



# **Friends Provident Pensions Limited**

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Annual Return  
as at  
31st December 2009

Pursuant to the Interim Prudential Sourcebook and the  
Integrated Prudential Sourcebook

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

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

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# Friends Provident Pensions Limited

Year ended 31<sup>st</sup> December 2009

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

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	<b>475201</b>	<b>GL</b>				<b>£000</b>
			<b>As at end of this financial year</b>			<b>As at end of the previous year</b>
			<b>1</b>			<b>2</b>

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	147101	173967
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	164341	151782
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	311442	325749

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	48901	46322
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	262542	279427

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	146703	138966
Resilience capital requirement	<b>32</b>	5000	10000
Base capital resources requirement	<b>33</b>	3128	2518
Individual minimum capital requirement	<b>34</b>	151703	148966
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	151703	148966
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	235592	251266
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	197666	214025

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	151703	148966

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	151703	148966
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	159739	176783

**Contingent liabilities**

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

**Form 2**

Name of insurer **Friends Provident Pensions Limited**

Global business

Financial year ended **31 December 2009**

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

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

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

**23rd March 2010**

**Components of capital resources**Name of insurer **Friends Provident Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		

**Core tier one capital**

Permanent share capital	<b>11</b>		773000	773000	773000
Profit and loss account and other reserves	<b>12</b>		(203243)	(203243)	(182329)
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		569757	569757	590671

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		569757	569757	590671
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		3573	3573	10145
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		3573	3573	10145
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		566184	566184	580526

**Components of capital resources**Name of insurer **Friends Provident Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Friends Provident Pensions Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>			566184	566184	580526
Inadmissible assets other than intangibles and own shares	<b>73</b>			254741	254741	254777
Assets in excess of market risk and counterparty limits	<b>74</b>					
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>			311443	311443	325749

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

Available capital resources for guarantee fund requirement	<b>81</b>			311443	311443	325749
Available capital resources for 50% MCR requirement	<b>82</b>			311443	311443	325749
Available capital resources for 75% MCR requirement	<b>83</b>			311443	311443	325749

**Financial engineering adjustments**

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

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

 Name of insurer **Friends Provident Pensions Limited**

Global business

 Financial year ended **31 December 2009**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	475201	GL	31	12	2009	£000
			This financial year 1			Previous year 2	
Gross premiums written		11			2	2	
Premiums taxes and levies (included in line 11)		12					
Premiums written net of taxes and levies (11-12)		13			2	2	
Premiums for classes 11, 12 or 13 (included in line 13)		14					
Premiums for "actuarial health insurance" (included in line 13)		15					
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>		16			2	2	
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					
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>		26					
<b>Sub-total I (higher of sub-total A and sub-total H)</b>		30			2	2	
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>		31					
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32					
	Excess (if any) over 57.5M EURO x 0.02	33					
<b>Sub-total J (32-33)</b>		34					
Claims paid in period of 3 financial years		41			5408	4206	
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			7959	9105	
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			12874	11244	
<b>Sub-total C (41+42+43-44-45)</b>		46			493	2066	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47			(138)	1541	
<b>Sub-total D (46-47)</b>		48			631	525	
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>		49			1.00	0.50	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>		50					
Provision for claims outstanding (before discounting and net of reinsurance)		51			3051	3478	
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52					
<b>Brought forward amount (See instruction 4)</b>		53			79	77	
Greater of lines 50 and 53		54			79	77	



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

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				<b>11</b>	36			36
Claims paid in reference period				<b>21</b>	5408			4206
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			<b>22</b>				
	For insurance business accounted for on an accident year basis			<b>23</b>	7959			9105
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			<b>24</b>				
	For insurance business accounted for on an accident year basis			<b>25</b>	12874			11244
Claims incurred in reference period (21+22+23-24-25)				<b>26</b>	493			2066
Claims incurred for classes 11, 12 or 13 (included in 26)				<b>27</b>				
Claims incurred for "actuarial health insurance" (included in 26)				<b>28</b>				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				<b>29</b>	493			2066
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				<b>31</b>	164			689
Division of sub-total F (gross adjusted claims amount)	x 0.26			<b>32</b>	43			179
	Excess (if any) over 40.3M EURO x 0.03			<b>33</b>				
<b>Sub-total G (32-33)</b>				<b>39</b>	43			179
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				<b>41</b>	43			90
Higher of premiums amount and brought forward amount (11.54)				<b>42</b>	79			77
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				<b>43</b>	79			90

**Analysis of admissible assets**Name of insurer **Friends Provident Pensions Limited**

Global business

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	5000		
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	69998	22143
	Other	<b>46</b>	95069	105143
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>	1378	94
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	7330	21400
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Pensions Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>		21
	due in more than 12 months	<b>79</b>		1128

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	23	4
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	2892	2838
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		
Deductions from the aggregate value of assets		<b>87</b>	
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		<b>89</b>	181964 153045

**Analysis of admissible assets**Name of insurer **Friends Provident Pensions Limited**

Global business

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

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	181964	153045
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(17623)	(1263)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	164341	151782
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Provident Pensions Limited**

Global business

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>	91193	62644	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	36472	2832	
Rights under derivative contracts	<b>44</b>	3458	7329	
Fixed interest securities	Approved	<b>45</b>	368578	243944
	Other	<b>46</b>	456146	420573
Variable interest securities	Approved	<b>47</b>	85910	76060
	Other	<b>48</b>	1645775	1813091
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	4093	43321
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	10103	4509
	Property linked	<b>59</b>	9815162	7867702

**Analysis of admissible assets**Name of insurer **Friends Provident Pensions Limited**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	3530	604
	Intermediaries	<b>72</b>	2131	1902
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	27647	15620
	due in more than 12 months	<b>79</b>	17566	9562

**Other assets**

Tangible assets	<b>80</b>			
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	112749	48192	
Cash in hand	<b>82</b>			
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>			
Accrued interest and rent	<b>84</b>	20024	24136	
Deferred acquisition costs (general business only)	<b>85</b>			
Other prepayments and accrued income	<b>86</b>	152	184	
Deductions from the aggregate value of assets		<b>87</b>		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		<b>89</b>	12700689	10642205

**Analysis of admissible assets**Name of insurer **Friends Provident Pensions Limited**

Global business

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

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	12700689	10642205
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	254741	254777
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	5490920	4537781
Other asset adjustments (may be negative)	<b>101</b>	2258	772
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	18448608	15435535
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**

Name of insurer **Friends Provident Pensions Limited**  
Global business  
Financial year ended **31 December 2009**  
Total business/Sub fund **Total Long Term Insurance Business**  
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	10903358	8643664	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	147101	173967	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	11050459	8817631	
Claims outstanding	Gross	<b>15</b>	12309	4239
	Reinsurers' share	<b>16</b>	354	772
	Net (15-16)	<b>17</b>	11955	3467
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	2904	9445
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	1610028	1791891
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	25343	19771
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1650230	1824574	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	12700689	10642205	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	9815162	7867702

Total liabilities (11+12+49)	<b>71</b>	12553588	10468238
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	5490920	4537781
Other adjustments to liabilities (may be negative)	<b>74</b>	(1315)	(9373)
Capital and reserves and fund for future appropriations	<b>75</b>	405415	438889
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	18448608	15435535



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

Global business

Financial year ended **31 December 2009**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R15</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
				<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
				<b>1</b>	<b>2</b>	

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	3679	
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	13944	1263
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	17623	1263
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	17623	1263

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(17623)	(1263)
Capital and reserves	<b>84</b>	164341	151782
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>	164341	151782

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2009	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11				
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13				(80000)
Investment income	Income		14			8909	5554
	Value re-adjustments on investments		15			9435	
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17			488	457
	Value re-adjustments on investments		18				13019
	Loss on the realisation of investments		19			490	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			17366	(90414)
Tax on profit or loss on ordinary activities			31			4807	(2261)
Profit or loss on ordinary activities after tax (29-31)			39			12559	(88153)
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			12559	(88153)
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			12559	(88153)

**Analysis of derivative contracts**Name of insurer **Friends Provident Pensions Limited**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>475201</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>		134			6327		
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>				2	1339		
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>		3152			33500		
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>		3286		2	41166		
Adjustment for variation margin		<b>52</b>		172					
Total (51 + 52)		<b>53</b>		3458		2			

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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	1598498	1423294
Investment income receivable before deduction of tax	12	417137	498983
Increase (decrease) in the value of non-linked assets brought into account	13	43159	(111021)
Increase (decrease) in the value of linked assets	14	1444177	(3973516)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>3502971</b>	<b>(2162260)</b>

**Expenditure**

Claims incurred	21	1033410	930055
Expenses payable	22	145422	167756
Interest payable before the deduction of tax	23	84715	89161
Taxation	24	(16481)	6442
Other expenditure	25	23077	26317
Transfer to (from) non technical account	26		(80000)
<b>Total expenditure</b>	<b>29</b>	<b>1270143</b>	<b>1139731</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2232828	(3301991)
Fund brought forward	49	8817631	12119622
Fund carried forward (39+49)	59	11050459	8817631

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

Regular premiums	11	(10)	1221218		1221208	1231827
Single premiums	12	(53)	972391		972338	1074812

**Reinsurance - external**

Regular premiums	13		745		745	1659
Single premiums	14		572594		572594	487401

**Reinsurance - intra-group**

Regular premiums	15		(1798)		(1798)	(4025)
Single premiums	16		23507		23507	398310

**Net of reinsurance**

Regular premiums	17	(10)	1222271		1222261	1234193
Single premiums	18	(53)	376290		376237	189101

