| NGP Lazard UK Income | 15 - individual pension - UK equity | 6109 | 0.00% | 0.00% | 1.8131 | 1.2263 | (32.37) |
| NGP Managed | 14 - individual pension - other managed fund | 2225088 | 0.00% | 0.00% | 1.4060 | 1.1175 | (20.52) |
| NGP Managed Stewardship | 14 - individual pension - other managed fund | 337870 | 0.00% | 0.00% | 1.4758 | 1.1078 | (24.94) |
| NGP Blackrock UK Equity | 15 - individual pension - UK equity | 25892 | 0.00% | 0.00% | 1.5467 | 1.1112 | (28.16) |
| NGP Newton Balanced | 12 - individual pension - balanced managed fund | 48455 | 0.00% | 0.00% | 1.4443 | 1.4145 | (2.06) |
| NGP Newton Income | 15 - individual pension - UK equity | 14248 | 0.00% | 0.00% | 1.6991 | 1.4166 | (16.63) |
| NGP Newton International Growth | 16 - individual pension - overseas equity | 9738 | 0.00% | 0.00% | 1.7338 | 1.3000 | (25.02) |
| NGP North American | 16 - individual pension - overseas equity | 45720 | 0.00% | 0.00% | 0.8356 | 0.7173 | (14.16) |
| NGP Over 15 Years Gilt Index | 11 - individual pension - stock market managed fund | 27966 | 0.00% | 0.00% | 1.2403 | 1.4113 | 13.79 |
| NGP Pacific Basin | 16 - individual pension - overseas equity | 75020 | 0.00% | 0.00% | 2.0322 | 1.3637 | (32.90) |
| NGP Property | 17 - individual pension - property | 241544 | 0.00% | 0.00% | 2.1394 | 1.6463 | (23.05) |
| NGP Retirement Annuity | 11 - individual pension - stock market managed fund | 228183 | 0.00% | 0.00% | 1.5238 | 1.7302 | 13.55 |
| NGP Stewardship | 15 - individual pension - UK equity | 252618 | 0.00% | 0.00% | 1.5534 | 0.9934 | (36.05) |
| NGP Threadneedle Global Equity 60/40 | 16 - individual pension - overseas equity | 17357 | 0.00% | 0.00% | 1.7946 | 1.3781 | (23.21) |
| NGP UK Corporate Bond Index Tracking | 11 - individual pension - stock market managed fund | 36108 | 0.00% | 0.00% | 1.3583 | 1.2890 | (5.10) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|--|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| NGP UK Equity Index | 15 - individual pension - UK equity | 146144 | Cross Holdings | 0.00% | 2.1926 | 1.5295 | (30.24) |
| NGP UK Index Tracker | 11 - individual pension - stock market managed fund | 85944 | 0.00% | 0.00% | 1.4221 | 1.0126 | (28.79) |
| NGP UK Index-Linked Gilt Index | 11 - individual pension - stock market managed fund | 40536 | 0.00% | 0.00% | 1.3834 | 1.4162 | 2.37 |
| NGP US Index Tracking | 11 - individual pension - stock market managed fund | 47517 | Cross Holdings | 0.00% | 1.0753 | 0.9216 | (14.30) |
| NGP World (Ex-UK) Equity Index | 16 - individual pension - overseas equity | 19657 | 0.00% | 0.00% | 1.5228 | 1.2730 | (16.41) |
| Old Mutual Corporate Bond | 11 - individual pension - stock market managed fund | 347 | 0.00% | 0.00% | 1.0434 | 0.7431 | (28.78) |
| Old Mutual UK Select Sm. Co's | 15 - individual pension - UK equity | 285 | 0.00% | 0.00% | 1.4772 | 1.0130 | (31.42) |
| Pacific Rim Index | 16 - individual pension - overseas equity | 8693 | Cross Holdings | 0.00% | 1.8389 | 1.2590 | (31.53) |
| Schroder Institutional Index Linked Bond | 11 - individual pension - stock market managed fund | 11 | Cross Holdings | 0.00% | 1.0963 | 1.1303 | 3.09 |
| Schroder Institutional Managed Balanced | 12 - individual pension - balanced managed fund | 10 | Cross Holdings | 0.00% | 1.1884 | 0.9763 | (17.85) |
| Schroder Institutional Managed Equity | 15 - individual pension - UK equity | 9 | Cross Holdings | 0.00% | 1.1344 | 0.8800 | (22.43) |
| Schroder Institutional Overseas Equity | 16 - individual pension - overseas equity | 9 | Cross Holdings | 0.00% | 1.1713 | 0.9520 | (18.72) |
| Schroder Mid 250 | 15 - individual pension - UK equity | 11808 | 0.00% | 0.00% | 1.5630 | 0.9314 | (40.41) |
| Schroder Offshore Cash | 13 - individual pension - defensive managed fund | 12 | Cross Holdings | 0.00% | 1.0949 | 1.1520 | 5.21 |
| Schroder Tokyo | 16 - individual pension - overseas equity | 1257 | 0.00% | 0.00% | 0.9253 | 0.9627 | 4.04 |
| SJP International | 16 - individual pension - overseas equity | 130 | 0.00% | 0.00% | 1.4170 | 1.1688 | (17.51) |
| SJP Recovery | 16 - individual pension - overseas equity | 0 | Cross Holdings | 0.00% | 1.3534 | 1.2358 | (8.69) |
| SJP UK & General Progressive | 11 - individual pension - stock market managed fund | 57 | 0.00% | 0.00% | 1.3199 | 0.8193 | (37.93) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| State Street Europe excl UK Equity Index | 15 - individual pension - UK equity | 109 | Cross Holdings | 0.00% | 1.1159 | 0.7660 | (31.35) |
| State Street Global 50:50 Enhanced Equity Index | 15 - individual pension - UK equity | 397 | 0.00% | 0.00% | 1.0349 | 0.7170 | (30.72) |
