



Friends Provident Life Assurance Limited

Annual Return
as at
31st December 2010

Pursuant to the Interim Prudential Sourcebook

Appendices 9.1, 9.3, 9.4 and 9.6

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

Friends Provident Life Assurance Limited

Year ended 31st December 2010

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

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

| Company registration number | GL/UK/CM | day | month | year | Units | |
|-----------------------------|---------------|-----------|---|-----------|---------------------------------------|-------------|
| R2 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | As at end of this financial year | | As at end of the previous year | |
| | | | 1 | | 2 | |

Capital resources

| | | | |
|---|-----------|--------|--------|
| Capital resources arising within the long-term insurance fund | 11 | 157543 | 208823 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 147200 | 125405 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 304743 | 334228 |

Guarantee fund

| | | | |
|--|-----------|--------|--------|
| Guarantee fund requirement | 21 | 40013 | 38654 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 264730 | 295574 |

Minimum capital requirement (MCR)

| | | | |
|--|-----------|--------|--------|
| Long-term insurance capital requirement | 31 | 120040 | 115961 |
| Resilience capital requirement | 32 | 25000 | 45000 |
| Base capital resources requirement | 33 | 3040 | 3128 |
| Individual minimum capital requirement | 34 | 145040 | 160961 |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34+35) | 36 | 145040 | 160961 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 232223 | 253748 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 195963 | 213507 |

Enhanced capital requirement

| | | | |
|--|-----------|--------|--------|
| With-profits insurance capital component | 39 | | |
| Enhanced capital requirement | 40 | 145040 | 160961 |

Capital resources requirement (CRR)

| | | | |
|--|-----------|--------|--------|
| Capital resources requirement (greater of 36 and 40) | 41 | 145040 | 160961 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 159703 | 173267 |

Contingent liabilities

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

Covering Sheet to Form 2

Name of insurer **Friends Provident Life Assurance Limited**
Global business
Financial year ended **31 December 2010**

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

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

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

22nd March 2011

Components of capital resources

Name of insurer

Friends Provident Life Assurance Limited

Global business

Financial year ended

31 December 2010

| | Company registration number | GL/ UK/ CM | day month year | | | Units | |
|--|-----------------------------------|----------------------------------|------------------------------------|---|-----------|---|-------------|
| | R3 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | | 4 | |

Core tier one capital

| | | | | | |
|---|-----------|--|--------|--------|---------|
| Permanent share capital | 11 | | 50000 | 50000 | 444000 |
| Profit and loss account and other reserves | 12 | | 292380 | 292380 | (28429) |
| Share premium account | 13 | | | | 12 |
| Positive valuation differences | 14 | | 101404 | 101404 | 17757 |
| Fund for future appropriations | 15 | | 73803 | 73803 | 75047 |
| Core tier one capital in related undertakings | 16 | | | | |
| Core tier one capital (sum of 11 to 16) | 19 | | 517587 | 517587 | 508387 |

Tier one waivers

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

Other tier one capital

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

| | | | | | |
|---|-----------|--|--------|--------|--------|
| Total tier one capital before deductions (19+24+25+26+27+28) | 31 | | 517587 | 517587 | 508387 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | | | |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | | | |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | | | |
| Total tier one capital after deductions (31-37) | 39 | | 517587 | 517587 | 508387 |

Components of capital resources

Name of insurer

Friends Provident Life Assurance Limited

Global business

Financial year ended

31 December 2010

| | Company registration number | GL/ UK/ CM | day month year | | | Units | |
|--|-----------------------------------|----------------------------------|------------------------------------|---|-----------|---|-------------|
| | R3 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | | 4 | |

Tier two capital

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

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

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

Components of capital resources

Name of insurer

Friends Provident Life Assurance Limited

Global business

Financial year ended

31 December 2010

| | Company registration number | GL/ UK/ CM | day | month | year | Units | |
|--|-----------------------------------|----------------------------------|------------------------------------|---|-----------|---|-------------|
| | R3 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | | 4 | |

Total capital resources

| | | | | | |
|---|-----------|--|--------|--------|--------|
| Positive adjustments for regulated non-insurance related undertakings | 71 | | | | |
| Total capital resources before deductions (39+69+71) | 72 | | 517587 | 517587 | 508387 |
| Inadmissible assets other than intangibles and own shares | 73 | | 212844 | 212844 | 174159 |
| Assets in excess of market risk and counterparty limits | 74 | | | | |
| Deductions for related ancillary services undertakings | 75 | | | | |
| Deductions for regulated non-insurance related undertakings | 76 | | | | |
| Deductions of ineligible surplus capital | 77 | | | | |
| Total capital resources after deductions (72-73-74-75-76-77) | 79 | | 304743 | 304743 | 334228 |

Available capital resources for GENPRU/INSRU tests

| | | | | | |
|--|-----------|--|--------|--------|--------|
| Available capital resources for guarantee fund requirement | 81 | | 304743 | 304743 | 334228 |
| Available capital resources for 50% MCR requirement | 82 | | 304743 | 304743 | 334228 |
| Available capital resources for 75% MCR requirement | 83 | | 304743 | 304743 | 334228 |

Financial engineering adjustments

| | | | | | |
|---|-----------|--|---------|---------|--|
| Implicit items | 91 | | | | |
| Financial reinsurance - ceded | 92 | | | | |
| Financial reinsurance - accepted | 93 | | 28883 | 28883 | |
| Outstanding contingent loans | 94 | | | | |
| Any other charges on future profits | 95 | | | | |
| Sum of financial engineering adjustments (91+92-93+94+95) | 96 | | (28883) | (28883) | |

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

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

| | Company registration number | GL/UK/CM | day | month | year | Units | |
|---|--|----------|-----|-------|------|--------------------------|--------------------|
| | R11 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | This financial year 1 | Previous year 2 |
| Gross premiums written | | | 11 | | | 47320 | 45808 |
| Premiums taxes and levies (included in line 11) | | | 12 | | | | |
| Premiums written net of taxes and levies (11-12) | | | 13 | | | 47320 | 45808 |
| Premiums for classes 11, 12 or 13 (included in line 13) | | | 14 | | | | |
| Premiums for "actuarial health insurance" (included in line 13) | | | 15 | | | | |
| Sub-total A (13 + 1/2 14 - 2/3 15) | | | 16 | | | 47320 | 45808 |
| Gross premiums earned | | | 21 | | | 47320 | 45808 |
| Premium taxes and levies (included in line 21) | | | 22 | | | | |
| Premiums earned net of taxes and levies (21-22) | | | 23 | | | 47320 | 45808 |
| Premiums for classes 11, 12 or 13 (included in line 23) | | | 24 | | | | |
| Premiums for "actuarial health insurance" (included in line 23) | | | 25 | | | | |
| Sub-total H (23 + 1/2 24 - 2/3 25) | | | 26 | | | 47320 | 45808 |
| Sub-total I (higher of sub-total A and sub-total H) | | | 30 | | | 47320 | 45808 |
| Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure | | | 31 | | | | |
| Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate) | x 0.18 | | 32 | | | 8518 | 8246 |
| | Excess (if any) over 57.5M EURO x 0.02 | | 33 | | | | |
| Sub-total J (32-33) | | | 34 | | | 8518 | 8246 |
| Claims paid in period of 3 financial years | | | 41 | | | 96823 | 84326 |
| 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 | | | 44109 | 32586 |
| 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 | | | 18009 | 9381 |
| Sub-total C (41+42+43-44-45) | | | 46 | | | 122923 | 107531 |
| Amounts recoverable from reinsurers in respect of claims included in Sub-total C | | | 47 | | | 89925 | 72718 |
| Sub-total D (46-47) | | | 48 | | | 32997 | 34813 |
| Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00) | | | 49 | | | 0.50 | 0.50 |
| Premiums amount (Sub-total J x reinsurance ratio) | | | 50 | | | 4259 | 4123 |
| Provision for claims outstanding (before discounting and net of reinsurance) | | | 51 | | | 30973 | 23754 |
| Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero | | | 52 | | | | |
| Brought forward amount (See instruction 4) | | | 53 | | | 6355 | 6355 |
| Greater of lines 50 and 53 | | | 54 | | | 6355 | 6355 |

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

| | | Company registration number | GL/ UK/ CM | day month year | | | Units |
|---|--|-----------------------------------|------------------|--------------------------|------------|--------------------|--------|
| | | R12 | 782698 | GL | 31 12 2010 | £000 | |
| | | | | This financial year 1 | | Previous year 2 | |
| Reference period (No. of months) See INSPRU 1.1.63R | | | | 11 | 36 | | 36 |
| Claims paid in reference period | | | | 21 | 96823 | | 84326 |
| Claims outstanding carried forward at the end of the reference period | For insurance business accounted for on an underwriting year basis | | | 22 | | | |
| | For insurance business accounted for on an accident year basis | | | 23 | 44109 | | 32586 |
| Claims outstanding brought forward at the beginning of the reference period | For insurance business accounted for on an underwriting year basis | | | 24 | | | |
| | For insurance business accounted for on an accident year basis | | | 25 | 18009 | | 9381 |
| Claims incurred in reference period (21+22+23-24-25) | | | | 26 | 122923 | | 107531 |
| Claims incurred for classes 11, 12 or 13 (included in 26) | | | | 27 | | | |
| Claims incurred for "actuarial health insurance" (included in 26) | | | | 28 | | | |
| Sub-total E (26 +1/2 27 - 2/3 28) | | | | 29 | 122923 | | 107531 |
| Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period) | | | | 31 | 40974 | | 35844 |
| Division of sub-total F (gross adjusted claims amount) | x 0.26 | | | 32 | 10653 | | 9319 |
| | Excess (if any) over 40.3M EURO x 0.03 | | | 33 | 179 | | |
| Sub-total G (32-33) | | | | 39 | 10474 | | 9319 |
| Claims amount Sub-total G x reinsurance ratio (11.49) | | | | 41 | 5237 | | 4660 |
| Higher of premiums amount and brought forward amount (11.54) | | | | 42 | 6355 | | 6355 |
| General insurance capital requirement (higher of lines 41 and 42) | | | | 43 | 6355 | | 6355 |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

| | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|--------------------|-----------------------------|----------|----------------|----|----|---|---------------------------------------|
| | R13 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | | | | 11 | |