**Total**

Gross	19	(63)	2193609		2193546	2306639
Reinsurance	20		595048		595048	883345
Net	21	(63)	1598561		1598498	1423294

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	53	19435		19488	17635
Disability periodic payments	12	491	260		751	1323
Surrender or partial surrender	13	524	982401		982925	874185
Annuity payments	14		177509		177509	163901
Lump sums on maturity	15		26961		26961	28806
<b>Total</b>	<b>16</b>	<b>1068</b>	<b>1206566</b>		<b>1207634</b>	<b>1085850</b>

**Reinsurance - external**

Death or disability lump sums	21		806		806	480
Disability periodic payments	22	238	178		416	965
Surrender or partial surrender	23					
Annuity payments	24		121027		121027	121460
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>238</b>	<b>122011</b>		<b>122249</b>	<b>122905</b>

**Reinsurance - intra-group**

Death or disability lump sums	31		319		319	463
Disability periodic payments	32					
Surrender or partial surrender	33		15973		15973	21708
Annuity payments	34		35114		35114	9807
Lump sums on maturity	35		569		569	912
<b>Total</b>	<b>36</b>		<b>51975</b>		<b>51975</b>	<b>32890</b>

**Net of reinsurance**

Death or disability lump sums	41	53	18310		18363	16692
Disability periodic payments	42	253	82		335	358
Surrender or partial surrender	43	524	966428		966952	852477
Annuity payments	44		21368		21368	32634
Lump sums on maturity	45		26392		26392	27894
<b>Total</b>	<b>46</b>	<b>830</b>	<b>1032580</b>		<b>1033410</b>	<b>930055</b>

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

**Gross**

Commission - acquisition	11		25559		25559	43473
Commission - other	12		8627		8627	8529
Management - acquisition	13		53500		53500	66343
Management - maintenance	14		40947		40947	41813
Management - other	15		17093		17093	8439
<b>Total</b>	<b>16</b>		<b>145726</b>		<b>145726</b>	<b>168597</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22		304		304	841
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>		<b>304</b>		<b>304</b>	<b>841</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41		25559		25559	43473
Commission - other	42		8323		8323	7688
Management - acquisition	43		53500		53500	66343
Management - maintenance	44		40947		40947	41813
Management - other	45		17093		17093	8439
<b>Total</b>	<b>46</b>		<b>145422</b>		<b>145422</b>	<b>167756</b>

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

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

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11	7076325	6338532
Directly held assets in collective investment schemes of connected companies	12		1534470
Directly held assets in other collective investment schemes	13	2728695	
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>9805020</b>	<b>7873002</b>
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	22463	29700
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>9782557</b>	<b>7843302</b>

**Directly held linked assets**

Value of directly held linked assets	21	28693	22288
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**Total**

Value of directly held linked assets and units held (18+21)	31	9811250	7865590
Surplus units	32		
Deficit units	33	3912	2112
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>9815162</b>	<b>7867702</b>



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

Total business

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

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	2155259	1960079
Investment income attributable to the funds before deduction of tax	12	286053	332597
Increase (decrease) in the value of investments in the financial year	13	1436911	(3960463)
Other income	14		7154
<b>Total income</b>	<b>19</b>	<b>3878223</b>	<b>(1660633)</b>

**Expenditure**

Value of total cancellation of units	21	1839947	1320640
Charges for management	22	85411	83637
Charges in respect of tax on investment income	23	4945	6073
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	8665	12059
<b>Total expenditure</b>	<b>29</b>	<b>1938968</b>	<b>1422409</b>

Increase (decrease) in funds in financial year (19-29)	39	1939255	(3083042)
Internal linked fund brought forward	49	7843302	10926344
Internal linked funds carried forward (39+49)	59	9782557	7843302

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

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

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

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

Regular premium business	11		56210		56210	80163
Single premium business	12		52838		52838	60033
<b>Total</b>	<b>13</b>		<b>109048</b>		<b>109048</b>	<b>140196</b>

**Amount of new regular  
premiums**

Direct insurance business	21		259640		259640	375101
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>		<b>259640</b>		<b>259640</b>	<b>375101</b>

**Amount of new single  
premiums**

Direct insurance business	25		754478		754478	892720
External reinsurance	26					
Intra-group reinsurance	27		123		123	91
<b>Total</b>	<b>28</b>		<b>754601</b>		<b>754601</b>	<b>892811</b>

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

Name of insurer

**Friends Provident Pensions Limited**

Total business

Financial year ended

**31 December 2009**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			17077	224721
525	Individual pensions UWP			8	90
535	Group money purchase pensions UWP	38	529	43	1017
725	Individual pensions property linked	3134	11361	5373	64038
735	Group money purchase pensions property linked	53038	247749	30148	462125
905	Index linked annuity			189	2487

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

Name of insurer

**Friends Provident Pensions Limited**

Total business

Financial year ended

**31 December 2009**

Units

**£000**

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			9	123

**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 2009**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	372381	372381	17701	4.05	
Other fixed interest securities	13	467756	467756	30113	6.83	
Variable interest securities	14	1736037	1736037	23440	5.39	
UK listed equity shares	15	86854	89999	3905	7.49	
Non-UK listed equity shares	16	4339	4679	78	3.44	
Unlisted equity shares	17					
Other assets	18	208057	204572	2145	1.05	
<b>Total</b>	<b>19</b>	<b>2875424</b>	<b>2875424</b>	<b>77381</b>	<b>5.21</b>	

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

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

**Overall return on with-profits assets**

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

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

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

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	316842	11.16	3.94	3.94
<b>Other approved fixed interest securities</b>	<b>21</b>	55539	10.23	4.72	4.72
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	49324	9.13	4.48	4.33
AA/Aa	<b>32</b>	64547	9.32	6.06	5.49
A/A	<b>33</b>	247615	8.98	6.63	5.44
BBB/Baa	<b>34</b>	64068	8.52	7.64	4.71
BB/Ba	<b>35</b>	9867	6.49	12.16	5.04
B/B	<b>36</b>	2371	6.01	20.64	6.89
CCC/Caa	<b>37</b>	4705	7.70	11.51	6.89
Other (including unrated)	<b>38</b>	25261	8.59	9.09	6.36
<b>Total other fixed interest securities</b>	<b>39</b>	467756	8.88	6.83	5.30
<b>Approved variable interest securities</b>	<b>41</b>	86320	11.58	4.54	4.54
<b>Other variable interest securities</b>	<b>51</b>	1649717	16.61	5.44	2.82
<b>Total (11+21+39+41+51)</b>	<b>61</b>	2576174	14.23	5.46	3.51

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12	8530	2992413	3000944	2807833
Form 52	13		131211	131211	135812
Form 53 - linked	14		12935505	12935505	9934029
Form 53 - non-linked	15		212451	212451	207204
Form 54 - linked	16		99772	99772	83091
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	<b>8530</b>	<b>16371352</b>	<b>16379883</b>	<b>13167970</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	3942	1636499	1640441	1690323
Form 52	23				
Form 53 - linked	24		2734093	2734093	1719867
Form 53 - non-linked	25		(10111)	(10111)	(8073)
Form 54 - linked	26		76807	76807	66344
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>3942</b>	<b>4437288</b>	<b>4441230</b>	<b>3468461</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32	1016	504804	505819	562408
Form 52	33		130363	130363	134739
Form 53 - linked	34		386250	386250	346460
Form 53 - non-linked	35				
Form 54 - linked	36		12862	12862	12238
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	<b>1016</b>	<b>1034279</b>	<b>1035295</b>	<b>1055845</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	3573	851111	854684	555103
Form 52	43		848	848	1073
Form 53 - linked	44		9815162	9815162	7867702
Form 53 - non-linked	45		222562	222562	215277
Form 54 - linked	46		10103	10103	4509
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	<b>3573</b>	<b>10899785</b>	<b>10903358</b>	<b>8643664</b>

**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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
360	Income protection non-profit (guaranteed premiums)	459	925	34				428
385	Income protection claims in payment	7	21					31
390	Deferred annuity non-profit	48	7					563
395	Annuity non-profit (PLA)	39	12					86
420	Group income protection	714	17155	274				329
425	Group income protection claims in payment	18	1192					7063
435	Miscellaneous non-profit							30



**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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 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		657					3942

**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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity non-profit (PLA)		12					86
420	Group income protection		13519	216				259
425	Group income protection claims in payment		95					670

**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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
315	Individual deposit administration non-profit	43352	208886	4294				218111
320	Group deposit administration non-profit	1947	102611	2444				129481
325	Level term assurance	8261	1260172	2631				3023
330	Decreasing term assurance	2278	295009	599				(357)
390	Deferred annuity non-profit	4632	2068					32928
400	Annuity non-profit (CPA)	128715	177307					2608208
410	Group life	5046	437528	867				787
435	Miscellaneous non-profit	3	98	1				8
440	Additional reserves non-profit OB							225

**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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		627823	998				2901
330	Decreasing term assurance		148708	192				203
400	Annuity non-profit (CPA)		117073					1633394

**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 **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit		802					10971
400	Annuity non-profit (CPA)		34737					493160
410	Group life		371899	737				669
435	Miscellaneous non-profit		83	1				4

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	1902	24906	1264	24664	24664	278	24942
535	Group money purchase pensions UWP	8240	106439	9083	106179	106179	89	106268

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
574	UWP investment only reinsurance		130843		130843	130843	(480)	130363