| State Street North American Enhanced Equity Index | 16 - individual pension - overseas equity | 940 | Cross Holdings | 0.00% | 1.0280 | 0.7076 | (31.17) |
| State Street Overseas Enhanced Equity Index | 16 - individual pension - overseas equity | 123 | 0.00% | 0.00% | 1.0600 | 0.7448 | (29.74) |
| State Street Pacific Enhanced Equity Index | 16 - individual pension - overseas equity | 14867 | Cross Holdings | 0.00% | 1.0332 | 0.7565 | (26.78) |
| State Street UK Enhanced Equity Index | 15 - individual pension - UK equity | 198 | Cross Holdings | 0.00% | 1.0101 | 0.6902 | (31.67) |
| Strategy 40 | 15 - individual pension - UK equity | 1162 | 0.00% | 0.00% | 1.1261 | 0.9330 | (17.15) |
| Strategy 60 | 15 - individual pension - UK equity | 3808 | 0.00% | 0.00% | 1.1683 | 0.9428 | (19.31) |
| Strategy 80 | 15 - individual pension - UK equity | 46903 | 0.00% | 0.00% | 1.2113 | 0.9560 | (21.07) |
| UBS Global Equity 50:50 | 16 - individual pension - overseas equity | 1505 | 0.00% | 0.00% | 1.3458 | 0.9783 | (27.31) |
| UBS Global Optimal | 16 - individual pension - overseas equity | 2380 | 0.00% | 0.00% | 1.2820 | 1.0224 | (20.25) |
| UBS UK Select | 15 - individual pension - UK equity | 1214 | 0.00% | 0.00% | 1.4055 | 0.9294 | (33.88) |
| UBS US Equity | 16 - individual pension - overseas equity | 8305 | 0.00% | 0.00% | 1.2447 | 1.0029 | (19.43) |
| F&C Global Real Estate Securities | 16- individual pension - overseas equity | 1508 | 0.00% | 0.00% | 0.7358 | 0.5435 | (26.14) |
| Alliance Bernstein Global Style Blend | 16- individual pension - overseas equity | 1512 | Cross Holdings | 0.00% | 1.0469 | 0.5761 | (44.97) |
| Alliance Bernstein UK Style Blend | 15 - individual pension - UK equity | 1649 | 0.00% | 0.00% | 1.0567 | 0.7227 | (31.61) |
| Alliance Bernstein Global 50:50 Style Blend | 16- individual pension - overseas equity | 2316 | 0.00% | 0.00% | 1.0519 | 0.6394 | (39.21) |
| Aegon Ethical Corporate Bond | 11 - individual pension - stock market managed fund | 591 | 0.00% | 0.00% | 1.0031 | 0.8866 | (11.62) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|----------------------------------|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| New Star Tri Star | 13 - individual pension - defensive managed fund | 49 | 0.00% | 0.00% | 0.9152 | 0.7089 | (22.54) |
| Cavendish Grant Balanced Income | 12-individual pension - balanced managed fund | 535 | 0.00% | 0.00% | 0.9855 | 0.7421 | (24.70) |
| Cavendish Grant Cautious Growth | 11 - individual pension - stock market managed fund | 192 | 0.00% | 0.00% | 1.0120 | 0.7839 | (22.54) |
| Cavendish Grant Strategic Growth | 11 - individual pension - stock market managed fund | 775 | 0.00% | 0.00% | 1.0672 | 0.8491 | (20.43) |
| M&G American | 16- individual pension - overseas equity | 149 | 0.00% | 0.00% | 1.0056 | 0.8274 | (17.72) |
| Newton Global Balanced | 16- individual pension - overseas equity | 68 | 0.00% | 0.00% | 1.1554 | 1.1154 | (3.46) |
| Newton 60/40 Global Equity | 16- individual pension - overseas equity | 9 | Cross Holdings | 0.00% | 1.1611 | 0.9016 | (22.35) |
| Newton Long Gilt | 11 - individual pension - stock market managed fund | 12 | Cross Holdings | 0.00% | 1.0550 | 1.1937 | 13.15 |
| Newton Higher Income | 11 - individual pension - stock market managed fund | 65 | 0.00% | 0.00% | 1.0093 | 0.8241 | (18.34) |
| Newton Global Higher Income | 16- individual pension - overseas equity | 13 | 0.00% | 0.00% | 1.1691 | 1.0146 | (13.21) |
| Newton Phoenix | 11 - individual pension - stock market managed fund | 8 | Cross Holdings | 0.00% | 1.0496 | 0.8459 | (19.41) |
| Newton International Bond | 11 - individual pension - stock market managed fund | 74 | 0.00% | 0.00% | 1.0981 | 1.5762 | 43.54 |
| Barlays Dynamic Tracker | 13 - individual pension - defensive managed fund | 9 | 0.00% | 0.00% | 1.0895 | 0.9416 | (13.57) |
| Barclays Dynamic 70 Tracker | 13 - individual pension - defensive managed fund | 15 | 0.00% | 0.00% | 1.0863 | 0.9249 | (14.86) |
| Barclays Dynamic 80 Tracker | 13 - individual pension - defensive managed fund | 123 | 0.00% | 0.00% | 1.0612 | 0.9539 | (10.11) |
| Barclays Dynamic 90 Tracker | 13 - individual pension - defensive managed fund | 10 | Cross Holdings | 0.00% | 1.0584 | 1.0236 | (3.29) |
| Lazard UK Omega Fund | 15 - individual pension - UK equity | 5240 | Cross Holdings | 0.00% | 0.9933 | 0.6462 | (34.95) |
| Goldman Sachs Core Flex Fund | 16- individual pension - overseas equity | 2035 | Cross Holdings | 0.00% | 1.0419 | 0.7960 | (23.60) |