Investments in group undertakings and participating interests

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

Other financial investments

| | | | | |
|--|--------------------------------|-----------|-------|-------|
| Equity shares | 41 | | | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | 83925 | 34714 | |
| Rights under derivative contracts | 44 | | | |
| Fixed interest securities | Approved | 45 | 9613 | 9293 |
| | Other | 46 | 23699 | 24588 |
| Variable interest securities | Approved | 47 | | |
| | Other | 48 | | |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | | | |
| Other loans | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 14122 | 15872 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | 56 | | | |
| Deposits with ceding undertakings | 57 | | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

| Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|-----------------------------|----------|----------------|--------|----|----------------------------------|--------------------------------|
| | | R13 | 782698 | GL | | |
| | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | 1 | 2 |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|----|-----|-----|
| Direct insurance business | Policyholders | 71 | | |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 105 | 108 |
| | due in more than 12 months | 79 | | |

Other assets

| | | | |
|---|----|-------|-------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 20066 | 45025 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 784 | 813 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | | |

| | | | |
|---|----|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|----|--|--|

| | | | |
|---|----|--------|--------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 152314 | 130413 |
|---|----|--------|--------|

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|---------------|-----------|-----------|-----------|---|---------------------------------------|----------|
| R13 | 782698 | GL | 31 | 12 | 2010 | £000 | 1 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

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

| | | | |
|---|------------|--------|--------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 152314 | 130413 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | | |
| Other asset adjustments (may be negative) | 101 | (5114) | (687) |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 147200 | 129726 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | | |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

| | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|--------------------|-----------------------------|----------|----------------|----|----|----------------------------------|--------------------------------|
| | R13 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | 11 | | | 90 | 75 |

Investments in group undertakings and participating interests

| | | | | |
|----------------------------|-----------------|----|--|------|
| UK insurance dependants | Shares | 21 | | |
| | Debts and loans | 22 | | |
| Other insurance dependants | Shares | 23 | | |
| | Debts and loans | 24 | | |
| Non-insurance dependants | Shares | 25 | | 3736 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | | |
| Participating interests | Shares | 29 | | |
| | Debts and loans | 30 | | |

Other financial investments

| | | | | |
|--|--------------------------------|-------|---------|---------|
| Equity shares | 41 | 86597 | 90045 | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | 28707 | 42156 | |
| Rights under derivative contracts | 44 | 14 | 363 | |
| Fixed interest securities | Approved | 45 | 369949 | 439028 |
| | Other | 46 | 274257 | 251975 |
| Variable interest securities | Approved | 47 | 7828 | 11162 |
| | Other | 48 | 37917 | 39479 |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | 27 | 39 | |
| Other loans | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 67511 | 22240 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | 56 | | | |
| Deposits with ceding undertakings | 57 | | | |
| Assets held to match linked liabilities | Index linked | 58 | 5600 | 6704 |
| | Property linked | 59 | 3251591 | 3217856 |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

| | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets | |
|--|-----------------------------------|------------------|----------------|-----------|-----------|-------------|---|---|
| | R13 | 782698 | GL | 31 | 12 | 2010 | £000 | 10 |
| | | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | | 1 | 2 |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|-----------|------|-------|
| Direct insurance business | Policyholders | 71 | 1169 | 2276 |
| | Intermediaries | 72 | 4167 | 5027 |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | 1 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 3519 | 18103 |
| | due in more than 12 months | 79 | 6713 | |

Other assets

| | | | |
|---|-----------|-------|-------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 42403 | 4918 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 9974 | 11168 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | | |

| | | | |
|---|-----------|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|-----------|--|--|

| | | | |
|---|-----------|---------|---------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 4198033 | 4166351 |
|---|-----------|---------|---------|

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|---------------|-----------|-----------|-----------|---|---------------------------------------|-----------|
| R13 | 782698 | GL | 31 | 12 | 2010 | £000 | 10 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

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

| | | | |
|---|------------|---------|---------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 4198033 | 4166351 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 17661 | 68 |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | 195183 | 174091 |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 1795802 | 1743822 |
| Other asset adjustments (may be negative) | 101 | (3215) | 48159 |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 6203464 | 6132492 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | | |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Other Business Fund**

| | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|--|--------------------------------|----------|----------------|----|----|----------------------------------|--------------------------------|
| | R13 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | | 11 | | | |
| Investments in group undertakings and participating interests | | | | | | | |
| UK insurance dependants | Shares | | | 21 | | | |
| | Debts and loans | | | 22 | | | |
| Other insurance dependants | Shares | | | 23 | | | |
| | Debts and loans | | | 24 | | | |
| Non-insurance dependants | Shares | | | 25 | | | |
| | Debts and loans | | | 26 | | | |
| Other group undertakings | Shares | | | 27 | | | |
| | Debts and loans | | | 28 | | | |
| Participating interests | Shares | | | 29 | | | |
| | Debts and loans | | | 30 | | | |
| Other financial investments | | | | | | | |
| Equity shares | | | | 41 | | | |
| Other shares and other variable yield participations | | | | 42 | | | |
| Holdings in collective investment schemes | | | | 43 | | 1055 | 6307 |
| Rights under derivative contracts | | | | 44 | | | |
| Fixed interest securities | Approved | | | 45 | | 248635 | 293752 |
| | Other | | | 46 | | 271235 | 248372 |
| Variable interest securities | Approved | | | 47 | | 6089 | 3812 |
| | Other | | | 48 | | 37917 | 39479 |
| Participation in investment pools | | | | 49 | | | |
| Loans secured by mortgages | | | | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | | | | 51 | | | |
| Loans secured by policies of insurance issued by the company | | | | 52 | | 27 | 39 |
| Other loans | | | | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | | | 54 | | | 1800 |
| | More than one month withdrawal | | | 55 | | | |
| Other financial investments | | | | 56 | | | |
| Deposits with ceding undertakings | | | | 57 | | | |
| Assets held to match linked liabilities | Index linked | | | 58 | | 5600 | 6704 |
| | Property linked | | | 59 | | 3251591 | 3217856 |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Other Business Fund**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets |
|-----------------------------|---------------|-----------|-----------|-----------|---|---------------------------------------|
| R13 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | 1 | 2 |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|-----------|-------|-------|
| Direct insurance business | Policyholders | 71 | 1153 | 2257 |
| | Intermediaries | 72 | 4167 | 5027 |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | 1 |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 3525 | 17842 |
| | due in more than 12 months | 79 | 11785 | 1549 |

Other assets

| | | | |
|---|-----------|-------|------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 42141 | 4757 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 8487 | 9453 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | | |

| | | | |
|---|-----------|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|-----------|--|--|

| | | | |
|---|-----------|---------|---------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 3893407 | 3859007 |
|---|-----------|---------|---------|

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Other Business Fund**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13 | 782698 | GL | 31 | 12 | 2010 | £000 | 11 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

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

| | | | |
|---|-----|---------|---------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 3893407 | 3859007 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 17593 | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | 195183 | 174091 |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 1794789 | 1742688 |
| Other asset adjustments (may be negative) | 101 | (3215) | 46736 |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 5897757 | 5822522 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | | |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Closed Fund**

| | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets |
|--------------------|-----------------------------|----------|----------------|----|----|----------------------------------|--------------------------------|
| | R13 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |
| Land and buildings | | | 11 | | | 90 | 75 |

Investments in group undertakings and participating interests

| | | | | |
|----------------------------|-----------------|----|--|------|
| UK insurance dependants | Shares | 21 | | |
| | Debts and loans | 22 | | |
| Other insurance dependants | Shares | 23 | | |
| | Debts and loans | 24 | | |
| Non-insurance dependants | Shares | 25 | | 3736 |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | | |
| Participating interests | Shares | 29 | | |
| | Debts and loans | 30 | | |

Other financial investments

| | | | | |
|--|--------------------------------|-------|--------|--------|
| Equity shares | 41 | 86597 | 90045 | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | 27652 | 35849 | |
| Rights under derivative contracts | 44 | 14 | 363 | |
| Fixed interest securities | Approved | 45 | 121314 | 145276 |
| | Other | 46 | 3022 | 3603 |
| Variable interest securities | Approved | 47 | 1739 | 7350 |
| | Other | 48 | | |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | | | |
| Other loans | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 67511 | 20440 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | 56 | | | |
| Deposits with ceding undertakings | 57 | | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Closed Fund**

| | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets |
|--|-----------------------------------|------------------|----------------|-----------|-----------|---|---|
| | R13 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |

Reinsurers' share of technical provisions

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

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|-----------|-----|-----|
| Direct insurance business | Policyholders | 71 | 16 | 19 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 204 | 261 |
| | due in more than 12 months | 79 | | |

Other assets

| | | | |
|---|-----------|------|------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 262 | 161 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 1487 | 1715 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | | |

| | | | |
|---|-----------|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|-----------|--|--|

| | | | |
|---|-----------|--------|--------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 309908 | 308893 |
|---|-----------|--------|--------|

Analysis of admissible assetsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Closed Fund**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13 | 782698 | GL | 31 | 12 | 2010 | £000 | 12 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

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

| | | | |
|---|-----|--------|--------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 309908 | 308893 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 68 | 68 |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 1013 | 1134 |
| Other asset adjustments (may be negative) | 101 | (5072) | (126) |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 305917 | 309969 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | | |

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Summary**Units **£000**

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

| | | | | |
|--|---------------------------|-----------|---------|-------|
| Mathematical reserves, after distribution of surplus | 11 | 4004563 | 3932212 | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | | |
| Balance of surplus/(valuation deficit) | 13 | 83757 | 133787 | |
| Long term insurance business fund carried forward (11 to 13) | 14 | 4088320 | 4065999 | |
| Claims outstanding | Gross | 15 | 11699 | 21768 |
| | Reinsurers' share | 16 | 12151 | 17467 |
| | Net (15-16) | 17 | (452) | 4301 |
| Provisions | Taxation | 21 | 3202 | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | 23 | | | |
| Creditors | Direct insurance business | 31 | 12128 | 3158 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 6036 | 5548 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | 36 | | | |
| Creditors | Taxation | 37 | | 2051 |
| | Other | 38 | 15013 | 10259 |
| Accruals and deferred income | 39 | | | |
| Provision for "reasonably foreseeable adverse variations" | 41 | | | |
| Total other insurance and non-insurance liabilities (17 to 41) | 49 | 35927 | 25317 | |
| Excess of the value of net admissible assets | 51 | 73786 | 75036 | |
| Total liabilities and margins | 59 | 4198033 | 4166352 | |

| | | | |
|--|-----------|---------|---------|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 26 | 136 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 3251591 | 3217856 |

| | | | |
|---|-----------|---------|---------|
| Total liabilities (11+12+49) | 71 | 4040490 | 3957529 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 1795802 | 1743822 |
| Other adjustments to liabilities (may be negative) | 74 | 98188 | 65915 |
| Capital and reserves and fund for future appropriations | 75 | 268984 | 365226 |
| 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) | 76 | 6203464 | 6132492 |