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
725	Individual pensions property linked	278404	2592350	77253	2569228	2566676	73433	2640110
735	Group money purchase pensions property linked	677903	6775724	1050907	6758130	6757303	48398	6805701
794	Property linked investment only reinsurance		3696865	53537	3611525	3611525	85339	3696865
800	Additional reserves property linked						5281	5281



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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		2734093		2734093	2734093	(10111)	2723983

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
794	Property linked investment only reinsurance		386250		386250	386250		386250

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
905	Index linked annuity	4475	4184		99772	99772		99772

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 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		3338		76807	76807		76807

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		567		12862	12862		12862

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
A E E U	12 - individual pension - balanced managed fund	1013	FP Accumulation 0.75% PRE	0.75%	1.1786	1.4348	21.74
Balanced	12 - individual pension - balanced managed fund	4782703	Cross Holdings	0.00%	1.2074	1.4793	22.52
Guaranteed Deposit	13 - individual pension - defensive managed fund	487190	Cross Holdings	0.00%	11.4747	11.5953	1.05
Equity	15 - individual pension - UK equity	2237676	Cross Holdings	0.00%	1.1819	1.5702	32.86
European	16 - individual pension - overseas equity	320543	FP Accumulation 0.75% PRE	0.75%	6.1754	7.6873	24.48
Fixed Interest	11 - individual pension - stock market managed fund	956861	Cross Holdings	0.00%	2.1548	2.2722	5.45
Higher Equity	15 - individual pension - UK equity	33559	L&M 0.50%	0.50%	3.1229	4.0310	29.08
Index Linked	11 - individual pension - stock market managed fund	124383	Cross Holdings	0.00%	2.2714	2.4307	7.01
International	16 - individual pension - overseas equity	1734202	Cross Holdings	0.00%	1.3326	1.6410	23.14
Investment Trust	11 - individual pension - stock market managed fund	235292	L&M 0.75%	0.75%	36.9710	51.0675	38.13
JP Morgan Fleming Investment Trust	11 - individual pension - stock market managed fund	25918	-	0.00%	3.3910	4.4240	30.46
Lower Equity	15 - individual pension - UK equity	53800	Cross Holdings	0.00%	0.9474	1.1101	17.17
Managed Portfolio	14 - individual pension - other managed fund	9344	FP Accumulation 0.75% PRE	0.75%	1.1437	1.3665	19.48
Manged Stewardship	14 - individual pension - other managed fund	490988	Cross Holdings	0.00%	1.2971	1.5737	21.33
North American	16 - individual pension - overseas equity	81938	Cross Holdings	0.00%	0.6376	0.7582	18.91
Pacific Basin	16 - individual pension - overseas equity	164073	Cross Holdings	0.00%	1.3768	1.8359	33.35
Property	17 - individual pension - property	386250	Cross Holdings	0.00%	1.8224	2.0598	13.03
Retirement Annuity	11 - individual pension - stock market managed fund	276507	Cross Holdings	0.00%	1.5750	1.4972	(4.94)

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Schroder Managed	14 - individual pension - other managed fund	915	FP Accumulation 1.00% PRE	1.00%	1.0666	1.3917	30.48
Stewardship	15 - individual pension - UK equity	1080519	FP Accumulation 0.75% PRE	0.75%	10.9071	13.5972	24.66
UK Index Tracker	11 - individual pension - stock market managed fund	120120	Cross Holdings	0.00%	0.9630	1.2504	29.84
Activ Consensus Enhanced	12 - individual pension - balanced managed fund	319139	0.00%	0.00%	1.1495	1.3786	19.93
Aegon Global Bond	11 - individual pension - stock market managed fund	1781	0.00%	0.00%	0.8442	1.1750	39.19
Aegon High Yield Bond	11 - individual pension - stock market managed fund	2130	0.00%	0.00%	0.7374	1.1789	59.86
Aegon Sterling Corporate Bond	11 - individual pension - stock market managed fund	3187	0.00%	0.00%	0.8339	1.0136	21.55
Artemis Capital	15 - individual pension - UK equity	5073	0.00%	0.00%	0.9109	1.1192	22.87
Artemis European Growth	16 - individual pension - overseas equity	14447	0.00%	0.00%	1.0673	1.2258	14.86
Artemis Global Growth	16 - individual pension - overseas equity	15004	0.00%	0.00%	0.9691	1.0682	10.23
Artemis Income	15 - individual pension - UK equity	6929	0.00%	0.00%	1.1467	1.4111	23.05
Artemis UK Growth	15 - individual pension - UK equity	1601	0.00%	0.00%	0.8823	1.1244	27.43
Artemis UK Smaller Companies	15 - individual pension - UK equity	603	0.00%	0.00%	0.5901	0.8536	44.66
Artemis UK Special Situations	15 - individual pension - UK equity	18832	0.00%	0.00%	1.0777	1.3752	27.60
Baillie Gifford (60:40) Worldwide Equity Pension	16 - individual pension - overseas equity	14725	Cross Holdings	0.00%	0.9359	1.1786	25.94
Baillie Gifford Japanese	16 - individual pension - overseas equity	3245	0.00%	0.00%	0.9477	0.9121	(3.75)
Baillie Gifford North American	16 - individual pension - overseas equity	2316	0.00%	0.00%	0.9142	1.1105	21.47
Baillie Gifford Overseas Equity	16 - individual pension - overseas equity	2154	0.00%	0.00%	1.0238	1.2907	26.07

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

(Sheet 3)

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
BGI All Stocks	11 - individual pension - stock market managed fund	40193	Cross Holdings	0.00%	1.0585	1.1646	10.02
BGI American Growth	16 - individual pension - overseas equity	12	Cross Holdings	0.00%	0.7536	0.8821	17.06
BGI Cash	13 - individual pension - defensive managed fund	29409	Cross Holdings	0.00%	1.1971	1.2057	0.72
BGI Fixed Interest Tracking	11 - individual pension - stock market managed fund	81046	Cross Holdings	0.00%	1.1550	1.2058	4.39
Cazenove European	16 - individual pension - overseas equity	5645	Cross Holdings	0.00%	1.3073	1.5533	18.82
Cazenove UK Growth & Income	15 - individual pension - UK equity	2056	0.00%	0.00%	0.9245	1.1772	27.33
F&C Cautious Managed	13 - individual pension - defensive managed fund	41487	0.00%	0.00%	0.9599	1.1247	17.17
F&C MultiManager Balanced	12 - individual pension - balanced managed fund	13521	0.00%	0.00%	1.0985	1.3070	18.98
F&C MultiManager Cautious	13 - individual pension - defensive managed fund	4869	0.00%	0.00%	1.0449	1.2269	17.42
F&C MultiManager Distribution	11 - individual pension - stock market managed fund	7761	0.00%	0.00%	0.8709	1.0671	22.53
F&C MultiManager Growth	11 - individual pension - stock market managed fund	9226	0.00%	0.00%	1.1435	1.3737	20.13
F&C Smaller Companies	15 - individual pension - UK equity	10997	0.00%	0.00%	0.9179	1.3402	46.01
F&C Stewardship Income	15 - individual pension - UK equity	20653	0.00%	0.00%	0.8851	1.0785	21.86
F&C Strategic Bond	11 - individual pension - stock market managed fund	19554	Cross Holdings	0.00%	0.9142	1.2726	39.20
Fidelity Moneybuilder Income	11 - individual pension - stock market managed fund	3746	0.00%	0.00%	1.0766	1.2617	17.20
FP CIF Euro Bond	16 - individual pension - overseas equity	810	0.00%	0.00%	1.5125	1.5226	0.67
FP CIF European Equity Investors	16 - individual pension - overseas equity	12313	0.00%	0.00%	1.0728	1.3839	29.00
FP CIF Global Equity	16 - individual pension - overseas equity	21217	0.00%	0.00%	0.8659	1.0379	19.86



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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
FP CIF Global High Yield	11 - individual pension - stock market managed fund	7322	0.00%	0.00%	1.2835	1.6184	26.10
FP CIF US Equity Investors	16 - individual pension - overseas equity	5444	0.00%	0.00%	0.9584	1.2043	25.66
FP Special Situations	15 - individual pension - UK equity	4121	0.00%	0.00%	0.8684	1.1711	34.85
Framlington Health	15 - individual pension - UK equity	396	0.00%	0.00%	0.9025	1.0578	17.20
Framlington Managed Balanced	12 - individual pension - balanced managed fund	8531	0.00%	0.00%	1.0172	1.2504	22.93
Framlington Monthly Income	15 - individual pension - UK equity	133	0.00%	0.00%	0.6110	0.8072	32.10
Framlington UK Select Opportunities	15 - individual pension - UK equity	927	0.00%	0.00%	0.8965	1.2204	36.14
Framlington UK Smaller Companies	15 - individual pension - UK equity	249	0.00%	0.00%	0.5332	0.8062	51.21
Global Equity (40:60) Index	16 - individual pension - overseas equity	82163	0.00%	0.00%	1.0958	1.3493	23.13
Hargreaves Lans. M/Manager Income & Growth	15 - individual pension - UK equity	3921	0.00%	0.00%	0.9737	1.1749	20.66
Hargreaves Lans. M/Manager Special Situations	12 - individual pension - balanced managed fund	5455	0.00%	0.00%	0.8938	1.1708	30.99
Hargreaves Lans. M/Manager Ultimate	15 - individual pension - UK equity	2802	0.00%	0.00%	0.9360	1.1821	26.30
Invesco Perpetual Asian	16 - individual pension - overseas equity	1432	0.00%	0.00%	1.4613	2.3051	57.74
Invesco Perpetual Corporate Bond	11 - individual pension - stock market managed fund	27490	0.00%	0.00%	1.0611	1.3288	25.23
Invesco Perpetual Distribution	11 - individual pension - stock market managed fund	3010	0.00%	0.00%	0.9790	1.3098	33.79
Invesco Perpetual Global Bond	11 - individual pension - stock market managed fund	2144	0.00%	0.00%	1.3634	1.4478	6.19
Invesco Perpetual High Income	15 - individual pension - UK equity	69390	0.00%	0.00%	1.4128	1.5773	11.64
Invesco Perpetual Income	15 - individual pension - UK equity	4775	0.00%	0.00%	1.2178	1.3678	12.32