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

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Goldman Sachs Global Tactical Asset Allocation | 16- individual pension - overseas equity | 0 | Cross Holdings | 0.00% | 0.4526 | 0.4396 | (2.88) |
| Aegon Institutional UK Corporate Bond Fund | 11 - individual pension - stock market managed fund | 7498 | Cross Holdings | 0.00% | 1.0280 | 0.9176 | (10.74) |
| BGI North American Alpha Fund | 16- individual pension - overseas equity | 1327 | Cross Holdings | 0.00% | 0.9484 | 0.8411 | (11.31) |
| River & Mercantile UK Equity Smaller Companies | 15 - individual pension - UK equity | 38 | 0.00% | 0.00% | 0.8966 | 0.6064 | (32.36) |
| Prudential Specialist UK Equity Fund | 15 - individual pension - UK equity | 275 | 0.00% | 0.00% | 0.9744 | 0.7180 | (26.32) |
| Baillie Gifford Long Term Global Growth Pension | 16- individual pension - overseas equity | 8 | Cross Holdings | 0.00% | 1.1565 | 0.8217 | (28.95) |
| Schroder Diversified Growth Fund | 15 - individual pension - UK equity | 21 | 0.00% | 0.00% | 1.0399 | 0.8403 | (19.19) |
| JPM Life Global Equity | 16- individual pension - overseas equity | 103 | 0.00% | 0.00% | 1.0295 | 0.7660 | (25.60) |
| JPM Life Global Dynamic | 16- individual pension - overseas equity | 12 | Cross Holdings | 0.00% | 1.0899 | 0.8545 | (21.60) |
| JPM All Emerging Markets | 16- individual pension - overseas equity | 1042 | 0.00% | 0.00% | 1.3339 | 0.9029 | (32.32) |
| JPM Life UK Smaller Cap Equity | 15 - individual pension - UK equity | 65 | 0.00% | 0.00% | 0.8474 | 0.4793 | (43.44) |
| JPM Life UK Disciplined Equity | 15 - individual pension - UK equity | 697 | 0.00% | 0.00% | 0.9566 | 0.6776 | (29.16) |
| JPM Continental Europe Select Equity | 16- individual pension - overseas equity | 555 | 0.00% | 0.00% | 1.0144 | 0.7512 | (25.94) |
| JPM Life Japan Select Equity Fund | 16- individual pension - overseas equity | 219 | 0.00% | 0.00% | 0.9232 | 0.8933 | (3.24) |
| JPM Life US Research Enhanced Index 250 | 16- individual pension - overseas equity | 462 | 0.00% | 0.00% | 0.9836 | 0.8337 | (15.23) |
| JPM Life Asia Equity | 16- individual pension - overseas equity | 359 | 0.00% | 0.00% | 1.1349 | 0.7691 | (32.23) |
| JPM Life Global excl-UK Opportunities | 16- individual pension - overseas equity | 258 | 0.00% | 0.00% | 1.0039 | 0.8303 | (17.29) |
| JPM Life Growth | 16- individual pension - overseas equity | 2662 | 0.00% | 0.00% | 0.9990 | 0.7089 | (29.04) |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|--|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| JPM Life UK Long Dated Bond | 11 - individual pension - stock market managed fund | 174 | 0.00% | 0.00% | 1.0967 | 1.2433 | 13.37 |
| JPM Life UK Index Linked Long Dated Bond | 11 - individual pension - stock market managed fund | 70 | 0.00% | 0.00% | 1.1103 | 1.1516 | 3.72 |
| JPM Life Global Excl - UK Bond | 16- individual pension - overseas equity | 124 | 0.00% | 0.00% | 1.0387 | 1.0401 | 0.14 |
| JPM Life UK Liquidity | 13 - individual pension - defensive managed fund | 851 | 0.00% | 0.00% | 1.0194 | 1.0752 | 5.47 |
| JPM Life UK Corporate Bond | 11 - individual pension - stock market managed fund | 22 | 0.00% | 0.00% | 1.0342 | 0.9121 | (11.80) |
| JPM Life Moderate | 12-individual pension - balanced managed fund | 3259 | 0.00% | 0.00% | 0.9956 | 0.7785 | (21.80) |
| JPM Life Cautious | 13 - individual pension - defensive managed fund | 225 | 0.00% | 0.00% | 1.0106 | 0.8655 | (14.36) |
| Aberdeen World Equity | 16- individual pension - overseas equity | 1156 | 0.00% | 0.00% | 1.1069 | 0.9276 | (16.20) |
| Aberdeen Multi-Asset | 12-individual pension - balanced managed fund | 12492 | 0.00% | 0.00% | 1.0294 | 0.7971 | (22.56) |
| F&C Pacific Growth | 16- individual pension - overseas equity | 1777 | Cross Holdings | 0.00% | 0.9438 | 0.5902 | (37.46) |
| F&C Emerging Markets | 16- individual pension - overseas equity | 0 | Cross Holdings | 0.00% | 0.9747 | 0.5755 | (40.95) |
| Alliance Bernstein Diversified Yield | 15 - individual pension - UK equity | 1 | Cross Holdings | 0.00% | 1.0072 | 0.8580 | (14.82) |
| Alliance Bernstein Global Style Blend Fund (Class S) | 15 - individual pension - UK equity | 429 | 0.00% | 0.00% | 1.0038 | 0.5510 | (45.11) |
| Alliance Bernstein UK Style Blend Fund (Class S) | 15 - individual pension - UK equity | 17 | 0.00% | 0.00% | 1.0112 | 0.6876 | (32.00) |
| Alliance Bernstein Diversified Yield Fund (Class S) | 15 - individual pension - UK equity | 51 | 0.00% | 0.00% | 1.0085 | 0.8707 | (13.66) |
| Enhanced Cash Pension Fund | 11 - individual pension - stock market managed fund | 152192 | Cross Holdings | 0.00% | 10.5758 | 10.2191 | (3.37) |
| Stewardship International | 16- individual pension - overseas equity | 28 | Cross Holdings | 0.00% | 1.0811 | 0.8363 | (22.65) |
| BGI Aquila Life All Stocks UK Gilts | 11 - individual pension - stock market managed fund | 42488 | Cross Holdings | 0.00% | 1.0000 | 1.1319 | 13.19 |

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|---|-----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| BGI Aquila Life Overseas Bond Index | 11 - individual pension - stock market managed fund | 27114 | Cross Holdings | 0.00% | 1.0000 | 1.4891 | 48.91 |
| F&C GTAA Alpha Fund | 16- individual pension - overseas equity | 2207 | Cross Holdings | 0.00% | 1.0000 | 0.8695 | (13.05) |
| CF Odey Opus | 16- individual pension - overseas equity | 29 | Cross Holdings | 0.00% | 1.0000 | 0.8684 | (13.16) |
| Neptune Global Equity | 16- individual pension - overseas equity | 6 | Cross Holdings | 0.00% | 1.0000 | 0.6270 | (37.30) |
| Capital International Emerging Markets | 16- individual pension - overseas equity | 326 | 0.00% | 0.00% | 1.0000 | 0.7718 | (22.82) |
| CIF Global Equity Investors | 16- individual pension - overseas equity | 191 | 0.00% | 0.00% | 1.0000 | 0.9375 | (6.25) |
| CIUKF UK Corporate Bond | 11 - individual pension - stock market managed fund | 36 | 0.00% | 0.00% | 1.0000 | 0.9916 | (0.84) |
| Martin Currie North America | 16- individual pension - overseas equity | 131 | 0.00% | 0.00% | 1.0000 | 0.8211 | (17.89) |
| T.Rowe Price Global Aggregate Bond | 11 - individual pension - stock market managed fund | 80 | 0.00% | 0.00% | 1.0000 | 1.3541 | 35.41 |
| T.Rowe Price European Equity | 16- individual pension - overseas equity | 79 | 0.00% | 0.00% | 1.0000 | 0.7691 | (23.09) |
| T.Rowe Price Global Emerging Markets Equity | 16- individual pension - overseas equity | 125 | 0.00% | 0.00% | 1.0000 | 0.6305 | (36.95) |
| T.Rowe Price Global Equity | 16- individual pension - overseas equity | 688 | 0.00% | 0.00% | 1.0000 | 0.7070 | (29.30) |
| | | | | | | | |
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Long-term insurance business: analysis of valuation interest rate