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Other Business Fund**Units **£000**

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

| | | | | |
|--|---------------------------|-----------|---------|-------|
| Mathematical reserves, after distribution of surplus | 11 | 3775777 | 3704261 | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | | |
| Balance of surplus/(valuation deficit) | 13 | 83858 | 133900 | |
| Long term insurance business fund carried forward (11 to 13) | 14 | 3859635 | 3838161 | |
| Claims outstanding | Gross | 15 | 11200 | 20707 |
| | Reinsurers' share | 16 | 12151 | 17467 |
| | Net (15-16) | 17 | (951) | 3240 |
| Provisions | Taxation | 21 | 3202 | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | 23 | | | |
| Creditors | Direct insurance business | 31 | 12119 | 3148 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 6036 | 5548 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | 36 | | | |
| Creditors | Taxation | 37 | | |
| | Other | 38 | 13365 | 8910 |
| Accruals and deferred income | 39 | | | |
| Provision for "reasonably foreseeable adverse variations" | 41 | | | |
| Total other insurance and non-insurance liabilities (17 to 41) | 49 | 33771 | 20846 | |
| Excess of the value of net admissible assets | 51 | | | |
| Total liabilities and margins | 59 | 3893406 | 3859007 | |

| | | | |
|--|-----------|---------|---------|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 26 | 136 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 3251591 | 3217856 |

| | | | |
|---|-----------|---------|---------|
| Total liabilities (11+12+49) | 71 | 3809548 | 3725107 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 1794789 | 1742688 |
| Other adjustments to liabilities (may be negative) | 74 | 98239 | 64549 |
| Capital and reserves and fund for future appropriations | 75 | 195180 | 290179 |
| 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) | 76 | 5897756 | 5822523 |

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Closed Fund**Units **£000**

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

| | | | | |
|--|---------------------------|-----------|--------|------|
| Mathematical reserves, after distribution of surplus | 11 | 228786 | 227951 | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | | |
| Balance of surplus/(valuation deficit) | 13 | (101) | (113) | |
| Long term insurance business fund carried forward (11 to 13) | 14 | 228685 | 227838 | |
| Claims outstanding | Gross | 15 | 499 | 1061 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 499 | 1061 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | 23 | | | |
| Creditors | Direct insurance business | 31 | 9 | 10 |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | 36 | | | |
| Creditors | Taxation | 37 | 5072 | 3600 |
| | Other | 38 | 1857 | 1349 |
| Accruals and deferred income | 39 | | | |
| Provision for "reasonably foreseeable adverse variations" | 41 | | | |
| Total other insurance and non-insurance liabilities (17 to 41) | 49 | 7437 | 6020 | |
| Excess of the value of net admissible assets | 51 | 73786 | 75036 | |
| Total liabilities and margins | 59 | 309908 | 308894 | |

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

| | | | |
|---|-----------|--------|--------|
| Total liabilities (11+12+49) | 71 | 236223 | 233971 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 1013 | 1134 |
| Other adjustments to liabilities (may be negative) | 74 | (5123) | (183) |
| Capital and reserves and fund for future appropriations | 75 | 73804 | 75047 |
| 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) | 76 | 305917 | 309969 |

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

Global business

Financial year ended **31 December 2010**

| | Company registration number | GL/ UK/ CM | day | month | year | Units | |
|--|-----------------------------------|------------------|-----------|-----------|-----------|---|---|
| | R15 | 782698 | GL | 31 | 12 | 2010 | £000 |
| | | | | | | As at end of this financial year 1 | As at end of the previous year 2 |

Technical provisions (gross amount)

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

Provisions and creditors

| | | | | | | |
|---|---------------------------|-----------|--|--|------|------|
| Provisions | Taxation | 21 | | | | |
| | Other risks and charges | 22 | | | | |
| Deposits received from reinsurers | | 31 | | | | |
| Creditors | Direct insurance business | 41 | | | | |
| | Reinsurance accepted | 42 | | | | |
| | Reinsurance ceded | 43 | | | | |
| Debenture loans | Secured | 44 | | | | |
| | Unsecured | 45 | | | | |
| Amounts owed to credit institutions | | 46 | | | | |
| Creditors | Taxation | 47 | | | 5114 | 4429 |
| | Foreseeable dividend | 48 | | | | |
| | Other | 49 | | | | 579 |
| Accruals and deferred income | | 51 | | | | |
| Total (19 to 51) | | 59 | | | 5114 | 5008 |
| Provision for "reasonably foreseeable adverse variations" | | 61 | | | | |
| Cumulative preference share capital | | 62 | | | | |
| Subordinated loan capital | | 63 | | | | |
| Total (59 to 63) | | 69 | | | 5114 | 5008 |

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

| | | | | | | |
|--|--|-----------|--|--|--------|--------|
| Amounts deducted from technical provisions for discounting | | 82 | | | | |
| Other adjustments (may be negative) | | 83 | | | (5114) | (687) |
| Capital and reserves | | 84 | | | 147200 | 125405 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84) | | 85 | | | 147200 | 129726 |

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

Global business

Financial year ended **31 December 2010**

| | | Company registration number | GL/ UK/ CM | day | month | year | Units | |
|---|---|-----------------------------------|------------------|----------------------------|-----------|----------------------|-------------|-------------|
| | | R16 | 782698 | GL | 31 | 12 | 2010 | £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 | | | 70000 | 80000 | |
| Investment income | Income | | 14 | | | 2038 | 1666 | |
| | Value re-adjustments on investments | | 15 | | | 1066 | 698 | |
| | Gains on the realisation of investments | | 16 | | | | 52 | |
| Investment charges | Investment management charges, including interest | | 17 | | | 146 | 118 | |
| | Value re-adjustments on investments | | 18 | | | | | |
| | Loss on the realisation of investments | | 19 | | | 239 | | |
| 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 | | | 72719 | 82298 | |
| Tax on profit or loss on ordinary activities | | | 31 | | | 685 | 644 | |
| Profit or loss on ordinary activities after tax (29-31) | | | 39 | | | 72034 | 81654 | |
| 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 | | | 72034 | 81654 | |
| Dividends (paid or foreseeable) | | | 51 | | | 50000 | | |
| Profit or loss retained for the financial year (49-51) | | | 59 | | | 22034 | 81654 | |

Analysis of derivative contractsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

| | | Company registration number | GL/ UK/ CM | day | month | year | Units | Category of assets | |
|--|---------------------------|---|-------------------------|---------------------------|--------------------------|---|-------------|--------------------------|-----------|
| | | R17 | 782698 | GL | 31 | 12 | 2010 | £000 | 10 |
| Derivative contracts | | Value as at the end of this financial year | | | | Notional amount as at the end of this financial year | | | |
| | | Assets 1 | Liabilities 2 | Bought / Long 3 | Sold / Short 4 | | | | |
| Futures and contracts for differences | Fixed-interest securities | 11 | | | | | | | |
| | Interest rates | 12 | | | | | | | |
| | Inflation | 13 | | | | | | | |
| | Credit index / basket | 14 | | | | | | | |
| | Credit single name | 15 | | | | | | | |
| | Equity index | 16 | 99 | | 46 | | 10931 | | |
| | Equity stock | 17 | | | | | | | |
| | Land | 18 | | | | | | | |
| | Currencies | 19 | | | 1 | | 441 | 442 | |
| | Mortality | 20 | | | | | | | |
| | Other | 21 | | | | | | | |
| In the money options | Swaptions | 31 | | | | | | | |
| | Equity index calls | 32 | | | | | | | |
| | Equity stock calls | 33 | | | | | | | |
| | Equity index puts | 34 | | | | | | | |
| | Equity stock puts | 35 | | | | | | | |
| | Other | 36 | | | | | | | |
| Out of the money options | Swaptions | 41 | | | | | | | |
| | Equity index calls | 42 | | | | | | | |
| | Equity stock calls | 43 | | | | | | | |
| | Equity index puts | 44 | | | | | | | |
| | Equity stock puts | 45 | | | | | | | |
| | Other | 46 | | | | | | | |
| Total (11 to 46) | | 51 | 99 | | 47 | | 11372 | 442 | |
| Adjustment for variation margin | | 52 | (85) | | | | | | |
| Total (51 + 52) | | 53 | 14 | | 47 | | | | |

Analysis of derivative contractsName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long-term Business - Closed Fund**

| | | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets | |
|--|---------------------------|---|-------------------------|---------------------------|---|-----------|-------------|--------------------------|-----------|
| | | R17 | 782698 | GL | 31 | 12 | 2010 | £000 | 12 |
| Derivative contracts | | Value as at the end of this financial year | | | Notional amount as at the end of this financial year | | | | |
| | | Assets 1 | Liabilities 2 | Bought / Long 3 | Sold / Short 4 | | | | |
| Futures and contracts for differences | Fixed-interest securities | 11 | | | | | | | |
| | Interest rates | 12 | | | | | | | |
| | Inflation | 13 | | | | | | | |
| | Credit index / basket | 14 | | | | | | | |
| | Credit single name | 15 | | | | | | | |
| | Equity index | 16 | 99 | 46 | 10931 | | | | |
| | Equity stock | 17 | | | | | | | |
| | Land | 18 | | | | | | | |
| | Currencies | 19 | | 1 | 441 | 442 | | | |
| | Mortality | 20 | | | | | | | |
| | Other | 21 | | | | | | | |
| In the money options | Swaptions | 31 | | | | | | | |
| | Equity index calls | 32 | | | | | | | |
| | Equity stock calls | 33 | | | | | | | |
| | Equity index puts | 34 | | | | | | | |
| | Equity stock puts | 35 | | | | | | | |
| | Other | 36 | | | | | | | |
| Out of the money options | Swaptions | 41 | | | | | | | |
| | Equity index calls | 42 | | | | | | | |
| | Equity stock calls | 43 | | | | | | | |
| | Equity index puts | 44 | | | | | | | |
| | Equity stock puts | 45 | | | | | | | |
| | Other | 46 | | | | | | | |
| Total (11 to 46) | | 51 | 99 | 47 | 11372 | 442 | | | |
| Adjustment for variation margin | | 52 | (85) | | | | | | |
| Total (51 + 52) | | 53 | 14 | 47 | | | | | |