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Invesco Perpetual Japan	16 - individual pension - overseas equity	1190	0.00%	0.00%	1.2415	1.5681	26.30
Invesco Perpetual UK Pension	15 - individual pension - UK equity	1201	0.00%	0.00%	1.0553	1.1927	13.02
Invesco UK Aggressive	15 - individual pension - UK equity	1403	0.00%	0.00%	0.9947	1.2183	22.47
Investec Cautious Managed	13 - individual pension - defensive managed fund	8073	0.00%	0.00%	1.0789	1.3582	25.89
Japan Equity Index	16 - individual pension - overseas equity	2787	0.00%	0.00%	0.9438	0.9004	(4.60)
JPM Cautious Total Return Fund	13 - individual pension - defensive managed fund	9103	0.00%	0.00%	1.0707	1.1533	7.72
JPMF Japan	16 - individual pension - overseas equity	804	0.00%	0.00%	0.7621	0.7206	(5.43)
JPMF Natural Resources	16 - individual pension - overseas equity	14382	0.00%	0.00%	0.9398	1.8638	98.32
Jupiter Financial Opportunities	15 - individual pension - UK equity	2022	0.00%	0.00%	1.4296	1.6199	13.31
Jupiter Income	15 - individual pension - UK equity	1373	0.00%	0.00%	0.9492	1.1059	16.51
Legg Mason US Equity On-shore	16 - individual pension - overseas equity	421	0.00%	0.00%	0.5553	0.7030	26.60
M&G Property Portfolio	17 - individual pension - property	10391	0.00%	0.00%	0.7887	0.8727	10.65
M&G Recovery	15 - individual pension - UK equity	4749	Cross Holdings	0.00%	0.9077	1.2985	43.07
M&G UK Select Fund	15 - individual pension - UK equity	435	0.00%	0.00%	0.8302	1.0196	22.82
Blackrock Gold & General	15 - individual pension - UK equity	3148	0.00%	0.00%	1.6241	2.1232	30.73
Blackrock Special Situations	15 - individual pension - UK equity	1752	Cross Holdings	0.00%	0.8100	1.1020	36.05
Blackrock UK Dynamic	15 - individual pension - UK equity	7959	0.00%	0.00%	0.9927	1.3575	36.75
Blackrock UK Smaller Companies	15 - individual pension - UK equity	9542	0.00%	0.00%	0.6512	0.8743	34.27

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
New Star European Growth	16 - individual pension - overseas equity	1641	0.00%	0.00%	1.1309	1.4541	28.58
New Star High Yield Bond	11 - individual pension - stock market managed fund	2218	0.00%	0.00%	0.7885	1.2137	53.92
New Star Managed Distribution	13 - individual pension - defensive managed fund	690	0.00%	0.00%	0.6788	0.9864	45.31
New Star Property	17 - individual pension - property	6735	0.00%	0.00%	0.8795	0.9669	9.93
New Star Sterling Bond	11 - individual pension - stock market managed fund	570	0.00%	0.00%	0.7534	0.9442	25.32
NGP Baillie Gifford Intenational	16 - individual pension - overseas equity	25293	0.00%	0.00%	0.9844	1.3062	32.68
NGP Baillie Gifford Managed	12 - individual pension - balanced managed fund	50601	0.00%	0.00%	1.1699	1.4487	23.83
NGP Baillie Gifford UK Equity Pension	15 - individual pension - UK equity	20307	Cross Holdings	0.00%	1.2193	1.5320	25.65
NGP Balanced Index	12 - individual pension - balanced managed fund	314132	0.00%	0.00%	1.3971	1.6632	19.05
NGP Balanced Multimanager	12 - individual pension - balanced managed fund	44867	0.00%	0.00%	1.2123	1.4850	22.50
NGP BGI Consensus	12 - individual pension - balanced managed fund	109722	0.00%	0.00%	1.2159	1.4472	19.02
NGP Cautious Index	11 - individual pension - stock market managed fund	75889	0.00%	0.00%	1.4134	1.5612	10.45
NGP Cautious Multimanager	13 - individual pension - defensive managed fund	8357	0.00%	0.00%	1.1967	1.4062	17.50
NGP Deposit	13 - individual pension - defensive managed fund	405156	0.00%	0.00%	1.5816	1.5982	1.05
NGP Equity	15 - individual pension - UK equity	288550	0.00%	0.00%	0.9327	1.2391	32.86
NGP European	16 - individual pension - overseas equity	136465	0.00%	0.00%	1.2173	1.5255	25.32
NGP European Index Tracking	11 - individual pension - stock market managed fund	56178	Cross Holdings	0.00%	1.4378	1.7064	18.68
NGP Fidelity Worldwide Special Situation	16 - individual pension - overseas equity	6035	0.00%	0.00%	1.5327	2.0161	31.54

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
NGP First State Asia Pacific	16 - individual pension - overseas equity	52654	0.00%	0.00%	2.4019	3.2847	36.76
NGP First State Global Emerging Markets	16 - individual pension - overseas equity	49455	0.00%	0.00%	2.1864	3.3174	51.73
NGP Fixed Interest	11 - individual pension - stock market managed fund	192473	0.00%	0.00%	1.7491	1.8445	5.45
NGP Global Equity (50:50) Index	16 - individual pension - overseas equity	1078906	0.00%	0.00%	1.5955	2.0050	25.67
NGP Global Equity Multimanager	16 - individual pension - overseas equity	38458	0.00%	0.00%	1.2925	1.5920	23.17
NGP Global Index Tracking	11 - individual pension - stock market managed fund	674267	0.00%	0.00%	1.6702	2.1158	26.68
NGP HSBC Amanah Global Equity Index	16 - individual pension - overseas equity	3547	0.00%	0.00%	1.3250	1.5029	13.43
NGP Indexed Linked	11 - individual pension - stock market managed fund	66883	0.00%	0.00%	1.7447	1.8670	7.01
NGP International	16 - individual pension - overseas equity	113323	0.00%	0.00%	1.0812	1.3314	23.14
NGP Investec UK Blue Chip	15 - individual pension - UK equity	4287	0.00%	0.00%	1.3196	1.6714	26.65
NGP Lazard European Alpha	16 - individual pension - overseas equity	26785	0.00%	0.00%	1.7896	2.1111	17.97
NGP Lazard UK Income	15 - individual pension - UK equity	10526	0.00%	0.00%	1.2263	1.6024	30.67
NGP Managed	14 - individual pension - other managed fund	2909051	0.00%	0.00%	1.1175	1.3692	22.52
NGP Managed Stewardship	14 - individual pension - other managed fund	467906	0.00%	0.00%	1.1078	1.3443	21.36
NGP Blackrock UK Equity	15 - individual pension - UK equity	36176	0.00%	0.00%	1.1112	1.4837	33.52
NGP Newton Balanced	12 - individual pension - balanced managed fund	80481	0.00%	0.00%	1.4145	1.6419	16.07
NGP Newton Income	15 - individual pension - UK equity	18089	0.00%	0.00%	1.4166	1.5985	12.84
NGP Newton International Growth	16 - individual pension - overseas equity	17705	0.00%	0.00%	1.3000	1.5918	22.45

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
NGP North American	16 - individual pension - overseas equity	59690	0.00%	0.00%	0.7173	0.8533	18.95
NGP Over 15 Years Gilt Index	11 - individual pension - stock market managed fund	39983	0.00%	0.00%	1.4113	1.3482	(4.47)
NGP Pacific Basin	16 - individual pension - overseas equity	110823	0.00%	0.00%	1.3637	1.8166	33.21
NGP Property	17 - individual pension - property	280120	0.00%	0.00%	1.6463	1.8607	13.03
NGP Retirement Annuity	11 - individual pension - stock market managed fund	250244	0.00%	0.00%	1.7302	1.6448	(4.94)
NGP Stewardship	15 - individual pension - UK equity	330271	0.00%	0.00%	0.9934	1.2477	25.60
NGP Threadneedle Global Equity 60/40	16 - individual pension - overseas equity	7812	0.00%	0.00%	1.3781	1.7284	25.42
NGP UK Corporate Bond Index Tracking	11 - individual pension - stock market managed fund	52789	0.00%	0.00%	1.2890	1.4676	13.85
NGP UK Equity Index	15 - individual pension - UK equity	194207	Cross Holdings	0.00%	1.5295	1.9809	29.51
NGP UK Index Tracker	11 - individual pension - stock market managed fund	111661	0.00%	0.00%	1.0126	1.3152	29.88
NGP UK Index-Linked Gilt Index	11 - individual pension - stock market managed fund	67759	0.00%	0.00%	1.4162	1.5046	6.25
NGP US Index Tracking	11 - individual pension - stock market managed fund	59730	Cross Holdings	0.00%	0.9216	1.0821	17.41
NGP World (Ex-UK) Equity Index	16 - individual pension - overseas equity	30914	0.00%	0.00%	1.2730	1.5112	18.71
Old Mutual Corporate Bond	11 - individual pension - stock market managed fund	746	0.00%	0.00%	0.7431	1.0090	35.78
Old Mutual UK Select Sm. Co's	15 - individual pension - UK equity	398	0.00%	0.00%	1.0130	1.4317	41.33
Pacific Rim Index	16 - individual pension - overseas equity	9787	0.00%	0.00%	1.0483	1.6319	55.67
Schroder Institutional Index Linked Bond	11 - individual pension - stock market managed fund	12	Cross Holdings	0.00%	1.1303	1.1829	4.66
Schroder Institutional Managed Balanced	12 - individual pension - balanced managed fund	72	0.00%	0.00%	0.9763	1.2008	23.00