Name of insurer **Friends Provident Pensions Limited**

Total business **31 Total Long Term Insurance Business**

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 | 524 | 2.70 | 3.38 | 3.62 |
| UK F51 Pensions NP | 50355 | 3.40 | 3.40 | 3.62 |
| UK F51 Pensions NP | 207238 | 4.33 | 4.33 | 4.45 |
| UK F51 Pensions NP (Secure Growth Fund) | 287856 | | | 5.10 |
| UK F52 Pensions | 1072 | 3.75 | 3.75 | 5.53 |
| UK F53 Pensions NL | 37604 | 3.40 | 3.40 | 3.62 |
| UK F53 Pensions NL (Secure Growth Fund) | 142566 | | | 5.10 |
| Miscellaneous UK F51 L&GA NP | 3443 | | | 3.62 |
| Miscellaneous UK F51 Pensions NP | 5687 | | | 3.62 |
| Miscellaneous UK F53 Pensions NL | 35107 | | | 3.62 |
| | | | | |
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| | | | | |
| Total | 771452 | | | |

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Pensions Limited**
 Total business / subfund **31 Total Long Term Insurance Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Valuation result

| | | | |
|---|----|---------|----------|
| Fund carried forward | 11 | 8817631 | 12119622 |
| 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 | 8817631 | 12119622 |
| Mathematical reserves | 21 | 8643664 | 12012809 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 173967 | 106813 |

Composition of surplus

| | | | |
|---|----|---------|---------|
| Balance brought forward | 31 | 106813 | 100449 |
| Transfer from non-technical account | 32 | 80000 | 60000 |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | (12846) | (53636) |
| Total | 39 | 173967 | 106813 |

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 | 173967 | 106813 |
| Total (48+49) | 59 | 173967 | 106813 |

Percentage of distributed surplus allocated to policyholders

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

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

Global business

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

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

Insurance death risk capital component

| | | | | | | | |
|------------------------------|-----------|-------|---------|--------|------|------|------|
| Life protection reinsurance | 11 | 0.0% | 37423 | 10324 | | | |
| Classes I (other), II and IX | 12 | 0.1% | 199980 | 159605 | 0.50 | 100 | 215 |
| Classes I (other), II and IX | 13 | 0.15% | | | | | |
| Classes I (other), II and IX | 14 | 0.3% | 1957264 | 778065 | | 2936 | 4375 |
| Classes III, VII and VIII | 15 | 0.3% | 4634 | 4634 | 1.00 | 14 | 22 |
| Total | 16 | | 2199300 | 952629 | | 3050 | 4613 |

Insurance health risk and life protection reinsurance capital component

| | | | | | | | |
|--|----|--|--|--|--|----|----|
| Class IV supplementary classes 1 and 2 and life protection reinsurance | 21 | | | | | 90 | 97 |
|--|----|--|--|--|--|----|----|

Insurance expense risk capital component

| | | | | | | | |
|--|-----------|-----|---------|---------|------|-------|-------|
| Life protection and permanent health reinsurance | 31 | 0% | | | | | |
| Classes I (other), II and IX | 32 | 1% | 3029469 | 569043 | 0.85 | 25750 | 24146 |
| Classes III, VII and VIII (investment risk) | 33 | 1% | 281163 | 281163 | 1.00 | 2812 | 3743 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 34 | 1% | 1586163 | 1586163 | 1.00 | 15862 | 16500 |
| Classes III, VII and VIII (other) | 35 | 25% | | | | 5410 | 3240 |
| Class IV (other) | 36 | 1% | 9015 | 3439 | 0.85 | 77 | 99 |
| Class V | 37 | 1% | | | | | |
| Class VI | 38 | 1% | | | | | |
| Total | 39 | | | | | 49910 | 47728 |

Insurance market risk capital component

| | | | | | | | |
|--|-----------|----|----------|---------|------|-------|-------|
| Life protection and permanent health reinsurance | 41 | 0% | 90 | 39 | | | |
| Classes I (other), II and IX | 42 | 3% | 3029469 | 569043 | 0.85 | 77251 | 72438 |
| Classes III, VII and VIII (investment risk) | 43 | 3% | 281163 | 281163 | 1.00 | 8435 | 11230 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 44 | 0% | 1586163 | 1586163 | | | |
| Classes III, VII and VIII (other) | 45 | 0% | 8262070 | 6203816 | | | |
| Class IV (other) | 46 | 3% | 9015 | 3439 | 0.85 | 230 | 297 |
| Class V | 47 | 0% | | | | | |
| Class VI | 48 | 3% | | | | | |
| Total | 49 | | 13167970 | 8643664 | | 85916 | 83964 |

| | | | | | | | |
|--|-----------|--|--|--|--|--------|--------|
| Long term insurance capital requirement | 51 | | | | | 138966 | 136403 |
|--|-----------|--|--|--|--|--------|--------|

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

1. Introduction

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

2. Product Range

Withdrawals

- Pension Investment Bond (PIB) – Product closed to new business and increments (15/09/08) following a notice period for pipeline business.
- Retirement Investment Bond – Product closed to new business (19/12/08). Increments linked to non-FP SIPP also closed from this date.
- Minimum Contribution Plan – This product enables new entrants to VGPP, GPP Series 2 and Flexible Plus GPP schemes to contract out for the first time. This plan was closed at the end of 2008. New contracting out will be facilitated via individual stakeholder plans for new future entrants (31/12/08).

Changes to Existing Products

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

3. Discretionary Charges and Benefits

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

Unitised With-Profits - Pensions

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

- (2) Not applicable.

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

| Plan Type | Annual Rate of Interest Addition |
|---|----------------------------------|
| Transplan | 4.5% |
| Compass (88) Pension Plan, Passbook Pension Plan, Passbook (92) Pension Plan, Transplan (88), Bespoke, Total Pension Plan, Executive Total Pension Plan, Transplan Plus, Group Personal Pension Plan, Group Money Purchase Plan, Group Money Purchase Plan Executive Option, Trustees' Investment Plan, Multibenefit Pension Solutions, Transplan GMP, Transplan Protected Rights Bulk Buyout, Personal Pension Plan – New Generation, Money Purchase plan – New Generation, Premier Retirement Plan, Group Secure Growth Plan, Voluntary Benefits Plan, Secure Growth Investment Only Plan, Compass Pension Plan, Combine Pension Plan, Combine (86) Pension Plan, Combine (90) Pension Plan, Combine GMP, Combine Final Salary and Combine Multibenefit | 6.5% before charges |

(4) Policy Fees for the following products have been increased by 4.2%, in line with RPI, in 2008:

- Passbook Pension Plan
- Passbook (88)
- Passbook (92)
- Compass Pension Plan
- Combine Pension Plan
- Combine (86)
- Combine (90)
- Combine Final Salary
- Combine Group Money Purchase
- Combine Money Purchase
- Combine Multi-benefit
- Total Pension Plan
- Executive Total Pension Plan
- Bespoke
- Group Personal Pension Plan
- Group Money Purchase Plan
- Group Money Purchase Plan Executive
- Multi-benefit Pension Solutions
- Transplan Group Money Purchase Plan

- Personal Pension Plan Series 2 sold through IFAs
- Money Purchase Plan

Policy Fees for the following products have been increased by 4.2%, in line with NAE, in 2008:

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

(5) There have been no changes to benefit charges (mortality, morbidity, etc) on linked policies during the year.