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

| | | | |
|--|-----------|---------------|----------------|
| Earned premiums | 11 | 206450 | 2043176 |
| Investment income receivable before deduction of tax | 12 | 109010 | 116251 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 42130 | 7773 |
| Increase (decrease) in the value of linked assets | 14 | 133895 | 174351 |
| Other income | 15 | 147905 | 114308 |
| Total income | 19 | 639390 | 2455859 |

Expenditure

| | | | |
|--|-----------|---------------|---------------|
| Claims incurred | 21 | 443635 | 508933 |
| Expenses payable | 22 | 102254 | 90294 |
| Interest payable before the deduction of tax | 23 | 483 | 499 |
| Taxation | 24 | (2645) | (2734) |
| Other expenditure | 25 | 3342 | 5325 |
| Transfer to (from) non technical account | 26 | 70000 | 80000 |
| Total expenditure | 29 | 617069 | 682317 |

| | | | |
|---|----|---------|---------|
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | 22321 | 1773542 |
| Fund brought forward | 49 | 4065999 | 2292457 |
| Fund carried forward (39+49) | 59 | 4088320 | 4065999 |

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

| | | | |
|--|-----------|---------------|----------------|
| Earned premiums | 11 | 201938 | 2039157 |
| Investment income receivable before deduction of tax | 12 | 97529 | 103000 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 26031 | (4073) |
| Increase (decrease) in the value of linked assets | 14 | 133895 | 174351 |
| Other income | 15 | 147760 | 114180 |
| Total income | 19 | 607153 | 2426615 |

Expenditure

| | | | |
|--|-----------|---------------|---------------|
| Claims incurred | 21 | 414383 | 479758 |
| Expenses payable | 22 | 101454 | 89412 |
| Interest payable before the deduction of tax | 23 | 465 | 478 |
| Taxation | 24 | (3965) | (7) |
| Other expenditure | 25 | 3342 | 5325 |
| Transfer to (from) non technical account | 26 | 70000 | 80000 |
| Total expenditure | 29 | 585679 | 654966 |

| | | | |
|---|----|---------|---------|
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | 21474 | 1771649 |
| Fund brought forward | 49 | 3838161 | 2066512 |
| Fund carried forward (39+49) | 59 | 3859635 | 3838161 |

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

| | | | |
|--|-----------|--------------|--------------|
| Earned premiums | 11 | 4512 | 4019 |
| Investment income receivable before deduction of tax | 12 | 11481 | 13251 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 16099 | 11846 |
| Increase (decrease) in the value of linked assets | 14 | | |
| Other income | 15 | 145 | 128 |
| Total income | 19 | 32237 | 29244 |

Expenditure

| | | | |
|--|-----------|--------------|--------------|
| Claims incurred | 21 | 29252 | 29175 |
| Expenses payable | 22 | 800 | 882 |
| Interest payable before the deduction of tax | 23 | 18 | 21 |
| Taxation | 24 | 1320 | (2727) |
| Other expenditure | 25 | | |
| Transfer to (from) non technical account | 26 | | |
| Total expenditure | 29 | 31390 | 27351 |

| | | | |
|---|----|--------|--------|
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | 847 | 1893 |
| Fund brought forward | 49 | 227838 | 225945 |
| Fund carried forward (39+49) | 59 | 228685 | 227838 |

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

| | | | | | | |
|------------------|----|--------|-------|-------|--------|---------|
| Regular premiums | 11 | 257003 | 6596 | 67940 | 331539 | 315475 |
| Single premiums | 12 | 132781 | 11471 | 16768 | 161020 | 2008362 |

Reinsurance - external

| | | | | | | |
|------------------|----|-------|----|-----|-------|-------|
| Regular premiums | 13 | 69159 | 32 | 380 | 69571 | 62402 |
| Single premiums | 14 | 8 | | | 8 | |

Reinsurance - intra-group

| | | | | | | |
|------------------|----|--------|-----|-------|--------|--------|
| Regular premiums | 15 | 100959 | 384 | 39712 | 141055 | 131386 |
| Single premiums | 16 | 66057 | 392 | 9026 | 75475 | 86873 |

Net of reinsurance

| | | | | | | |
|------------------|----|-------|-------|-------|--------|---------|
| Regular premiums | 17 | 86885 | 6180 | 27848 | 120913 | 121687 |
| Single premiums | 18 | 66716 | 11079 | 7742 | 85537 | 1921489 |

Total

| | | | | | | |
|-------------|----|--------|-------|-------|--------|---------|
| Gross | 19 | 389784 | 18067 | 84708 | 492559 | 2323837 |
| Reinsurance | 20 | 236183 | 808 | 49118 | 286109 | 280661 |
| Net | 21 | 153601 | 17259 | 35590 | 206450 | 2043176 |

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

| | | | | | | |
|------------------|----|--------|------|-------|--------|---------|
| Regular premiums | 11 | 255369 | 6370 | 67940 | 329679 | 313337 |
| Single premiums | 12 | 132781 | 8815 | 16768 | 158364 | 2006476 |

Reinsurance - external

| | | | | | | |
|------------------|----|-------|----|-----|-------|-------|
| Regular premiums | 13 | 69155 | 32 | 380 | 69567 | 62397 |
| Single premiums | 14 | 8 | | | 8 | |

Reinsurance - intra-group

| | | | | | | |
|------------------|----|--------|-----|-------|--------|--------|
| Regular premiums | 15 | 100959 | 384 | 39712 | 141055 | 131386 |
| Single premiums | 16 | 66057 | 392 | 9026 | 75475 | 86873 |

Net of reinsurance

| | | | | | | |
|------------------|----|-------|------|-------|--------|---------|
| Regular premiums | 17 | 85255 | 5954 | 27848 | 119057 | 119554 |
| Single premiums | 18 | 66716 | 8423 | 7742 | 82881 | 1919603 |

Total

| | | | | | | |
|-------------|----|--------|-------|-------|--------|---------|
| Gross | 19 | 388150 | 15185 | 84708 | 488043 | 2319813 |
| Reinsurance | 20 | 236179 | 808 | 49118 | 286105 | 280656 |
| Net | 21 | 151971 | 14377 | 35590 | 201938 | 2039157 |

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

| | | | | | | |
|------------------|----|------|------|--|------|------|
| Regular premiums | 11 | 1634 | 226 | | 1860 | 2138 |
| Single premiums | 12 | | 2656 | | 2656 | 1886 |

Reinsurance - external

| | | | | | | |
|------------------|----|---|--|--|---|---|
| Regular premiums | 13 | 4 | | | 4 | 5 |
| Single premiums | 14 | | | | | |

Reinsurance - intra-group

| | | | | | | |
|------------------|----|--|--|--|--|--|
| Regular premiums | 15 | | | | | |
| Single premiums | 16 | | | | | |

Net of reinsurance

| | | | | | | |
|------------------|----|------|------|--|------|------|
| Regular premiums | 17 | 1630 | 226 | | 1856 | 2133 |
| Single premiums | 18 | | 2656 | | 2656 | 1886 |

Total

| | | | | | | |
|-------------|----|------|------|--|------|------|
| Gross | 19 | 1634 | 2882 | | 4516 | 4024 |
| Reinsurance | 20 | 4 | | | 4 | 5 |
| Net | 21 | 1630 | 2882 | | 4512 | 4019 |

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 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 | 96265 | 2771 | 3297 | 102333 | 109161 |
| Disability periodic payments | 12 | 3509 | | | 3509 | 3227 |
| Surrender or partial surrender | 13 | 483540 | 86493 | 4764 | 574797 | 610082 |
| Annuity payments | 14 | 75 | 38709 | | 38784 | 38545 |
| Lump sums on maturity | 15 | 54267 | 992 | (8) | 55251 | 51768 |
| Total | 16 | 637656 | 128965 | 8053 | 774674 | 812783 |

Reinsurance - external

| | | | | | | |
|--------------------------------|-----------|--------------|--|------------|--------------|--------------|
| Death or disability lump sums | 21 | 41989 | | 217 | 42206 | 48346 |
| Disability periodic payments | 22 | 545 | | | 545 | 566 |
| Surrender or partial surrender | 23 | 107 | | | 107 | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | 6 |
| Total | 26 | 42641 | | 217 | 42858 | 48918 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------------|-----------|---------------|------------|-------------|---------------|---------------|
| Death or disability lump sums | 31 | 29329 | 94 | 214 | 29637 | 29011 |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | 253473 | 745 | 4321 | 258539 | 225865 |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | 5 | | | 5 | 56 |
| Total | 36 | 282807 | 839 | 4535 | 288181 | 254932 |

Net of reinsurance

| | | | | | | |
|--------------------------------|-----------|---------------|---------------|-------------|---------------|---------------|
| Death or disability lump sums | 41 | 24947 | 2677 | 2866 | 30490 | 31804 |
| Disability periodic payments | 42 | 2964 | | | 2964 | 2661 |
| Surrender or partial surrender | 43 | 229960 | 85748 | 443 | 316151 | 384217 |
| Annuity payments | 44 | 75 | 38709 | | 38784 | 38545 |
| Lump sums on maturity | 45 | 54262 | 992 | (8) | 55246 | 51706 |
| Total | 46 | 312208 | 128126 | 3301 | 443635 | 508933 |

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 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 | 2444 | 94 | | 2538 | 1345 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | 3757 | 3953 | | 7710 | 6998 |
| Annuity payments | 14 | 50 | 3247 | | 3297 | 3116 |
| Lump sums on maturity | 15 | 15765 | 265 | | 16030 | 17761 |
| Total | 16 | 22016 | 7559 | | 29575 | 29220 |

Reinsurance - external

| | | | | | | |
|--------------------------------|-----------|------------|--|--|------------|-----------|
| Death or disability lump sums | 21 | 223 | | | 223 | 39 |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | 100 | | | 100 | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | 6 |
| Total | 26 | 323 | | | 323 | 45 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------------|-----------|--|--|--|--|--|
| Death or disability lump sums | 31 | | | | | |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | | | | | |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | | | | | |
| Total | 36 | | | | | |

Net of reinsurance

| | | | | | | |
|--------------------------------|-----------|--------------|-------------|--|--------------|--------------|
| Death or disability lump sums | 41 | 2221 | 94 | | 2315 | 1306 |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | 3657 | 3953 | | 7610 | 6998 |
| Annuity payments | 44 | 50 | 3247 | | 3297 | 3116 |
| Lump sums on maturity | 45 | 15765 | 265 | | 16030 | 17755 |
| Total | 46 | 21693 | 7559 | | 29252 | 29175 |