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Schroder Institutional Managed Equity	15 - individual pension - UK equity	11	Cross Holdings	0.00%	0.8800	1.1036	25.41
Schroder Institutional Overseas Equity	16 - individual pension - overseas equity	12	Cross Holdings	0.00%	0.9520	1.2093	27.03
Schroder Mid 250	15 - individual pension - UK equity	16521	0.00%	0.00%	0.9314	1.3145	41.14
Schroder Offshore Cash	13 - individual pension - defensive managed fund	12	Cross Holdings	0.00%	1.1520	1.1676	1.35
Schroder Tokyo	16 - individual pension - overseas equity	1608	0.00%	0.00%	0.9627	0.9421	(2.14)
SJP International	16 - individual pension - overseas equity	271	0.00%	0.00%	1.1688	1.3684	17.08
SJP UK & General Progressive	11 - individual pension - stock market managed fund	148	0.00%	0.00%	0.8192	1.0847	32.40
State Street Europe excl UK Equity Index	15 - individual pension - UK equity	205	Cross Holdings	0.00%	0.7660	0.9072	18.43
State Street Global 50:50 Enhanced Equity Index	15 - individual pension - UK equity	705	0.00%	0.00%	0.7170	0.8674	20.98
State Street North American Enhanced Equity Index	16 - individual pension - overseas equity	155	Cross Holdings	0.00%	0.7076	0.6716	(5.09)
State Street Overseas Enhanced Equity Index	16 - individual pension - overseas equity	220	0.00%	0.00%	0.7448	0.8372	12.41
State Street Pacific Enhanced Equity Index	16 - individual pension - overseas equity	28412	Cross Holdings	0.00%	0.7565	0.9227	21.97
State Street UK Enhanced Equity Index	15 - individual pension - UK equity	368	Cross Holdings	0.00%	0.6902	0.8982	30.15
Strategy 40	15 - individual pension - UK equity	1282	0.00%	0.00%	0.9330	1.1055	18.49
Strategy 60	15 - individual pension - UK equity	4522	0.00%	0.00%	0.9428	1.1375	20.66
Strategy 80	15 - individual pension - UK equity	49112	0.00%	0.00%	0.9560	1.1747	22.87
UBS Global Equity 50:50	16 - individual pension - overseas equity	2349	0.00%	0.00%	0.9783	1.2361	26.36
UBS Global Optimal	16 - individual pension - overseas equity	3389	0.00%	0.00%	1.0224	1.3238	29.48

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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
UBS UK Select	15 - individual pension - UK equity	1885	Cross Holdings	0.00%	0.9294	1.1408	22.75
UBS US Equity	16 - individual pension - overseas equity	9544	0.00%	0.00%	1.0029	1.2301	22.65
Alliance Bernstein Global Style Blend	16- individual pension - overseas equity	2690	Cross Holdings	0.00%	0.5761	0.7223	25.36
Alliance Bernstein UK Style Blend	15 - individual pension - UK equity	2360	Cross Holdings	0.00%	0.7227	0.8651	19.71
Alliance Bernstein Global 50:50 Style Blend	16- individual pension - overseas equity	3640	0.00%	0.00%	0.6394	0.7853	22.81
Aegon Ethical Corporate Bond	11 - individual pension - stock market managed fund	756	0.00%	0.00%	0.8866	1.0326	16.48
New Star Tri Star	13 - individual pension - defensive managed fund	54	0.00%	0.00%	0.7089	0.8102	14.29
Cavendish Grant Balanced Income	12-individual pension - balanced managed fund	596	0.00%	0.00%	0.7421	0.8133	9.58
Cavendish Grant Cautious Growth	11 - individual pension - stock market managed fund	212	0.00%	0.00%	0.7839	0.9192	17.26
Cavendish Grant Stratgic Growth	11 - individual pension - stock market managed fund	965	0.00%	0.00%	0.8491	1.0553	24.28
M&G American	16- individual pension - overseas equity	640	0.00%	0.00%	0.8274	1.0148	22.66
Newton Global Balanced	16- individual pension - overseas equity	186	0.00%	0.00%	1.1154	1.3144	17.84
Newton 60/40 Global Equity	16- individual pension - overseas equity	11	Cross Holdings	0.00%	0.9016	1.1305	25.39
Newton Long Gilt	11 - individual pension - stock market managed fund	11	Cross Holdings	0.00%	1.1937	1.1515	(3.53)
Newton Higher Income	11 - individual pension - stock market managed fund	330	0.00%	0.00%	0.8241	0.9560	16.00
Newton Global Higher Income	16- individual pension - overseas equity	89	0.00%	0.00%	1.0146	1.2114	19.39
Newton Phoenix	11 - individual pension - stock market managed fund	10	Cross Holdings	0.00%	0.8459	1.0184	20.40
Newton International Bond	11 - individual pension - stock market managed fund	24	0.00%	0.00%	1.5762	1.4785	(6.20)

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Barclays Dynamic Tracker	13 - individual pension - defensive managed fund	16	0.00%	0.00%	0.9416	1.0942	16.20
Barclays Dynamic 70 Tracker	13 - individual pension - defensive managed fund	26	0.00%	0.00%	0.9249	0.9825	6.23
Barclays Dynamic 80 Tracker	13 - individual pension - defensive managed fund	181	0.00%	0.00%	0.9539	0.9925	4.05
Barclays Dynamic 90 Tracker	13 - individual pension - defensive managed fund	10	Cross Holdings	0.00%	1.0236	1.0425	1.85
Lazard UK Omega Fund	15 - individual pension - UK equity	2572	Cross Holdings	0.00%	0.6462	0.8891	37.60
Goldman Sachs Core Flex Fund	16- individual pension - overseas equity	1785	Cross Holdings	0.00%	0.7960	0.8722	9.58
Aegon Institutional UK Corporate Bond Fund	11 - individual pension - stock market managed fund	5566	Cross Holdings	0.00%	0.9176	1.0469	14.10
BGI North American Alpha Fund	16- individual pension - overseas equity	1966	Cross Holdings	0.00%	0.8411	0.9352	11.19
River & Mercantile UK Equity Smaller Companies	15 - individual pension - UK equity	134	0.00%	0.00%	0.6064	0.8788	44.91
Prudential Specialist UK Equity Fund	15 - individual pension - UK equity	463	0.00%	0.00%	0.7180	1.0074	40.30
Baillie Gifford Long Term Global Growth Pension	16- individual pension - overseas equity	1441	Cross Holdings	0.00%	0.8217	1.1418	38.95
Schroder Diversified Growth Fund	15 - individual pension - UK equity	1738	Cross Holdings	0.00%	0.8403	1.0792	28.43
JPM Life Global Equity	16- individual pension - overseas equity	392	0.00%	0.00%	0.7660	0.9486	23.84
JPM Life Global Dynamic	16- individual pension - overseas equity	1409	Cross Holdings	0.00%	0.8545	1.0156	18.85
JPM All Emerging Markets	16- individual pension - overseas equity	1577	0.00%	0.00%	0.9029	1.4202	57.30
JPM Life UK Smaller Cap Equity	15 - individual pension - UK equity	97	0.00%	0.00%	0.4793	0.7259	51.43
JPM Life UK Disciplined Equity	15 - individual pension - UK equity	826	0.00%	0.00%	0.6776	0.8720	28.69
JPM Continental Europe Select Equity	16- individual pension - overseas equity	693	0.00%	0.00%	0.7512	0.9755	29.86