(6) There have been no changes to unit management charges during the year.

(7) Unit Pricing

(a) Description of Methods

(i) Units are allocated to policies at offer price and cancelled at bid price.

(ii) Normally the valuation will take into account the cost of acquisition or sale of the constituent assets and any taxes, duties, charges or other expense payable on purchase/sale.

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

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

(iii) The net asset value of units is determined at valuations of the appropriate funds, required to be made at least once each calendar month but normally made daily at midnight. The use of a 'creation' or 'steady state' or 'cancellation' basis depends on whether or not the Company considers that a fund is growing, steady or declining. For the 'creation' basis, asset valuations will be based on the prices at which the funds can buy assets in the market. For the 'cancellation' basis, asset valuations will be based on the prices at which funds can sell assets in the market. For the 'steady state' basis, asset valuations will be based on a mid market value.

(iv) Regular premiums are allocated at the current day's price, based on the previous midnight pricing valuation point. Single premiums are allocated in accordance with policy conditions, which vary by product, and are generally based on 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) Not applicable.

(9) Not applicable.

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

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

4. Valuation Basis (Other Than for Special Reserves)

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

(1) Valuation Methods Used

(a) General Method

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

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

(b) General Principles

- (i) All policies are valued individually and, with the exception of regular premium pension term assurances, any negative reserves that arise from the valuation methodology are eliminated.
- (ii) For regular premium term assurances a prudent allowance for lapses has been made. In addition a prudent allowance is made for regular withdrawals where this increases the liability.
- (iii) Apart from policies reassured to Windsor Life the valuation liabilities ceded to external reinsurers have been reduced by 5% to allow for 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. The treatment of credit risk in respect of the treaty with Windsor Life is explained in detail in section 9 (n).

(c) Non Standard Methods

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

- In respect of deposit administration benefits, policyholders have expectations of annual interest additions. These have arisen from policy literature describing the operation of the Secure Growth Fund. The annual interest addition will be a smoothed rate of return on the underlying types of asset deemed appropriate to meet this objective. In the valuation the face values of policyholder accounts are restated consistent with assets at market value to ensure any earnings on assets not yet declared are reserved for the future benefit of policyholders.

(2) Valuation Interest Rates

| | 31.12.2008 | | | | 31.12.2007 | | | |
|--|------------|---------|-----------|---------|------------|---------|-----------|---------|
| | L & GA | | Pens % | IP % | L & GA | | Pens % | IP % |
| | UK % | OS % | | | UK % | OS % | | |
| Investment Trust Retirement Annuity | | | 1.0 | | | 1.0 | | |
| Annuities in Possession (Pre July 2001) | 3.6 | | 4.52 | | 3.8 | 4.75 | | |
| Annuities in Possession (Post July 2001) | 3.6 | | 4.33 | | 3.8 | 4.45 | | |
| Regular Premium Term Assurances | | | 3.4 | | | 3.9 | | |
| Other non profit and linked business | 2.7 | | 3.4 | 3.4 | 3.1 | 3.9 | 3.8 | |
| GAO Reserve | | | 3.40 | | | 3.75 | | |
| Unitised With Profits | | | 3.75 | | | 4.0 | | |

(3) Adjustment of Yields for Risk.

- (a) Yields on British Government fixed-interest and index-linked securities are assumed to be free of default risk and therefore no adjustments are made to their yields.
- (b) Corporate Bonds have yields adjusted so that they exceed the yield on equivalent British Government securities by no more than the lower of 2.5% and 50% of the difference between the yields on corporate bonds and those on equivalent British Government securities.
- (c) In compliance with INSPRU 3.1.37R, the running yield on equities is calculated as the greater of the dividend yield and the average of the dividend yield and the earnings yield. This yield and the yield on property have been adjusted by 10% for the risk of reduced dividend yield, earnings yield and rental yield, and further capped at the long-term gilt yield plus 2% p.a.

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

| | 31.12.2008 | | 31.12.2007 | |
|--|---------------|---------------|---------------|---------------|
| | Male | Female | Male | Female |
| All lives except as noted below | 110% AMC00 | 110% AFC00 | 80% AM80 | 80% AF80 |
| Individual Annuities and Deferred Annuities once in payment (Pre July 2001) | 83-94% RMV00 | 87-94% RFV00 | 83-94% RMV00 | 87-94% RFV00 |
| Individual Annuities and Deferred Annuities once in payment (Post July 2001) | 56-94% RMV00 | 58-94% RFV00 | 56-94% RMV00 | 58-94% RFV00 |
| Group Annuities (Pre July 2001) | 81-94% PCMA00 | 90-94% PCFA00 | 81-94% PCMA00 | 90-94% PCFA00 |
| Group Annuities (Post July 2001) | 67-94% PCMA00 | 75-94% PCFA00 | 67-94% PCMA00 | 75-94% PCFA00 |
| Deferred Annuity in Deferment | 65% AMC00 | 55% AFC00 | 35% AM80 | 35% AF80 |

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

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

Individual Annuities and Deferred Annuities once in payment (Pre July 2001)
Modified 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 |

Individual Annuities and Deferred Annuities once in payment (Post July 2001)
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 | 27.77 | 29.08 | 27.69 | 28.94 |
| 55 | 65 | 26.43 | 28.05 | 26.34 | 27.90 |
| 65 | 65 | 25.08 | 27.03 | 24.99 | 26.87 |
| 75 | 75 | 15.59 | 17.13 | 15.50 | 16.98 |

Group Annuities (Pre July 2001)
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 | 27.30 |
| 55 | 65 | 25.16 | 26.22 | 25.05 | 26.14 |
| 65 | 65 | 23.65 | 25.06 | 23.55 | 24.98 |
| 75 | 75 | 14.65 | 15.85 | 14.55 | 15.77 |