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 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 | 93821 | 2677 | 3297 | 99795 | 107816 |
| Disability periodic payments | 12 | 3509 | | | 3509 | 3227 |
| Surrender or partial surrender | 13 | 479783 | 82540 | 4764 | 567087 | 603084 |
| Annuity payments | 14 | 25 | 35462 | | 35487 | 35429 |
| Lump sums on maturity | 15 | 38502 | 727 | (8) | 39221 | 34007 |
| Total | 16 | 615640 | 121406 | 8053 | 745099 | 783563 |

Reinsurance - external

| | | | | | | |
|--------------------------------|-----------|--------------|--|------------|--------------|--------------|
| Death or disability lump sums | 21 | 41766 | | 217 | 41983 | 48307 |
| Disability periodic payments | 22 | 545 | | | 545 | 566 |
| Surrender or partial surrender | 23 | 7 | | | 7 | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | |
| Total | 26 | 42318 | | 217 | 42535 | 48873 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------------|-----------|---------------|------------|-------------|---------------|---------------|
| Death or disability lump sums | 31 | 29329 | 94 | 214 | 29637 | 29011 |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | 253473 | 745 | 4321 | 258539 | 225865 |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | 5 | | | 5 | 56 |
| Total | 36 | 282807 | 839 | 4535 | 288181 | 254932 |

Net of reinsurance

| | | | | | | |
|--------------------------------|-----------|---------------|---------------|-------------|---------------|---------------|
| Death or disability lump sums | 41 | 22726 | 2583 | 2866 | 28175 | 30498 |
| Disability periodic payments | 42 | 2964 | | | 2964 | 2661 |
| Surrender or partial surrender | 43 | 226303 | 81795 | 443 | 308541 | 377219 |
| Annuity payments | 44 | 25 | 35462 | | 35487 | 35429 |
| Lump sums on maturity | 45 | 38497 | 727 | (8) | 39216 | 33951 |
| Total | 46 | 290515 | 120567 | 3301 | 414383 | 479758 |

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

| | | | | | | |
|--------------------------|-----------|---------------|-------------|--------------|---------------|---------------|
| Commission - acquisition | 11 | 56773 | 139 | 33829 | 90741 | 85139 |
| Commission - other | 12 | 5141 | 59 | 2250 | 7450 | 6850 |
| Management - acquisition | 13 | 50120 | | 10463 | 60583 | 65842 |
| Management - maintenance | 14 | 16430 | 3244 | 3934 | 23608 | 26706 |
| Management - other | 15 | 31677 | 173 | 4980 | 36830 | 8301 |
| Total | 16 | 160141 | 3615 | 55456 | 219212 | 192838 |

Reinsurance - external

| | | | | | | |
|--------------------------|-----------|-----------|----------|----------|-----------|------------|
| Commission - acquisition | 21 | | | | | |
| Commission - other | 22 | 66 | 3 | 9 | 78 | 114 |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| Total | 26 | 66 | 3 | 9 | 78 | 114 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------|-----------|---------------|--|--|---------------|---------------|
| Commission - acquisition | 31 | 45445 | | | 45445 | 44228 |
| Commission - other | 32 | | | | | |
| Management - acquisition | 33 | 40227 | | | 40227 | 41651 |
| Management - maintenance | 34 | 7874 | | | 7874 | 10879 |
| Management - other | 35 | 23334 | | | 23334 | 5672 |
| Total | 36 | 116880 | | | 116880 | 102430 |

Net of reinsurance

| | | | | | | |
|--------------------------|-----------|--------------|-------------|--------------|---------------|--------------|
| Commission - acquisition | 41 | 11328 | 139 | 33829 | 45296 | 40911 |
| Commission - other | 42 | 5075 | 56 | 2241 | 7372 | 6736 |
| Management - acquisition | 43 | 9893 | | 10463 | 20356 | 24191 |
| Management - maintenance | 44 | 8556 | 3244 | 3934 | 15734 | 15827 |
| Management - other | 45 | 8343 | 173 | 4980 | 13496 | 2629 |
| Total | 46 | 43195 | 3612 | 55447 | 102254 | 90294 |

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

| | | | | | | |
|--------------------------|-----------|---------------|-------------|--------------|---------------|---------------|
| Commission - acquisition | 11 | 56773 | 130 | 33829 | 90732 | 85131 |
| Commission - other | 12 | 5137 | 59 | 2250 | 7446 | 6845 |
| Management - acquisition | 13 | 50120 | | 10463 | 60583 | 65842 |
| Management - maintenance | 14 | 15923 | 2966 | 3934 | 22823 | 25837 |
| Management - other | 15 | 31676 | 172 | 4980 | 36828 | 8301 |
| Total | 16 | 159629 | 3327 | 55456 | 218412 | 191956 |

Reinsurance - external

| | | | | | | |
|--------------------------|-----------|-----------|----------|----------|-----------|------------|
| Commission - acquisition | 21 | | | | | |
| Commission - other | 22 | 66 | 3 | 9 | 78 | 114 |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| Total | 26 | 66 | 3 | 9 | 78 | 114 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------|-----------|---------------|--|--|---------------|---------------|
| Commission - acquisition | 31 | 45445 | | | 45445 | 44228 |
| Commission - other | 32 | | | | | |
| Management - acquisition | 33 | 40227 | | | 40227 | 41651 |
| Management - maintenance | 34 | 7874 | | | 7874 | 10879 |
| Management - other | 35 | 23334 | | | 23334 | 5672 |
| Total | 36 | 116880 | | | 116880 | 102430 |

Net of reinsurance

| | | | | | | |
|--------------------------|-----------|--------------|-------------|--------------|---------------|--------------|
| Commission - acquisition | 41 | 11328 | 130 | 33829 | 45287 | 40903 |
| Commission - other | 42 | 5071 | 56 | 2241 | 7368 | 6731 |
| Management - acquisition | 43 | 9893 | | 10463 | 20356 | 24191 |
| Management - maintenance | 44 | 8049 | 2966 | 3934 | 14949 | 14958 |
| Management - other | 45 | 8342 | 172 | 4980 | 13494 | 2629 |
| Total | 46 | 42683 | 3324 | 55447 | 101454 | 89412 |

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

| | | | | | | |
|--------------------------|-----------|------------|------------|--|------------|------------|
| Commission - acquisition | 11 | | 9 | | 9 | 8 |
| Commission - other | 12 | 4 | | | 4 | 5 |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 507 | 278 | | 785 | 869 |
| Management - other | 15 | 1 | 1 | | 2 | |
| Total | 16 | 512 | 288 | | 800 | 882 |

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

| | | | | | | |
|--------------------------|-----------|------------|------------|--|------------|------------|
| Commission - acquisition | 41 | | 9 | | 9 | 8 |
| Commission - other | 42 | 4 | | | 4 | 5 |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 507 | 278 | | 785 | 869 |
| Management - other | 45 | 1 | 1 | | 2 | |
| Total | 46 | 512 | 288 | | 800 | 882 |

Long-term insurance business : Linked funds balance sheetName of insurer **Friends Provident Life Assurance Limited**

Total business

Financial year ended **31 December 2010**Units **£000**

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

Internal linked funds (excluding cross investment)

| | | | |
|--|-----------|----------------|----------------|
| Directly held assets (excluding collective investment schemes) | 11 | 2559318 | 2521774 |
| Directly held assets in collective investment schemes of connected companies | 12 | | 65625 |
| Directly held assets in other collective investment schemes | 13 | 704721 | 641546 |
| Total assets (excluding cross investment) (11+12+13) | 14 | 3264039 | 3228945 |
| Provision for tax on unrealised capital gains | 15 | (6469) | 1521 |
| Secured and unsecured loans | 16 | | |
| Other liabilities | 17 | 18917 | 9568 |
| Total net assets (14-15-16-17) | 18 | 3251591 | 3217856 |

Directly held linked assets

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

Total

| | | | |
|---|-----------|----------------|----------------|
| Value of directly held linked assets and units held (18+21) | 31 | 3251591 | 3217856 |
| Surplus units | 32 | | |
| Deficit units | 33 | | |
| Net unit liability (31-32+33) | 34 | 3251591 | 3217856 |

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

Total business

Financial year ended **31 December 2010**Units **£000**

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

Income

| | | | |
|---|-----------|---------------|----------------|
| Value of total creation of units | 11 | 34663 | 20995 |
| Investment income attributable to the funds before deduction of tax | 12 | 68134 | 75692 |
| Increase (decrease) in the value of investments in the financial year | 13 | 133623 | 174211 |
| Other income | 14 | 102380 | 1617429 |
| Total income | 19 | 338800 | 1888327 |

Expenditure

| | | | |
|---|-----------|---------------|---------------|
| Value of total cancellation of units | 21 | 172009 | 161346 |
| Charges for management | 22 | 10282 | 9637 |
| Charges in respect of tax on investment income | 23 | 2961 | 891 |
| Taxation on realised capital gains | 24 | 10811 | 864 |
| Increase (decrease) in amount set aside for tax on capital gains not yet realised | 25 | (7990) | 1408 |
| Other expenditure | 26 | 116993 | 2133 |
| Total expenditure | 29 | 305066 | 176279 |

| | | | |
|--|----|---------|---------|
| Increase (decrease) in funds in financial year (19-29) | 39 | 33734 | 1712048 |
| Internal linked fund brought forward | 49 | 3217857 | 1505809 |
| Internal linked funds carried forward (39+49) | 59 | 3251591 | 3217857 |

Long-term insurance business : Summary of new businessName of insurer **Friends Provident Life Assurance Limited**

Total business

Financial year ended **31 December 2010**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 | 85923 | | 17907 | 103831 | 107912 |
| Single premium business | 12 | 634 | | 310 | 944 | 672 |
| Total | 13 | 86557 | | 18217 | 104774 | 108584 |

**Amount of new regular
premiums**

| | | | | | | |
|---------------------------|-----------|--------------|--|--------------|--------------|--------------|
| Direct insurance business | 21 | 35999 | | 25043 | 61043 | 61119 |
| External reinsurance | 22 | | | | | |
| Intra-group reinsurance | 23 | 19 | | | 19 | 26 |
| Total | 24 | 36018 | | 25043 | 61061 | 61145 |