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

Name of insurer **Friends Provident Pensions Limited**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
JPM Life Japan Select Equity Fund	16- individual pension - overseas equity	201	0.00%	0.00%	0.8933	0.8982	0.55
JPM Life US Research Enhanced Index 250	16- individual pension - overseas equity	484	0.00%	0.00%	0.8337	1.0312	23.68
JPM Life Asia Equity	16- individual pension - overseas equity	531	0.00%	0.00%	0.7691	1.1937	55.21
JPM Life Global excl-UK Opportunities	16- individual pension - overseas equity	320	0.00%	0.00%	0.8303	1.0375	24.96
JPM Life Growth	16- individual pension - overseas equity	3130	0.00%	0.00%	0.7089	0.9303	31.23
JPM Life UK Long Dated Bond	11 - individual pension - stock market managed fund	162	0.00%	0.00%	1.2433	1.1933	(4.02)
JPM Life UK Index Linked Long Dated Bond	11 - individual pension - stock market managed fund	73	0.00%	0.00%	1.1516	1.2243	6.31
JPM Life Global Excl - UK Bond	16- individual pension - overseas equity	108	0.00%	0.00%	1.0401	1.0602	1.93
JPM Life UK Liquidity	13 - individual pension - defensive managed fund	719	0.00%	0.00%	1.0752	1.0894	1.32
JPM Life UK Corporate Bond	11 - individual pension - stock market managed fund	24	0.00%	0.00%	0.9121	1.0382	13.82
JPM Life Moderate	12-individual pension - balanced managed fund	3738	0.00%	0.00%	0.7785	0.9655	24.02
Aberdeen World Equity	16- individual pension - overseas equity	1368	0.00%	0.00%	0.9276	1.1540	24.41
Aberdeen Multi-Asset	12-individual pension - balanced managed fund	14661	0.00%	0.00%	0.7971	1.0085	26.52
F&C Pacific Growth	16- individual pension - overseas equity	4754	Cross Holdings	0.00%	0.5902	0.8562	45.07
Alliance Bernstein Global Style Blend Fund (Class S)	15 - individual pension - UK equity	440	0.00%	0.00%	0.5510	0.6919	25.58
Alliance Bernstein UK Style Blend Fund (Class S)	15 - individual pension - UK equity	22	0.00%	0.00%	0.6876	0.8246	19.92
Enhanced Cash Pension Fund	11 - individual pension - stock market managed fund	144891	Cross Holdings	0.00%	10.2191	10.3059	0.85
Stewardship International	16- individual pension - overseas equity	32	Cross Holdings	0.00%	0.8363	1.0672	27.61

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
BGI Aquila Life All Stocks UK Gilts	11 - individual pension - stock market managed fund	40321	Cross Holdings	0.00%	1.1319	1.1189	(1.15)
BGI Aquila Life Overseas Bond Index	11 - individual pension - stock market managed fund	53311	Cross Holdings	0.00%	1.4891	1.3625	(8.50)
CF Odey Opus	16- individual pension - overseas equity	10	Cross Holdings	0.00%	0.8684	1.0710	23.32
Neptune Global Equity	16- individual pension - overseas equity	8	Cross Holdings	0.00%	0.6270	0.8481	35.27
Capital International Emerging Markets	16- individual pension - overseas equity	1149	0.00%	0.00%	0.7718	1.2392	60.57
CIF Global Equity Investors	16- individual pension - overseas equity	691	0.00%	0.00%	0.9375	1.1883	26.75
CIUKF UK Corporate Bond	11 - individual pension - stock market managed fund	245	0.00%	0.00%	0.9916	1.1175	12.69
Martin Currie North America	16- individual pension - overseas equity	561	0.00%	0.00%	0.8211	0.9503	15.73
T.Rowe Price Global Aggregate Bond	11 - individual pension - stock market managed fund	199	0.00%	0.00%	1.3541	1.3439	(0.75)
T.Rowe Price European Equity	16- individual pension - overseas equity	187	0.00%	0.00%	0.7691	0.9580	24.57
T.Rowe Price Global Emerging Markets Equity	16- individual pension - overseas equity	592	0.00%	0.00%	0.6305	1.0567	67.60
T.Rowe Price Global Equity	16- individual pension - overseas equity	1024	0.00%	0.00%	0.7070	0.9144	29.33
Jupiter Ecology Fund	16- individual pension - overseas equity	102	0.00%	0.00%	1.0000	1.2338	23.38
Akzo Nobel Global Equity Fund	16- individual pension - overseas equity		0.00%	0.00%	1.0000	1.2457	24.57
Akzo Nobel UK Equity Fund	15 - individual pension - UK equity		0.00%	0.00%	1.0000	1.2643	26.43
BGI Sterling Liquidity First	13 - individual pension - defensive managed fund	7560	0.00%	0.00%	1.0000	1.0037	0.37
M&G Optimal Income Fund	11 - individual pension - stock market managed fund	62	0.00%	0.00%	1.0000	1.2885	28.85
Towry Law Defensive Portfolio	13 - individual pension - defensive managed fund	11	Cross Holdings	0.00%	1.0000	1.0957	9.57

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
M & G All Stocks Corporate Bond	11 - individual pension - stock market managed fund	1116	Cross Holdings	0.00%	1.0000	1.0782	7.82
M & G Global Leaders	16- individual pension - overseas equity	13	Cross Holdings	0.00%	1.0000	1.2997	29.97
Premier Sentinel Defensive	13 - individual pension - defensive managed fund	11	Cross Holdings	0.00%	1.0000	1.0988	9.88
Premier Sentinel Enterprise	12-individual pension - balanced managed fund	13	Cross Holdings	0.00%	1.0000	1.2536	25.36
Premier Sentinel Universal	12-individual pension - balanced managed fund	12	Cross Holdings	0.00%	1.0000	1.1586	15.86
T.Rowe Price Global High Yield Bond	11 - individual pension - stock market managed fund	12	Cross Holdings	0.00%	1.0000	1.1963	19.63
T.Rowe Price Global Natural Resources Equity	16- individual pension - overseas equity	13	Cross Holdings	0.00%	1.0000	1.2757	27.57
T.Rowe Price Japanese Equity	16- individual pension - overseas equity	10	Cross Holdings	0.00%	1.0000	1.0812	8.12
T.Rowe Price Middle East & Africa Equity	16- individual pension - overseas equity	48	0.00%	0.00%	1.0000	1.1518	15.18
T.Rowe Price US Large Cap Growth Equity	16- individual pension - overseas equity	13	Cross Holdings	0.00%	1.0000	1.2745	27.45
T.Rowe Price US Large Cap Value Equity	16- individual pension - overseas equity	12	Cross Holdings	0.00%	1.0000	1.2361	23.61
T.Rowe Price Asian Ex-Japan Equity	16- individual pension - overseas equity	86	0.00%	0.00%	1.0000	1.3151	31.51
T.Rowe Price European Smaller Companies Equity	16- individual pension - overseas equity	107	0.00%	0.00%	1.0000	1.2749	27.49
T.Rowe Price US Smaller Companies Equity	16- individual pension - overseas equity	13	0.00%	0.00%	1.0000	1.2834	28.34
MFS Global Equity	16- individual pension - overseas equity	229	0.00%	0.00%	1.0000	1.0016	0.16
Babcock Defensive	11 - individual pension - stock market managed fund	55	0.00%	0.00%	1.0000	1.0433	4.33
Babcock Moderate	11 - individual pension - stock market managed fund	7704	0.00%	0.00%	1.0000	1.1275	12.75
Babcock Growth	11 - individual pension - stock market managed fund	1359	0.00%	0.00%	1.0000	1.1800	18.00



**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Friends Provident Pensions Limited**Total business **Total Long Term Insurance Business**Financial year ended **31 December 2009**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	2482	3.80%	4.75%	4.92%
UK F51 Pensions NP	476199	4.33%	4.33%	4.76%
UK F51 Pensions NP (Secure Growth Fund)	320167			5.45%
UK F52 Pensions	848	4.20%	4.20%	4.54%
UK F53 Pensions NL	35304	3.80%	3.80%	3.97%
UK F53 Pensions NL (Secure Growth Fund)	154766			5.45%
Miscellaneous UK F51 L&GA NP	1091			3.80%
Miscellaneous UK F51 Pensions NP	54744			4.03%
Miscellaneous UK F53 Pensions NL	32492			3.73%
<b>Total</b>	1078093			

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

Name of insurer **Friends Provident Pensions Limited**  
 Total business / subfund **Total Long Term Insurance Business**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	11050459	8817631
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	11050459	8817631
Mathematical reserves	21	10903358	8643664
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	147101	173967

**Composition of surplus**

Balance brought forward	31	173967	106813
Transfer from non-technical account	32		80000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(26866)	(12846)
Total	39	147101	173967

**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	147101	173967
Total (48+49)	59	147101	173967

**Percentage of distributed surplus allocated to policyholders**

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

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

Global business

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

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%	38391	10014			
Classes I (other), II and IX	12	0.1%	199980	159605		100	100
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	1761003	671759		2642	2936
Classes III, VII and VIII	15	0.3%	4274	4274	1.00	13	14
<b>Total</b>	<b>16</b>		2003648	845652		2754	3050

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					79	90
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	3235469	874085	0.85	27501	25750
Classes III, VII and VIII (investment risk)	33	1%	308079	308079	1.00	3081	2812
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1380426	1380426	1.00	13804	15862
Classes III, VII and VIII (other)	35	25%				7469	5410
Class IV (other)	36	1%	7861	3006	0.85	67	77
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					51923	49910

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	97	45			
Classes I (other), II and IX	42	3%	3235469	874085	0.85	82504	77251
Classes III, VII and VIII (investment risk)	43	3%	308079	308079	1.00	9242	8435
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1380426	1380426			
Classes III, VII and VIII (other)	45	0%	11447950	8337717			
Class IV (other)	46	3%	7861	3006	0.85	200	230
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		16379883	10903358		91947	85916

<b>Long term insurance capital requirement</b>	<b>51</b>					146703	138966
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## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return Friends Provident Pensions Limited Global Business Financial Year End 31 December 2009

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Total admissible assets (other than long-term)	181,964	153,044
Total admissible assets (long-term)	12,700,690	10,642,206
Less:		
Mathematical reserves after distribution of surplus	10,903,358	8,643,664
Other insurance & non-insurance liabilities	1,650,230	1,824,574
Liabilities other than long-term business	17,623	1,263
Net admissible assets	311,443	325,749
Form 3 Line 79 Capital resources after deductions	311,443	325,749
Difference	0	0

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

Negative valuation differences included within line 14 are:

In respect of liabilities valued lower than in the Companies Act accounts	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Deferred taxation	11,058	4,241
Deferred front end fees	6,261	6,797
Value of unfunded units	8,046	10,084
	<u>25,365</u>	<u>21,122</u>
In respect of liabilities valued higher than in Companies Act accounts		
Further provision for mortality (non-linked)	8,456	3,792
Additional reserves in respect of reinsurer credit risk (non-linked)	15,482	13,475
Actuarial reserve for strategic review costs	5,000	14,000
	<u>28,938</u>	<u>31,268</u>
Total equalling Form 3 Line 35	3,573	10,146

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

	<b>£000</b>
Profit and loss account reserves b/fwd	(182,329)
Profit and loss account reserves c/fwd	(203,243)
Movement	(20,914)
	<u>33,473</u>
Deficit on UK GAAP basis	33,473
Total equalling Form 16 line 59	12,559

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

- i) The Company held unlisted fixed interest securities valued at £13,356k.
- ii) Lines 46 & 48 include assets to the value of £28.1m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interest or remainders in property other than land or buildings.



## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return Friends Provident Pensions Limited Global Business Financial Year End 31 December 2009

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

The Company held hybrid securities valued at £96,380k in the long-term fund and £12,845k in the shareholder fund.

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

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

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

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

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

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

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 2009 was £1,609,909k.

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 2009 was £1,609,909k.

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

	Long term insurance business 2009 £000	Other than long term insurance business 2009 £000	Long term insurance business 2008 £000	Other than long term insurance business 2008 £000
Outstanding claims	-	-	772	-
Creditor balances netted off in accounts	-	(13,944)	-	(1,263)
Debtors balances included net in other creditors	2,249		-	-
Valuation differences on liabilities	9	-	-	-
Taxation creditors netted off in accounts		(3,679)	-	-
<b>Total line 101</b>	<b>2,258</b>	<b>(17,623)</b>	<b>772</b>	<b>(1,263)</b>

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return Friends Provident Pensions Limited Global Business Financial Year End 31 December 2009

#### **\*1324\* Market risk and counterparty limits**

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

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

#### **\*1401\* & \*1501\* Provision for reasonably foreseeable adverse variances**

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

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

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

- i) No charge has been made on the assets of the Company to secure the liabilities of any other person.
- ii) A provision of £nil (2008 £nil) has been made for liability to tax on capital gains which would arise if the Company disposed of its total business assets. The potential liability is £nil.
- iii) The Company has a contingent liability in respect of compensation that could become payable to certain policyholders who effected personal pension contracts and who may have been given inappropriate advice in relation thereto.  
The company has a provision of £0.2m (2008 £0.2m) in line 11 of Form 14 for the expected costs of the compensation. The final costs may be in excess of this figure and there may also be a contingent liability in respect of the Financial Services Compensation Scheme.
- iv) The Company has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of insurance business and in respect of related companies.
- v) There are no other fundamental uncertainties.

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

	2009 Long term insurance business £000	2009 Other than long term insurance business £000	2008 Long term insurance business £000	2008 Other than long term insurance business £000
Deferred tax on DAC	11,057	-	4,241	-
Deferred front-end fees	6,261	-	6,797	-
Companies Act accounts fair value adjustment to liabilities	(20,891)	-	(20,183)	-
Claims outstanding	-	-	772	-
Creditor balances netted off in accounts	-	(13,944)	-	(1,263)
Debtors balances included net in other creditors	2,249	-	-	-
Valuation differences on liabilities	9	-	-	-
Taxation creditors netted off in accounts	-	(3,679)	-	-
Assets included in Companies Act accounts, excluded for FSA purposes	<b>(1,315)</b>	<b>(17,623)</b>	<b>(9,373)</b>	<b>(1,263)</b>

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return Friends Provident Pensions Limited Global Business Financial Year End 31 December 2009

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

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

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

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

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

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

The aggregate value of excess variation margin needed to be repaid due to underlying market movements is £nil. Variation margin of £172k 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.

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

Other expenditure comprises of

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Fund management charge rebate to FPLP	19,812	23,022
Fund management charges on directly written business	3,265	3,295
	<u>23,077</u>	<u>26,317</u>

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

Management services were provided during the year by Friends Provident Management Services Limited, a wholly owned subsidiary of Friends Provident Holdings (UK) Limited.

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

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

##### Reassurance accepted from FPLP

During the period 1 January 2009 to 31 December 2009 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 £241m of reinsurance premiums and incurred £381m 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.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary Notes to the Return Friends Provident Pensions Limited Global Business Financial Year End 31 December 2009

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

At the end of 2009 rights of £7,995k and liabilities of £2,630k were held under derivative contracts.

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

There is a liability to repay a variation margin of £70,519 at the year-end

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

Other expenditure consist of

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Transaction costs	7,729	11,348
Custodian charges	625	630
Interest payable	1	80
Miscellaneous charges	300	1
<b>Total other expenditure</b>	<b>8,665</b>	<b>12,059</b>

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

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

#### **\*4901\* Rating agencies**

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

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

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

#### **\*5701\* Negative reserves**

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

#### **\*5702\* Risk adjusted yield**

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

Product Group	Total Long Term Insurance Business	
	Yield	Risk Adjusted Yield
UK F51 L&GA NP	4.92%	4.92%
UK F51 Pensions NP	5.17%	4.76%
UK F51 Pensions NP (Secure Growth Fund)	5.95%	5.45%
UK F52 Pensions	4.54%	4.54%
UK F53 Pensions NL	4.02%	3.97%
UK F53 Pensions NL (Secure Growth Fund)	5.95%	5.45%
Miscellaneous UK F51 L&GA NP	3.85%	3.80%
Miscellaneous UK F51 Pensions NP	4.06%	4.03%
Miscellaneous UK F52 Pensions	4.54%	4.54%
Miscellaneous UK F53 Pensions NL	3.77%	3.73%

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

**Derivative Contracts**

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

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

## Returns under the Interim Prudential Sourcebook for Insurers

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

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

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

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

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

- (i) Resolution Limited

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

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

- (ii) Resolution Holdco No1LP

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

- (iii) Resolution Holdings (Guernsey) Limited

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

- (iv) Friends Provident Holdings (UK) Limited

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

- (v) Friends Provident Group plc

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

- (vi) Friends Provident Limited

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

- (vii) Friends Provident Life and Pensions Limited

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

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

**1. Introduction**

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

**2. Product Range**

Changes to Existing Products

Differential fund pricing was introduced to some existing Group Pensions products in April 2009. No other changes were made to in-force policies except for updating policy charges subject to indexed increases.

From February 2009 a dependent’s pension will no longer be offered to a child, only a spouse

Withdrawals

- No products were withdrawn during 2009.

**3. Discretionary Charges and Benefits**

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

Unitised With Profits - Pensions

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2009 to 8/1/2009	13%	Single Premium Policies Regular Premium Policies	2006 to 2007 inclusive
9/1/2009 to 2/8/2009	13%	Single Premium Policies Regular Premium Policies	2006 to 2008 inclusive
3/8/2009 to 10/9/2009	9%	Single Premium Policies	2006 to 2008 inclusive
11/9/2009 to 31/12/2009	No MVR applying		

- (2) Not applicable.
- (3) The interest rate added during the year for non-profit deposit administration benefits was as follows:

Plan Type	Annual Rate of Interest Addition	
	Applied from 01.01.2009 to 31.01.2009	Applied from 01.01.2009 to 31.12.2009
Transplan	4.5%	3.5%
Compass (88) Pension Plan, Passbook Pension Plan, Passbook (92) Pension Plan, Transplan (88), Bespoke, Total Pension Plan, Executive Total Pension Plan, Transplan Plus, Group Personal Pension Plan, Group Money Purchase Plan, Group Money Purchase Plan Executive Option, Trustees' Investment Plan, Multibenefit Pension Solutions, Transplan GMP, Transplan Protected Rights Bulk Buyout, Personal Pension Plan – New Generation, Money Purchase plan – New Generation, Premier Retirement Plan, Group Secure Growth Plan, Voluntary Benefits Plan, Secure Growth Investment Only Plan, Compass Pension Plan, Combine Pension Plan, Combine (86) Pension Plan, Combine (90) Pension Plan, Combine GMP, Combine Final Salary and Combine Multibenefit	6.5% before charges	5.5% before charges

(4) Policy fees for the following products have been increased by 4.2%, in line with the RPI, in 2009:

- 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 3.2%, in line with the NAE index, in 2009:



- 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 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 and BlackRock Global Investors Limited 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

	31.12.2009				31.12.2008			
	L & GA		Pens	IP	L & GA		Pens	IP
	UK %	OS %	%	%	UK %	OS %	%	%
Investment Trust Retirement Annuity			1.00				1.00	
Annuities in Possession (Pre July 2001)			5.21				4.52	
Annuities in Possession (Post July 2001)	3.00		4.33		3.60		4.33	
Regular Premium Term Assurances			3.80				3.40	
Other non-profit and linked business	3.00		3.80	3.80	2.70		3.40	3.40
GAO Reserve			4.10				3.40	
Unitised With Profits			4.20				3.75	

(3) Adjustment to Yields for Risk.

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

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

Credit Rating	Long Term Default Deduction (bps)	Short Term Default Deduction (bps)	Total (bps)
AAA	15	3	18
AA	34	28	62
A	37	52	89
BBB	77	112	189
Lower Ratings	254	184	438
Unrated	44	63	107

In aggregate, this resulted in an average deduction of 83 bps from the overall yield on the corporate bond portfolio as at 31 December 2009.