Group Annuities (Post July 2001)
 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 | 27.19 | 27.88 | 27.10 | 27.81 |
| 55 | 65 | 25.73 | 26.75 | 25.63 | 26.68 |
| 65 | 65 | 24.27 | 25.63 | 24.17 | 25.55 |
| 75 | 75 | 14.99 | 16.19 | 14.89 | 16.11 |

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

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

For valuing FPLMA group Income Protection the following termination rates have been used:

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

(6) Expense Bases

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

Tax relief in the life fund is assumed to be:

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

| 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 | N/a | 20.43 | 0.122 | 0 | N/a | 27.75 | 0.104 | 0 |
| | Otherwise | | 15.32 | 0.122 | | | 20.81 | 0.104 | |
| 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 | 229.61 | 0 | N/a | N/a | 219.21 | 0 | N/a |
| Annuity (400) | All | N/a | 20.43 | 0.059 | 0 | N/a | 27.75 | 0.05 | 0 |
| UWP regular premium pension (525 / 545) | Premium Paying | N/a | 26.34 | 0.118 | 0 | N/a | 12.81 | 0.1 | 0 |
| | Otherwise | | 19.75 | 0.118 | | | 9.61 | 0.1 | |
| UWP single premium pension (525 / 545) | All | N/a | 15.5 | 0.118 | 0 | N/a | 7.31 | 0.1 | 0 |
| UWP group regular premium pension (535) | Premium Paying | N/a | 26.34 | 0.118 | 0 | N/a | 12.81 | 0.1 | 0 |
| | Otherwise | | 19.75 | 0.118 | | | 9.61 | 0.1 | |
| UWP group single premium pension (535) | All | N/a | 15.5 | 0.118 | 0 | N/a | 7.31 | 0.1 | 0 |
| UL regular premium pension (725) | Premium Paying | N/a | 12.44 | 0.118 | 0 | N/a | 12.81 | 0.1 | 0 |
| | Otherwise | | 9.36 | 0.118 | | | 9.61 | 0.1 | |
| UL single premium pension (725) | All | N/a | 7.49 | 0.118 | 0 | N/a | 7.31 | 0.1 | 0 |
| UL group regular premium pension (735) | Premium Paying | N/a | 12.44 | 0.118 | 0 | N/a | 12.81 | 0.1 | 0 |
| | Otherwise | | 9.36 | 0.118 | | | 9.61 | 0.1 | |
| UL group single premium pension (735) | All | N/a | 7.49 | 0.118 | 0 | N/a | 7.31 | 0.1 | 0 |

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

In addition to these per policy expenses there is an investment expense assumption varying by sub-fund, issue date, and product type.

- (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 |

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

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

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

| Product | | Average annual lapse / surrender / paid-up rate for policy years | | | |
|-------------------------------------|-------|--|--------|---------|---------|
| | | 1-5 % | 6-10 % | 11-15 % | 16-20 % |
| Pensions term assurance – low rate | Lapse | 7.3 | 5.3 | 3.6 | 3.6 |
| Pensions term assurance – high rate | Lapse | 13.6 | 9.8 | 6.6 | 6.6 |
| Decreasing term – low rate | Lapse | 7.3 | 5.3 | 3.6 | 3.6 |
| Decreasing term – high rate | Lapse | 13.6 | 9.8 | 6.6 | 6.6 |
| UWP Individual Pension | PUP | 21.3 | 15.6 | 15.6 | 15.6 |
| UL Individual Pension | PUP | 21.3 | 15.6 | 15.6 | 15.6 |
| UL Group Pension | PUP | 21.3 | 15.6 | 15.6 | 15.6 |

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

- (10) There are no other material assumptions.

- (11) Derivatives are shown at market value using quoted prices where exchange traded and prices from counterparties otherwise. Combined yields are calculated for assets with covering derivatives, whether in-the-money or out-of-the-money, in accordance with INSPRU 3.1.30R. The interest rates used in the valuation of liabilities are consistent with the yields on backing assets, reflecting covering derivatives if appropriate. In the calculation of the resilience capital requirement the derivative values and the yields on the combined assets are recalculated to reflect the market risk scenario being tested.
- (12) Changes in valuation methodology arising from the application of PS06/14 were made in 2006 and 2007. The following table states the effect on mathematical reserves of the changes made during each calendar year as at the end of the year. These values are the reduced amounts recognised each year, and are not cumulative.

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

5. Options and Guarantees

(1) Guaranteed Annuity Rate Options

(a) Certain deferred annuities are valued as the greater of the present value of the annuity or, if appropriate, the alternative cash fund available at vesting for the purchase of an annuity, less the present value of premiums for the same option where appropriate. It has been assumed that all contract plan types listed below have such a guarantee. It is assumed that 100% of the fund at retirement is taken in the form of an annuity if this option is more onerous than cash.

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

| Product Name (i) | Basic Reserve (ii) £m | Outstanding Durations (iii) | Guarantee Reserve (iv) £m | Guaranteed Rate (v) | Increments allowed (vi) | Annuity Form (vii) | Retirement Ages (viii) |
|---|--------------------------|--------------------------------|------------------------------|------------------------|----------------------------|---|---------------------------|
| Former LMP Unit Linked Deferred Annuities | 39 | Up to 22 years | 32 | 10% | No | Single Life; monthly in advance, guaranteed 5 years | 60-75 |

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

(2) Guaranteed Surrender and unit-linked maturity values

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

(3) Guaranteed Insurability Options

(a) There are no Guaranteed Insurability Options.

(4) Other Guarantees and Options

(a) Transplan Section 32 policies must provide a benefit that is not less than the Guaranteed Minimum Pensions. A guarantee reserve of £6.6m has been set up in respect of a basic reserve of £32m. This has been calculated deterministically using low rates of future projection (2.4% to 3.4% p.a.) as an approximation to the stochastic value of the guarantee.