**Amount of new single
premiums**

| | | | | | | |
|---------------------------|-----------|--------------|-------------|--------------|--------------|----------------|
| Direct insurance business | 25 | 38911 | 6299 | 17301 | 62510 | 43606 |
| External reinsurance | 26 | | | | | |
| Intra-group reinsurance | 27 | 50 | | | 50 | 1570066 |
| Total | 28 | 38961 | 6299 | 17301 | 62560 | 1613672 |

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Direct Insurance Business

| Product code number | Product description | Regular premium business | | Single premium business | |
|---------------------|--|--|--------------------|--|--------------------|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 325 | Level term assurance | 21055 | 7228 | | |
| 330 | Decreasing term assurance | 19784 | 5911 | | |
| 340 | Accelerated critical illness (guaranteed premiums) | 22961 | 13008 | | |
| 345 | Accelerated critical illness (reviewable premiums) | 4740 | 2587 | | |
| 350 | Stand-alone critical illness (guaranteed premiums) | 1551 | 531 | | |
| 355 | Stand-alone critical illness (reviewable premiums) | 829 | 360 | | |
| 360 | Income protection non-profit (guaranteed premiums) | 12908 | 5596 | | |
| 500 | Life UWP single premium | | | | 4 |
| 515 | Life UWP endowment regular premium – target cash | 1 | | | |
| 700 | Life property linked single premium | | | 634 | 38907 |
| 710 | Life property linked whole life regular premium | 32 | | | |
| 715 | Life property linked endowment regular premium - savings | 761 | | | |
| 720 | Life property linked endowment regular premium – target cash | 1 | | | |
| 910 | Miscellaneous index linked | 1301 | 779 | | |
| | | | | | |

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / 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 |
| 505 | Life UWP whole life regular premium | | 1 | | |
| 510 | Life UWP endowment regular premium - savings | | 2 | | |
| 700 | Life property linked single premium | | | | 50 |
| 710 | Life property linked whole life regular premium | | 9 | | |
| 715 | Life property linked endowment regular premium - savings | | 7 | | |
| | | | | | |
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| | | | | | |

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2010

Units

£000

Overseas / Direct Insurance Business

| Product code number | Product description | Regular premium business | | Single premium business | |
|---------------------|--|--|--------------------|--|--------------------|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 325 | Level term assurance | 2396 | 1040 | | |
| 350 | Stand-alone critical illness (guaranteed premiums) | 1971 | 522 | | |
| 700 | Life property linked single premium | | | 172 | 9514 |
| 715 | Life property linked endowment regular premium - savings | 13540 | 23482 | 138 | 7786 |
| | | | | | |
| | | | | | |
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| | | | | | |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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 | 278467 | 278467 | 12014 | 4.10 | |
| Other fixed interest securities | 13 | 278417 | 278417 | 16854 | 5.99 | |
| Variable interest securities | 14 | 44464 | 44464 | 2085 | 5.41 | |
| UK listed equity shares | 15 | 18611 | 19274 | 876 | 6.30 | |
| Non-UK listed equity shares | 16 | 2543 | 6287 | 201 | 0.42 | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 68352 | 63945 | 416 | 0.65 | |
| Total | 19 | 690854 | 690854 | 32446 | 4.65 | |

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

| | | | | | | |
|------------------------------------|-----------|---------------|---------------|-------------|-------------|-------------|
| Land and buildings | 21 | 90 | 2666 | 216 | 8.09 | 23.80 |
| Approved fixed interest securities | 22 | 94824 | 94824 | 4198 | 3.07 | 7.70 |
| Other fixed interest securities | 23 | 2401 | 2401 | 162 | 7.20 | 8.20 |
| Variable interest securities | 24 | 1346 | 1346 | 26 | 4.00 | 5.20 |
| UK listed equity shares | 25 | 62142 | 64051 | 2912 | 6.30 | 11.90 |
| Non-UK listed equity shares | 26 | 3302 | 21421 | 686 | 0.61 | 11.00 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 91165 | 68561 | 443 | 0.63 | 0.40 |
| Total | 29 | 255270 | 255270 | 8643 | 3.11 | 9.80 |

Overall return on with-profits assets

| | | | | | | |
|--|----|--|--|--|--|------|
| Post investment costs but pre-tax | 31 | | | | | 9.70 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 9.70 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 8.80 |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **11 Total Long-term Business - Other Business Fund**
 Financial year ended **31 December 2010**
 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 | 250579 | 250579 | 10779 | 4.21 | |
| Other fixed interest securities | 13 | 277711 | 277711 | 16806 | 5.99 | |
| Variable interest securities | 14 | 44068 | 44068 | 2079 | 5.42 | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 63858 | 63858 | 415 | 0.65 | |
| Total | 19 | 636216 | 636216 | 30079 | 4.71 | |

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

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

Overall return on with-profits assets

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

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

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **12 Total Long-term Business - Closed Fund**
 Financial year ended **31 December 2010**
 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 | 27888 | 27888 | 1235 | 3.07 | |
| Other fixed interest securities | 13 | 706 | 706 | 48 | 7.21 | |
| Variable interest securities | 14 | 396 | 396 | 6 | 4.00 | |
| UK listed equity shares | 15 | 18611 | 19274 | 876 | 6.30 | |
| Non-UK listed equity shares | 16 | 2543 | 6287 | 201 | 0.42 | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 4494 | 87 | 1 | | |
| Total | 19 | 54638 | 54638 | 2367 | 3.96 | |

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

| | | | | | | |
|------------------------------------|-----------|---------------|---------------|-------------|-------------|-------------|
| Land and buildings | 21 | 90 | 2666 | 216 | 6.21 | 23.80 |
| Approved fixed interest securities | 22 | 94824 | 94824 | 4198 | 3.07 | 7.70 |
| Other fixed interest securities | 23 | 2401 | 2401 | 162 | 7.20 | 8.20 |
| Variable interest securities | 24 | 1346 | 1346 | 26 | 4.00 | 5.20 |
| UK listed equity shares | 25 | 62142 | 64051 | 2912 | 6.30 | 11.90 |
| Non-UK listed equity shares | 26 | 3302 | 21421 | 686 | 0.61 | 11.00 |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | 91165 | 68561 | 443 | 0.63 | 0.40 |
| Total | 29 | 255270 | 255270 | 8643 | 3.09 | 9.80 |

Overall return on with-profits assets

| | | | | | | |
|--|----|--|--|--|--|------|
| Post investment costs but pre-tax | 31 | | | | | 9.70 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 9.70 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 8.80 |

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

| | | Value of assets 1 | Mean term 2 | Yield before adjustment 3 | Yield after adjustment 4 |
|---|-----------|----------------------|----------------|---------------------------------|--------------------------------|
| UK Government approved fixed interest securities | 11 | 336706 | 12.65 | 3.78 | 3.78 |

| | | | | | |
|---|-----------|-------|-------|------|------|
| Other approved fixed interest securities | 21 | 36585 | 11.98 | 4.33 | 4.19 |
|---|-----------|-------|-------|------|------|

Other fixed interest securities

| | | | | | |
|--|-----------|--------|-------|-------|------|
| AAA/Aaa | 31 | 34829 | 10.40 | 4.51 | 4.37 |
| AA/Aa | 32 | 82750 | 9.02 | 5.98 | 5.09 |
| A/A | 33 | 142231 | 9.24 | 6.00 | 5.02 |
| BBB/Baa | 34 | 17040 | 7.63 | 8.00 | 5.61 |
| BB/Ba | 35 | 1988 | 6.22 | 11.97 | 7.62 |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | 1979 | 5.28 | 10.40 | 8.05 |
| Total other fixed interest securities | 39 | 280817 | 9.17 | 6.00 | 5.04 |

| | | | | | |
|--|-----------|------|------|------|------|
| Approved variable interest securities | 41 | 7893 | 9.57 | 3.70 | 3.70 |
|--|-----------|------|------|------|------|

| | | | | | |
|---|-----------|-------|-------|------|------|
| Other variable interest securities | 51 | 37917 | 12.79 | 5.72 | 4.58 |
|---|-----------|-------|-------|------|------|

| | | | | | |
|-------------------------------|-----------|--------|-------|------|------|
| Total (11+21+39+41+51) | 61 | 699917 | 11.19 | 4.81 | 4.35 |
|-------------------------------|-----------|--------|-------|------|------|

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **11 Total Long-term Business - Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**

| | | Value of assets 1 | Mean term 2 | Yield before adjustment 3 | Yield after adjustment 4 |
|---|-----------|----------------------|----------------|---------------------------------|--------------------------------|
| UK Government approved fixed interest securities | 11 | 213994 | 15.63 | 4.19 | 4.19 |

| | | | | | |
|---|-----------|-------|-------|------|------|
| Other approved fixed interest securities | 21 | 36585 | 11.98 | 4.33 | 4.19 |
|---|-----------|-------|-------|------|------|

Other fixed interest securities

| | | | | | |
|--|-----------|--------|-------|-------|------|
| AAA/Aaa | 31 | 34829 | 10.40 | 4.51 | 4.37 |
| AA/Aa | 32 | 81842 | 9.05 | 5.97 | 5.08 |
| A/A | 33 | 140904 | 9.26 | 6.00 | 5.02 |
| BBB/Baa | 34 | 16296 | 7.70 | 7.98 | 5.60 |
| BB/Ba | 35 | 1872 | 6.49 | 11.57 | 7.22 |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | 1968 | 5.28 | 10.28 | 8.00 |
| Total other fixed interest securities | 39 | 277711 | 9.20 | 5.99 | 5.03 |

| | | | | | |
|--|-----------|------|------|------|------|
| Approved variable interest securities | 41 | 6151 | 9.22 | 3.61 | 3.61 |
|--|-----------|------|------|------|------|

| | | | | | |
|---|-----------|-------|-------|------|------|
| Other variable interest securities | 51 | 37917 | 12.79 | 5.72 | 4.58 |
|---|-----------|-------|-------|------|------|

| | | | | | |
|-------------------------------|-----------|--------|-------|------|------|
| Total (11+21+39+41+51) | 61 | 572357 | 12.02 | 5.17 | 4.62 |
|-------------------------------|-----------|--------|-------|------|------|

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **12 Total Long-term Business - Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**

| | | Value of assets 1 | Mean term 2 | Yield before adjustment 3 | Yield after adjustment 4 |
|---|-----------|----------------------|----------------|---------------------------------|--------------------------------|
| UK Government approved fixed interest securities | 11 | 122712 | 7.46 | 3.07 | 3.07 |

| | | | | | |
|---|-----------|--|--|--|--|
| Other approved fixed interest securities | 21 | | | | |
|---|-----------|--|--|--|--|