- (c) In compliance with INSPRU 3.1.37R, the running yield on equities is calculated as the greater of the dividend yield and the average of the dividend yield and the earnings yield. This yield and the yield on property have been adjusted by 10% for the risk of reduced dividend yield, earnings yield and rental yield, and further capped at the long-term gilt yield plus 2% p.a.

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

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
All lives except as noted below	110% AMC00	110% AFC00	110% AMC00	110% AFC00
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	65% AMC00	55% AFC00

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

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

Individual Annuities and Deferred Annuities once in payment (Pre July 2001)  
Modified RMV00/RFV00 for 2009, Modified RMV00/RFV00 for 2008

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	26.86	28.40	26.72	28.30
55	65	25.44	27.33	25.30	27.22
65	65	24.00	26.24	23.86	26.14
75	75	15.09	16.71	14.96	16.61

Individual Annuities and Deferred Annuities once in payment (Post July 2001)  
Modified RMV00/RFV00 for 2009, Modified RMV00/RFV00 for 2008

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

Group Annuities (Pre July 2001)  
Modified PCMA00/PCFA00 for 2009, Modified PCMA00/PCFA00 for 2008

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

Group Annuities (Post July 2001)  
 Modified PCMA00/PCFA00 for 2009, Modified PCMA00/PCFA00 for 2008

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

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

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

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

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

Class		31.12.2009				31.12.2008			
		Zillmer adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
Term Assurance (325 / 330)	Premium Paying	N/a	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise		15.10	0.122			15.32	0.122	
Income Protection (360 / 365)	All	N/a	27.32	0.122	0	N/a	25.54	0.122	0
Income Protection Claims in Payment (385)	All	N/a	230.70	0	N/a	N/a	229.61	0	N/a
Annuity (400)	All	N/a	17.66	0.059	0	N/a	20.43	0.059	0
UWP regular premium pension	Premium Paying	N/a	29.13	0.122	0	N/a	26.34	0.118	0

Class		31.12.2009				31.12.2008			
		Zillmer adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
(525 / 545)	Otherwise		19.92	0.122			19.75	0.118	
UWP single premium pension (525 /545)	All	N/a	16.41	0.122	0	N/a	15.5	0.118	0
UWP group regular premium pension (535)	Premium Paying	N/a	29.13	0.122	0	N/a	26.34	0.118	0
	Otherwise		19.92	0.122			19.75	0.118	
UWP group single premium pension (535)	All	N/a	16.41	0.122	0	N/a	15.5	0.118	0
UL regular premium pension (725)	Premium Paying	N/a	14.01	0.100 / 0.085 *	0	N/a	12.44	0.118	0
	Otherwise		9.85	0.100 / 0.085 *			9.36	0.118	
UL single premium pension (725)	All	N/a	7.90	0.100 / 0.085 *	0	N/a	7.49	0.118	0
UL group regular premium pension (735)	Premium Paying	N/a	14.01	0.100 / 0.085 *	0	N/a	12.44	0.118	0
	Otherwise		9.85	0.100 / 0.085 *			9.36	0.118	
UL group single premium pension (735)	All	N/a	7.90	0.100 / 0.085 *	0	N/a	7.49	0.118	0

\* For unit linked pension products the Investment Expenses are 0.100% pa for business written prior to 01/01/2009 and 0.085% pa for business written after that date.

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

	31.12.2009			31.12.2008		
	Unit Growth %p.a.		Expense Inflation %p.a.	Unit Growth %p.a.		Expense Inflation %p.a.
	Gross	Net		Gross	Net	
Conventional Non Profit	N/a	N/a	4.7	N/a	N/a	3.7
Income Protection	N/a	N/a	4.7	N/a	N/a	3.7
Unitised	3.8	3.0	4.7	3.4	2.7	3.7

For policies with explicit policy charges, these charges increase in line with the RPI or National Average Earnings Index. We have assumed that future RPI is 3.7% p.a., and that future NAE is 1% higher at 4.7% p.a.

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

The benefit value (including liability for bonuses) is 100% reinsured to Friends 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 %
Level pensions term assurance – low rate	Lapse	8.0	4.3	2.5	2.5
Level pensions term assurance – high rate	Lapse	14.8	7.9	4.6	4.6
Decreasing pensions term assurance – low rate	Lapse	8.3	6.6	4.6	4.6
Decreasing pensions term assurance – high rate	Lapse	15.3	12.2	8.5	8.5
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	41	Up to 21 years	28	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 £5.3m has been set up in respect of a basic reserve of £31m. This has been calculated deterministically using low rates of future projection (2.8% to 3.8% 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 £35.2m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below.

<b>Homogeneous Risk Group</b>	<b>Implicit Allowances £m</b>	<b>Explicit Allowance (investment) £m</b>	<b>Explicit Allowances (other) £m</b>	<b>Non-Attributable Expenses £m</b>	<b>Total £m</b>
Individual Personal Pensions		0.1	0.1	0.0	0.2
New Generation Pensions		11.3	8.4	5.6	25.3
Executive Pensions		0.1	0.1	0.1	0.3
All Expenses Attributable (all other business)		1.4	8.0		9.4
<b>Total</b>	<b>0</b>	<b>12.8</b>	<b>16.6</b>	<b>5.7</b>	<b>35.2</b>

- (2) There are no implicit allowances for expenses.
- (3) The maintenance expenses in line 14 of Form 43 are £40.9m. Line 14 includes £7.9m in respect of expenses related to the purchase of investments in linked funds. These expenses are charged to the linked funds, in accordance with published principles of management for linked business, 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 products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation, the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

## 7. Mismatching Reserves

- (1) The value of mathematical reserves (other than 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	1,088	1,273
Euro	0	1
<b>Total</b>	<b>1,088</b>	<b>1,274</b>

- (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 20.3%;
  - A fall in real estate values of 20%; and
  - A rise in yields on all fixed interest securities of 0.89% 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 £5m.
  - (b) The long term insurance liabilities decreased by £51.2m.
  - (c) The value of the assets allocated to match these liabilities decreased by £48.0m 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

There are no other special reserves which exceed the lesser of £10m and 0.1% of total mathematical reserves.

## 9. Reinsurance

- (1) No premiums for reinsurance ceded on a facultative basis were paid during 2009 to reinsurers who are not authorised to carry on insurance business in the United Kingdom.
- (2) (a), (b) & (c) The reinsurance treaties meeting the stated conditions are described in the table below, except as detailed here.
  - (d) The name of the reinsurer is quoted in the table.
  - (e) The nature and extent of cover is quoted in the table.
  - (f) The premiums paid in 2009 are quoted in the table.
  - (g) There were no deposit back arrangements.
  - (h) Availability to new business is quoted in the table.
  - (i) £1,610m 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 BlackRock 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 £15.5m 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 reassured 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.

<b>9. Reassurance Treaty Information (Sections a,b,c,g,i,l,n,o and p covered above)</b>					
<b>(d) Reinsurer</b>	<b>(e) Nature and Extent of Cover Under the Treaty</b>	<b>(f) Premiums Payable £m</b>	<b>(h) New Business</b>	<b>(j) Mathematical Reserves £m</b>	<b>(k) Connected Company</b>
Managed Pension Funds Limited.	100% of Investment benefits under Managed Pension Funds Unit Linked funds	6	Open	29	Not Connected
Baillie Gifford & Co Ltd	100% of Investment benefits under Baillie Gifford Unit Linked funds	9	Open	43	Not Connected
Threadneedle Pensions Limited	100% of Investment benefits under Threadneedle Unit Linked funds	2	Open	8	Not Connected
J P Morgan Funds Limited	100% of Investment benefits under J P Morgan Unit Linked funds	3	Open	14	Not Connected
BlackRock Global Investors Limited	100% of Investment benefits under BlackRock Global Investors Unit Linked funds	551	Open	2,626	Not connected
Windsor Life Assurance Company Limited	The majority of in-payment annuities written or ceded prior to 31 December 2006	125	Closed	1,710	Not Connected
Friends Provident Life and Pensions Ltd	Non Linked Immediate and Deferred Annuity Business (LMP annuities Pre July 2001)	0	Closed	74	Parent Company
Friends Provident Life and Pensions Ltd	All investment benefits under Unitised With Profit funds	10	Open	130	Parent Company
Friends Provident Life Assurance Ltd	All liabilities for benefits relating to the value of Property Fund units.	1	Open	386	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.	0	Closed	444	

## 10. Reversionary Bonus

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

**Directors' certificate required by rule 9.34 of the Accounts and Statements Rules  
Friends Provident Pensions Limited  
Financial year ended 31 December 2009  
Global Business**

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waivers dated 10 June 2009 and 13 August 2009 issued under section 148 of the Financial Services and Markets Act 2000; 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 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

D. MONGER  
Secretary

E.B. BOURKE  
Director

23 March 2010

**Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**  
**Friends Provident Pensions Limited**  
**Global business**  
**Financial year ended 31 December 2009**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000

- Forms 2, 3, 11 to 17, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the report required by IPRU(INS) rule 9.31(a) ("the valuation report").

We are not required to examine and do not express an opinion on the following:

- Forms 46, 47, 50 to 55 and 57 (including the supplementary notes);
- the statement required by IPRU(INS) rule 9.30; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our examination, for this report, or for the opinions we have formed.

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary notes 1324 and 5702. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept adequate accounting records or if we have not received all the information we require for our examination

## **Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 23 March 2010. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

## **Opinion**

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Registered Auditor

London

23 March 2010