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

6. Expense Reserves

- (1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £32.7m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below.

| Homogeneous Risk Group | Implicit allowances £m | Explicit allowance (investment) £m | Explicit allowances (other) £m | Non-attributable expenses £m | Total £m |
|-------------------------------|-----------------------------------|---|---|---|---------------------|
| Individual Personal Pensions | | 0.1 | 0 | 0 | 0.2 |
| New Generation Pensions | | 8.3 | 8.9 | 5.9 | 23.1 |
| Executive Pensions | | 0.1 | 0.1 | 0.1 | 0.2 |
| All Expenses Attributable | | 0.8 | 8.4 | | 9.2 |
| Total | 0 | 9.2 | 17.4 | 6.1 | 32.7 |

- (2) There are no implicit allowances for expenses.
- (3) The maintenance expenses in line 14 of Form 43 are £41.8m. Line 14 includes £11.2m in respect of expenses related to purchase of investments in linked funds. These expenses are charged for in the linked funds and therefore offset by equal reductions in the unit liability so no additional reserves are held. The remaining difference from allowances arises from margins for adverse deviation.
- (4) The value of profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is required.
- (5) The cost of closure to new business has been estimated, allowing in particular for redundancy costs and the cost of vacating properties. This was less than margins expected to emerge from in-force business on a prudent basis. Hence no additional reserve was required.
- (6) Non-attributable expenses have only been calculated for unit-linked and UWP products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation (or bonus reserve valuation for UWP), the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

7. Mismatching reserves

- (1) The value of mathematical reserves (other than reserves for property-linked benefits) and deposits received from reinsurers, 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 | 776 | 946 |
| Euro | 0 | 20 |
| Dollar | 0 | 16 |
| Total | 776 | 983 |

- (2) As noted above, FPP has no liabilities denominated in currencies other than sterling.
- (3) There are sufficient sterling assets to cover the sterling liabilities. Consequently no reserve for currency mismatching is considered necessary.
- (4) The most onerous of the scenarios specified by INSPRU 3.1.16R was:
- A fall in the market value of equities of 10%;
 - A fall in real estate values of 20%; and
 - A rise in yields on all fixed interest securities of 0.75% 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 £10m.
 - (b) The long term insurance liabilities decreased by £19.7m.
 - (c) The value of the assets allocated to match these liabilities decreased by £23.2m 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 have been held as follows:

- (1) A strategic review of the group was carried out, the results of which were announced in January 2008. A reserve of £9m is held to cover the costs of actions arising as a result of this review.
- (2) An additional expense reserve of £5m.

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) £1,792m of premiums are due to Windsor Life.
 - (j) The mathematical reserves ceded under the treaty are quoted in the table.
 - (k) All treaties reinsure 100% of the covered business.
 - (l) Baillie Gifford & Co Ltd, Threadneedle Pensions Ltd, J P Morgan Funds Ltd and Managed Pension Funds Ltd are not authorised to carry on insurance business in the UK. Windsor Life Assurance Company Ltd and Barclays Global Investors Pensions Management Limited 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 £13.5m to allow for credit risk.

The sum at risk under the reinsurance contract with Windsor Life is equal to the amount of the gross liabilities ceded under the arrangement less the value of the collateral held. A credit risk reserve of £5m is held, which takes into account anticipated differences between the gross value of the liability and the collateral over the lifetime of the contracts reinsured and the expected probability of Windsor Life defaulting.
 - (o) No provision has been made for the Company's liability to refund reinsurance commission in the event of lapse or surrender of the contracts reinsured. This is because the premiums recoverable will exceed any commission refundable.
 - (p) None of the treaties are financing arrangements.

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

| (d) Reinsurer | (e) Nature and extent of cover under the treaty | (f) Premiums payable £m | (h) New business | (j) Mathematical reserves £m | (k) Connected Company |
|---|---|--|-----------------------------|---|--------------------------------------|
| Managed Pension Funds Limited. | 100% of Investment benefits under Managed Pension Funds Unit Linked funds | 5 | Open | 16 | Not Connected |
| Baillie Gifford & Co Ltd | 100% of Investment benefits under Baillie Gifford Unit Linked funds | 10 | Open | 35 | Not Connected |
| Threadneedle Pensions Limited | 100% of Investment benefits under Threadneedle Unit Linked funds | 5 | Open | 17 | Not Connected |
| J P Morgan Funds Limited | 100% of Investment benefits under J P Morgan Unit Linked funds | 3 | Open | 11 | Not Connected |
| Barclays Global Investors Limited | 100% of Investment benefits under BGI Unit Linked funds | 463 | Open | 1,629 | Not connected |
| Windsor Life Assurance Company Limited | The majority of in-payment annuities written or ceded prior to 31 December 2006 | 0 | Closed | 1,749 | Not Connected |
| Friends Provident Life and Pensions Ltd | Non Linked Immediate and Deferred Annuity Business (LMP annuities Pre July 2001) | 0 | Closed | 80 | Parent Company |
| Friends Provident Life and Pensions Ltd | All investment benefits under Unitised With Profit funds | 8 | Open | 135 | Parent Company |
| Friends Provident Life Assurance Ltd | All liabilities for benefits relating to the value of Property Fund units. | -20 | Open | 346 | Subsidiary of same Parent Company |
| | All pension annuities written in FPP between 01/01/2007 and 30/06/2008, that are not already part of a reassurance agreement. | 403 | Closed | 494 | |

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10. Reversionary bonus

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

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

| | 2007 | 2006 |
|---|------------------|------------------|
| | £000 | £000 |
| Total admissible assets (other than long-term) | 153,044 | 154,633 |
| Total admissible assets (long-term) | 10,642,206 | 13,757,616 |
| | <hr/> 10,795,250 | <hr/> 13,912,249 |
| Less: | | |
| Mathematical reserves after distribution of surplus | 8,643,664 | 12,012,809 |
| Other insurance & non-insurance liabilities | 1,824,574 | 1,637,993 |
| Liabilities other than long-term business | 1,263 | 7,190 |
| Net admissible assets | <hr/> 325,749 | <hr/> 254,257 |

***0310* Valuation Differences**

Positive valuation differences included within line 14 are:

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

| | |
|-------------------------|--------|
| Deferred taxation | £4.2m |
| Deferred front-end fees | £6.9m |
| Value of unfunded units | £10.1m |

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

| | |
|--|--------|
| Further provision for mortality (non-linked reserve) | £3.8m |
| Additional reserves in respect of reinsurer credit risk (non-linked) | £13.5m |
| Actuarial reserve for strategic review costs | £14m |

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

| | £000 |
|--|----------------|
| Movement Form 3 Line 12 | 26,665 |
| Transfer of assets from shareholder fund to long term fund (Form 16 Line 13) | (80,000) |
| Surplus arisen on UK GAAP basis | (32,326) |
| Total equalling Form 16 line 59 | <hr/> (85,661) |

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

- i) The Company held unlisted fixed interest securities valued at £7,827,085
- ii) Lines 46 & 48 include assets to the value of £14.7m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interest or remainders in property other than land or buildings.

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

The Company held hybrid securities valued at £81,594k in the long-term fund and £13,809k in the shareholder fund.

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

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

***1305* & *1311* Maximum counterparty limits permitted**

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

Actual counterparty exposure is regularly monitored through reports to the investment committee. There were no occasions during the financial period on which counterparty limits specified in the investment guidelines were exceeded.

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

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

During April 2007 FPP entered into a reinsurance treaty with Windsor Life Assurance Company Limited, a subsidiary of Swiss Re. The agreement, which took effect from 1 January 2007, reinsures the mortality and investment risk, but not expense risk, of 100% of the Company's in-force annuity book as at 31 December 2006.