Other fixed interest securities

| | | | | | |
|--|-----------|------|------|-------|-------|
| AAA/Aaa | 31 | | | | |
| AA/Aa | 32 | 908 | 5.93 | 6.58 | 5.69 |
| A/A | 33 | 1327 | 7.04 | 5.87 | 4.89 |
| BBB/Baa | 34 | 745 | 6.15 | 8.22 | 5.84 |
| BB/Ba | 35 | 116 | 1.94 | 18.44 | 14.09 |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | 11 | 4.09 | 32.00 | 16.64 |
| Total other fixed interest securities | 39 | 3107 | 6.30 | 7.20 | 5.74 |

| | | | | | |
|--|-----------|------|-------|------|------|
| Approved variable interest securities | 41 | 1742 | 10.79 | 4.00 | 4.00 |
|--|-----------|------|-------|------|------|

| | | | | | |
|---|-----------|--|--|--|--|
| Other variable interest securities | 51 | | | | |
|---|-----------|--|--|--|--|

| | | | | | |
|-------------------------------|-----------|--------|------|------|------|
| Total (11+21+39+41+51) | 61 | 127560 | 7.48 | 3.19 | 3.15 |
|-------------------------------|-----------|--------|------|------|------|

Long-term insurance business : Summary of mathematical reservesName of insurer **Friends Provident Life Assurance Limited**Total business / subfund **Summary**Financial year ended **31 December 2010**Units **£000**

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

Gross

| | | | | | | |
|------------------------|-----------|----------------|----------------|---------------|----------------|----------------|
| Form 51 - with-profits | 11 | 102163 | 73706 | | 175869 | 181451 |
| Form 51 - non-profit | 12 | 80762 | 585836 | (16383) | 650215 | 547482 |
| Form 52 | 13 | 4239 | 13111 | | 17349 | 17820 |
| Form 53 - linked | 14 | 3607607 | 1171706 | 134698 | 4914012 | 4891890 |
| Form 53 - non-linked | 15 | 1302 | 8525 | 2831 | 12658 | 4089 |
| Form 54 - linked | 16 | (2477) | 8262 | | 5785 | 6741 |
| Form 54 - non-linked | 17 | | | | | |
| Total | 18 | 3793595 | 1861146 | 121146 | 5775887 | 5649474 |

Reinsurance - external

| | | | | | | |
|------------------------|-----------|---------------|----------|----------|---------------|---------------|
| Form 51 - with-profits | 21 | 954 | | | 954 | 1068 |
| Form 51 - non-profit | 22 | 179523 | 1 | 1 | 179525 | 131443 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | 44 |
| Form 54 - linked | 26 | 185 | | | 185 | 37 |
| Form 54 - non-linked | 27 | | | | | |
| Total | 28 | 180662 | 1 | 1 | 180664 | 132592 |

Reinsurance - intra-group

| | | | | | | |
|------------------------|-----------|----------------|--------------|---------------|----------------|----------------|
| Form 51 - with-profits | 31 | | | | | |
| Form 51 - non-profit | 32 | (87845) | | | (87845) | (106666) |
| Form 52 | 33 | 4117 | 13111 | | 17228 | 17717 |
| Form 53 - linked | 34 | 1530477 | 4703 | 127240 | 1662420 | 1674034 |
| Form 53 - non-linked | 35 | | | | | |
| Form 54 - linked | 36 | | | | | |
| Form 54 - non-linked | 37 | | | | | |
| Total | 38 | 1446749 | 17814 | 127240 | 1591803 | 1585085 |

Net of reinsurance

| | | | | | | |
|------------------------|-----------|----------------|----------------|---------------|----------------|----------------|
| Form 51 - with-profits | 41 | 101208 | 73706 | | 174915 | 180383 |
| Form 51 - non-profit | 42 | (10915) | 585835 | (16384) | 558536 | 522705 |
| Form 52 | 43 | 121 | | | 121 | 103 |
| Form 53 - linked | 44 | 2077130 | 1167003 | 7459 | 3251591 | 3217856 |
| Form 53 - non-linked | 45 | 1302 | 8525 | 2831 | 12658 | 4045 |
| Form 54 - linked | 46 | (2663) | 8262 | | 5600 | 6704 |
| Form 54 - non-linked | 47 | | | | | |
| Total | 48 | 2166183 | 1843332 | (6095) | 4003420 | 3931797 |

Long-term insurance business : Summary of mathematical reservesName of insurer **Friends Provident Life Assurance Limited**Total business / subfund **Other Business Fund**Financial year ended **31 December 2010**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 | 78777 | 535086 | (16383) | 597480 | 500320 |
| Form 52 | 13 | 4239 | 13111 | | 17349 | 17820 |
| Form 53 - linked | 14 | 3607607 | 1171706 | 134698 | 4914012 | 4891890 |
| Form 53 - non-linked | 15 | 1302 | 8525 | 2831 | 12658 | 4089 |
| Form 54 - linked | 16 | (2477) | 8262 | | 5785 | 6741 |
| Form 54 - non-linked | 17 | | | | | |
| Total | 18 | 3689447 | 1736690 | 121146 | 5547283 | 5420861 |

Reinsurance - external

| | | | | | | |
|------------------------|-----------|---------------|----------|----------|---------------|---------------|
| Form 51 - with-profits | 21 | | | | | |
| Form 51 - non-profit | 22 | 179515 | 1 | 1 | 179517 | 131435 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | 44 |
| Form 54 - linked | 26 | 185 | | | 185 | 37 |
| Form 54 - non-linked | 27 | | | | | |
| Total | 28 | 179700 | 1 | 1 | 179702 | 131515 |

Reinsurance - intra-group

| | | | | | | |
|------------------------|-----------|----------------|--------------|---------------|----------------|----------------|
| Form 51 - with-profits | 31 | | | | | |
| Form 51 - non-profit | 32 | (87845) | | | (87845) | (106666) |
| Form 52 | 33 | 4117 | 13111 | | 17228 | 17717 |
| Form 53 - linked | 34 | 1530477 | 4703 | 127240 | 1662420 | 1674034 |
| Form 53 - non-linked | 35 | | | | | |
| Form 54 - linked | 36 | | | | | |
| Form 54 - non-linked | 37 | | | | | |
| Total | 38 | 1446749 | 17814 | 127240 | 1591803 | 1585085 |

Net of reinsurance

| | | | | | | |
|------------------------|-----------|----------------|----------------|---------------|----------------|----------------|
| Form 51 - with-profits | 41 | | | | | |
| Form 51 - non-profit | 42 | (12893) | 535085 | (16384) | 505808 | 475552 |
| Form 52 | 43 | 121 | | | 121 | 103 |
| Form 53 - linked | 44 | 2077130 | 1167003 | 7459 | 3251591 | 3217856 |
| Form 53 - non-linked | 45 | 1302 | 8525 | 2831 | 12658 | 4045 |
| Form 54 - linked | 46 | (2663) | 8262 | | 5600 | 6704 |
| Form 54 - non-linked | 47 | | | | | |
| Total | 48 | 2062997 | 1718875 | (6095) | 3775777 | 3704261 |

Long-term insurance business : Summary of mathematical reservesName of insurer **Friends Provident Life Assurance Limited**Total business / subfund **Closed Fund**Financial year ended **31 December 2010**Units **£000**

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

Gross

| | | | | | | |
|------------------------|-----------|---------------|---------------|--|---------------|---------------|
| Form 51 - with-profits | 11 | 102163 | 73706 | | 175869 | 181451 |
| Form 51 - non-profit | 12 | 1985 | 50750 | | 52735 | 47161 |
| Form 52 | 13 | | | | | |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | | | | | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| Total | 18 | 104148 | 124457 | | 228604 | 228612 |

Reinsurance - external

| | | | | | | |
|------------------------|-----------|------------|--|--|------------|-------------|
| Form 51 - with-profits | 21 | 954 | | | 954 | 1068 |
| Form 51 - non-profit | 22 | 8 | | | 8 | 9 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| Total | 28 | 962 | | | 962 | 1077 |