As a result of this treaty the Company transferred assets backing the annuity book in exchange for a LIBOR note from HSBC plc. The value of the LIBOR note at 31 December 2008 was £1,791,840k.

A creditor with Windsor Life to the value of the LIBOR note was set up and the amount due to Windsor Life at 31 December 2008 was £1,791,840k.

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

| | Long term insurance business £000 | Other than long term insurance business £000 |
|--|--|---|
| Outstanding claims | 772 | - |
| Creditor balances netted off in accounts | - | (1,263) |
| Total line 101 | 772 | (1,263) |

***1401* & *1501* Provisions for reasonably foreseeable adverse variances**

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

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1402 & *1502* Contingent Liabilities

- i) No charge has been made on the assets of the Company to secure the liabilities of any other person.
- ii) A provision of £nil (2007 £Nil) has been made for liability to tax on capital gains which would arise if the Company disposed of its other than long term business assets.
- iii) The Company has a contingent liability in respect of compensation that could become payable to certain policyholders who effected personal pension contracts and who may have been given inappropriate advice in relation thereto.

The company has a provision of £0.2m (2007 £0.2m) in line 11 of Form 14 for the expected costs of the compensation. The final costs may be in excess of this figure and there may also be a contingent liability in respect of the Financial Services Compensation Scheme.

- iv) The Company has no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.
- v) There are no other fundamental uncertainties

1405 & *1507* Other adjustments to liabilities

| | Long term insurance business £000 | Other than long term insurance business £000 |
|--|--|---|
| Deferred tax on DAC | 4,241 | - |
| Deferred front-end fees | 6,797 | - |
| Companies Act accounts fair value adjustment to liabilities | (21,183) | - |
| Claims outstanding | 772 | - |
| Creditor balances netted off in accounts | - | (1,263) |
| Assets included in Companies Act accounts, excluded for FSA purposes | (9,373) | (1,263) |

1601 & *4005* Basis of conversion for foreign currency

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

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

1701 Variation margin

The aggregate value of excess variation margin needed to be repaid due to underlying market movements is £nil. Variation margin of £345k has been included in form 13 line 44.

1702 Quasi-derivatives

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

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***4002* Other Income and Expenditure**

- 1) Line 15 of Form 40 includes £194k of fund management charge rebates to the company under the Investment Only reinsurance contract with Friends Provident Life & Pensions Limited ("FPLP"), whereby the with profit element of unitised pensions contracts written by the Company are reinsured to FPLP. The remainder of (£250k) relates to unit deduction annual management charges of £263k less sundry charges of £513k.
- 2) Line 25 of Form 40 includes £23,022k of fund management charge rebates to FPLP under the Investment Only reinsurance arrangement with the company, whereby pensions business written in FPLP is reinsured to the Company, and £3,295k of fund management charges on directly written business.

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

A transfer of £80m of assets has taken place from the shareholder fund to the long-term business fund. This is reflected through line 13 of form 16 and line 26 of form 40.

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

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

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

***4009* Material connected party transactions**

Reinsurance accepted from FPLP

During the period 1 January 2008 to 31 December 2008 the company held several reinsurance agreements, exceeding 5% of the company's long-term insurance business liabilities, with its parent undertaking FPLP, principally consisting of pension business written in FPLP. During this period, the company had accepted £262m of reinsurance premiums and incurred £440m of reinsurance claims.

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

Assets within this form have been valued as follows:

- a) Listed investments have been valued at market prices consistent with the pricing basis within those funds.
- b) OEICS are carried at market value at the balance sheet date.
- c) Other investments have been valued on a prudent basis having regard to their likely realisable value.

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

At the end of 2008 rights of £6,825k and liabilities of £11,475k were held under derivative contracts.

***4403* Variation margin**

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

Returns under the Interim Prudential Sourcebook for Insurers

Notes to the Return

Friends Provident Pensions Limited
Global Business
Financial Year End 31 December 2008

***4502* Other expenditure**

Other expenditure of £12,059k relates to transaction costs of £11,348k, custodian charges of £630k, interest payable of £80k and miscellaneous charges of £1k.

***4802* Interest in default**

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

***4901* Rating agencies**

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

***5011* BGI fund links**

The unit linked pension funds reinsured to Barclays Global Investors Pensions Management Limited are included as reinsurance ceded in line 24 of Form 50 for 2008, but were treated as external fund links in the returns for 2007 and hence were not included in line 24 of Form 50 for 2007. The value of the unit linked pension funds reinsured to BGI as at 31/12/08 was £1,558m

***5305* BGI fund links**

The unit linked pension funds reinsured to Barclays Global Investors Pensions Management Limited are included as reinsurance ceded in the Pensions/Reinsurance Ceded Externally section of Form 53 for 2008, but were treated as external fund links in the returns for 2007 and hence were not included for 2007. The value of the unit linked pension funds reinsured to BGI as at 31/12/08 was £1,558m

***5701* Negative reserves**

The interest rate shown in form 57 is that in respect of positive liabilities.

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

We certify:

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

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 Pensions Limited Financial year ended 31 December 2008

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook, (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 17, 40 to 45, 48, 49, 58 and 60, (including the supplementary notes) on pages 1, 3 to 5, 6 to 18, 19 to 24, 28, 29, 60 and 61 (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on page 86 (‘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 and 57 (including the supplementary notes) on pages 25, 26 to 27, 30 to 58, 59
- the statement required by IPRU(INS) rules 9.30 on page 87;
- the certificate required by IPRU(INS) rule 9.34 on page 83 (‘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.

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 Pensions Limited
Financial year ended 31 December 2008**

Derivative Contracts

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

- a) Investment Guidelines.
Investment guidelines operated by the company during 2008 were to use derivative contracts only for the purpose of efficient portfolio management or a reduction in investment risk. No swaps or other OTC derivatives were permitted without specific authority of senior management. All obligations arising out of derivative contracts were required to be covered.
- 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 £22.7m.
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 £2.05m.

Summary of contracts;

| Description | Consideration £000 |
|--|-------------------------------|
| Exchange traded stock options; | |
| <u>Man Group Call Option 20/06/08</u> | 756 |
| <u>Man Group Call Option 19/09/08</u> | 366 |
| <u>BG Group Call Option 20/06/08</u> | 346 |
| Prudential Call Option 20/06/08 | 227 |
| Royal Dutch Shell Call Option 19/09/08 | 220 |
| Imperial Tobacco Call Option 19/09/08 | 130 |
| | 2,045 |

Returns under the Interim Prudential Sourcebook for Insurers

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

Shareholder Controller

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

- (a) The shareholder controller 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