Reinsurance - intra-group

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

Net of reinsurance

| | | | | | | |
|------------------------|-----------|---------------|---------------|--|---------------|---------------|
| Form 51 - with-profits | 41 | 101208 | 73706 | | 174915 | 180383 |
| Form 51 - non-profit | 42 | 1977 | 50750 | | 52728 | 47153 |
| Form 52 | 43 | | | | | |
| Form 53 - linked | 44 | | | | | |
| Form 53 - non-linked | 45 | | | | | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| Total | 48 | 103186 | 124457 | | 227642 | 227535 |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 300 | Regular premium non-profit WL/EA OB | 3497 | 13095 | 581 | | | | 1726 |
| 325 | Level term assurance | 146285 | 18893989 | 46155 | | | | 115626 |
| 330 | Decreasing term assurance | 139821 | 15908533 | 39218 | | | | (12764) |
| 340 | Accelerated critical illness (guaranteed premiums) | 135199 | 11688595 | 61898 | | | | (34190) |
| 345 | Accelerated critical illness (reviewable premiums) | 32670 | 3205404 | 16846 | | | | 17820 |
| 350 | Stand-alone critical illness (guaranteed premiums) | 7891 | 445858 | 2517 | | | | (4424) |
| 355 | Stand-alone critical illness (reviewable premiums) | 6379 | 458822 | 2801 | | | | (683) |
| 360 | Income protection non-profit (guaranteed premiums) | 88754 | 1370219 | 40268 | | | | (48629) |
| 385 | Income protection claims in payment | 274 | 4044 | | | | | 44109 |
| 395 | Annuity non-profit (PLA) | 15 | 26 | | | | | 187 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 300 | Regular premium non-profit WL/EA OB | | 362 | 146 | | | | 101 |
| 325 | Level term assurance | | 14900323 | 30633 | | | | 127781 |
| 330 | Decreasing term assurance | | 9695536 | 19309 | | | | 16969 |
| 340 | Accelerated critical illness (guaranteed premiums) | | 8755672 | 4427 | | | | (2936) |
| 345 | Accelerated critical illness (reviewable premiums) | | 2405961 | | | | | 17675 |
| 350 | Stand-alone critical illness (guaranteed premiums) | | 314789 | 1159 | | | | (845) |
| 355 | Stand-alone critical illness (reviewable premiums) | | 344493 | | | | | 752 |
| 360 | Income protection non-profit (guaranteed premiums) | | 436827 | 372 | | | | 6883 |
| 385 | Income protection claims in payment | | 1086 | | | | | 13136 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 300 | Regular premium non-profit WL/EA OB | | 10348 | 408 | | | | 101 |
| 325 | Level term assurance | | 3970925 | 15444 | | | | (18996) |
| 330 | Decreasing term assurance | | 6212997 | 19909 | | | | (30952) |
| 340 | Accelerated critical illness (guaranteed premiums) | | 2932923 | 57471 | | | | (32080) |
| 345 | Accelerated critical illness (reviewable premiums) | | 799443 | 16846 | | | | (832) |
| 350 | Stand-alone critical illness (guaranteed premiums) | | 131069 | 1358 | | | | (3582) |
| 355 | Stand-alone critical illness (reviewable premiums) | | 114329 | 2800 | | | | (1504) |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|-----------------------------|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 325 | Level term assurance | 210 | 14187 | 76 | | | | 17 |
| 390 | Deferred annuity non-profit | 269 | 430 | | | | | 6496 |
| 400 | Annuity non-profit (CPA) | 30691 | 35336 | | | | | 526048 |
| 435 | Miscellaneous non-profit | | | | | | | 2525 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 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 | | 4520 | 15 | | | | 1 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 325 | Level term assurance | 10400 | 1393911 | 6260 | | | | (13245) |
| 330 | Decreasing term assurance | 289 | 28437 | 156 | | | | 210 |
| 350 | Stand-alone critical illness (guaranteed premiums) | 6754 | 264902 | 2012 | | | | (3348) |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / 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 | | 400 | | | | | 1 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 100 | Conventional whole life with-profits OB | 5929 | 88008 | 584 | | | | 46803 |
| 120 | Conventional endowment with-profits OB savings | 6446 | 62578 | 854 | | | | 55359 |
| 300 | Regular premium non-profit WL/EA OB | 703 | 2962 | 33 | | | | 1522 |
| 325 | Level term assurance | 2223 | 14766 | 54 | | | | 181 |
| 330 | Decreasing term assurance | 20 | 107 | 1 | | | | |
| 390 | Deferred annuity non-profit | 15 | | | | | | 15 |
| 395 | Annuity non-profit (PLA) | 102 | 50 | | | | | 267 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 100 | Conventional whole life with-profits OB | | 2184 | 4 | | | | 869 |
| 120 | Conventional endowment with-profits OB savings | | 232 | | | | | 85 |
| 300 | Regular premium non-profit WL/EA OB | | 11 | | | | | 8 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 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 |
| 155 | Conventional pensions endowment with-profits | 37 | 454 | | | | | 422 |
| 165 | Conventional deferred annuity with-profits | 3289 | 205 | 188 | | | | 64593 |
| 175 | Group conventional deferred annuity with-profits | 487 | 10 | 15 | | | | 8674 |
| 205 | Miscellaneous conventional with-profits | 82 | 651 | 1 | | | | 16 |
| 325 | Level term assurance | 234 | 3055 | 10 | | | | 51 |
| 390 | Deferred annuity non-profit | 99 | 115 | | | | | 1618 |
| 400 | Annuity non-profit (CPA) | 2329 | 3384 | | | | | 49082 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 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 | | 41 | | | | | |
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Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 500 | Life UWP single premium | 52 | 2345 | | 1788 | 1788 | 89 | 1876 |
| 505 | Life UWP whole life regular premium | 18 | 67283 | 149 | 371 | 371 | 4 | 374 |
| 510 | Life UWP endowment regular premium - savings | 130 | 4338 | 263 | 1119 | 1119 | 16 | 1136 |
| 515 | Life UWP endowment regular premium – target cash | 261 | 19775 | 192 | 843 | 841 | 11 | 852 |
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Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|-----------------------------------|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 525 | Individual pensions UWP | 1044 | 13046 | 44 | 13046 | 13022 | | 13022 |
| 535 | Group money purchase pensions UWP | 8 | 93 | | 93 | 88 | | 88 |
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Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---------------------------------|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 574 | UWP investment only reinsurance | | 13139 | 44 | 13139 | 13111 | | 13111 |
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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 700 | Life property linked single premium | 40135 | 2030541 | | 2003515 | 2003515 | (11379) | 1992136 |
| 710 | Life property linked whole life regular premium | 6805 | 428282 | 4448 | 45911 | 45343 | 2196 | 47539 |
| 715 | Life property linked endowment regular premium - savings | 9212 | 142786 | 8429 | 91578 | 91554 | 485 | 92040 |
| 720 | Life property linked endowment regular premium – target cash | 2862 | 100488 | 2409 | 39497 | 39237 | 273 | 39509 |
| 790 | Miscellaneous protection rider | 568 | 7187 | 22 | | | 27 | 27 |
| 794 | Property linked investment only reinsurance | | 1427958 | | 1427958 | 1427958 | | 1427958 |
| 800 | Additional reserves property linked | | | | | | 9700 | 9700 |
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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 794 | Property linked investment only reinsurance | | 1530477 | | 1530477 | 1530477 | | 1530477 |
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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 725 | Individual pensions property linked | 42016 | 653480 | 5604 | 632120 | 624102 | 8729 | 632831 |
| 735 | Group money purchase pensions property linked | 3939 | 99918 | 391 | 99918 | 96415 | (529) | 95886 |
| 794 | Property linked investment only reinsurance | | 451189 | | 451189 | 451189 | | 451189 |
| 795 | Miscellaneous property linked | | | | | | 27 | 27 |
| 800 | Additional reserves property linked | | | | | | 298 | 298 |
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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 700 | Life property linked single premium | 690 | 25762 | | 24851 | 24851 | (391) | 24461 |
| 715 | Life property linked endowment regular premium - savings | 48218 | 256436 | 67893 | 102389 | 102389 | (3578) | 98810 |
| 794 | Property linked investment only reinsurance | | 7459 | | 7459 | 7459 | | 7459 |
| 800 | Additional reserves property linked | | | | | | 6800 | 6800 |
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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 794 | Property linked investment only reinsurance | | 127240 | | 127240 | 127240 | | 127240 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 901 | Index linked income protection claims in payment | 1 | 24 | | 189 | 189 | | 189 |
| 910 | Miscellaneous index linked | 2257 | 44413 | 1306 | (2667) | (2667) | | (2667) |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 901 | Index linked income protection claims in payment | | 8 | | 66 | 66 | | 66 |
| 910 | Miscellaneous index linked | | 17810 | 14 | 119 | 119 | | 119 |
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Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Friends Provident Life Assurance Limited**
Total business
Financial year ended **31 December 2010**
Units **£000**

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|---------------------------------------|-----------------|-----------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Aegon Ethical Corporate Bond ISA | 01 - life - stock market managed fund | 50 | FP Accumulation 0.00% | 0.00% | 1.0101 | 1.1085 | 9.74 |
| Aegon Ethical Equity ISA | 05 - life - UK equity | 42 | FP Accumulation 0.00% | 0.00% | 0.9546 | 1.2070 | 26.45 |
| Aegon Sterling Corporate Bond ISA | 01 - life - stock market managed fund | 20 | FP Accumulation 0.00% | 0.00% | 1.0056 | 1.1197 | 11.35 |
| Artemis Income ISA | 05 - life - UK equity | 128 | FP Accumulation 0.00% | 0.00% | 1.1399 | 1.2932 | 13.45 |
| Artemis UK Growth ISA | 05 - life - UK equity | 8 | FP Accumulation 0.00% | 0.00% | 0.9213 | 1.1797 | 28.05 |
| Artemis UK Special Situations ISA | 05 - life - UK equity | 79 | FP Accumulation 0.00% | 0.00% | 1.0770 | 1.3067 | 21.33 |
| Cazenove UK Dynamic ISA | 05 - life - UK equity | 14 | FP Accumulation 0.00% | 0.00% | 1.2329 | 1.3566 | 10.04 |
| Credit Suisse Multi Manager Cautious ISA | 03 - life - defensive managed fund | 11 | FP Accumulation 0.00% | 0.00% | 1.0646 | 1.2001 | 12.73 |
| Credit Suisse Multi Manager Ethical Portfolio ISA | 01 - life - stock market managed fund | 12 | Cross Holdings | 0.00% | 1.0410 | 1.2426 | 19.36 |
| European ISA | 06 - life - overseas equity | 88 | FP Accumulation 0.00% | 0.00% | 1.3141 | 1.4512 | 10.44 |
| F&C Stewardship Income ISA | 05 - life - UK equity | 505 | FP Accumulation 0.00% | 0.00% | 0.9360 | 1.1243 | 20.11 |
| F&C Stewardship International ISA | 06 - life - overseas equity | 30 | FP Accumulation 0.00% | 0.00% | 1.0675 | 1.2575 | 17.80 |
| F&C Stewardship Managed ISA | 02 - life - balanced managed fund | 264 | FP Accumulation 0.00% | 0.00% | 1.0090 | 1.1677 | 15.73 |
| F&C Strategic Bond ISA | 01 - life - stock market managed fund | 235 | FP Accumulation 0.00% | 0.00% | 1.1539 | 1.2949 | 12.21 |
| Fidelity European ISA | 06 - life - overseas equity | 135 | FP Accumulation 0.00% | 0.00% | 1.1110 | 1.2499 | 12.50 |
| Fidelity Moneybuilder ISA | 01 - life - stock market managed fund | 76 | FP Accumulation 0.00% | 0.00% | 1.1473 | 1.2622 | 10.01 |
| Fidelity Multi Manager Special Situations ISA | 05 - life - UK equity | 21 | FP Accumulation 0.00% | 0.00% | 0.8708 | 1.0089 | 15.86 |
| Fidelity Portfolio ISA | 02 - life - balanced managed fund | 17 | FP Accumulation 0.00% | 0.00% | 1.1075 | 1.2640 | 14.13 |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|---------------------------------------|-----------------|-----------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Fidelity Wealthbuilder ISA | 06 - life - overseas equity | 16 | FP Accumulation 0.00% | 0.00% | 1.0672 | 1.2810 | 20.04 |
| First State Asia Pacific Leaders ISA | 06 - life - overseas equity | 94 | FP Accumulation 0.00% | 0.00% | 1.8464 | 2.4447 | 32.40 |
| First State Emerging Markets ISA | 06 - life - overseas equity | 36 | FP Accumulation 0.00% | 0.00% | 1.7411 | 2.3427 | 34.55 |
| Fixed Interest ISA | 01 - life - stock market managed fund | 124 | FP Accumulation 0.00% | 0.00% | 1.1901 | 1.2879 | 8.22 |
| Index Linked ISA | 01 - life - stock market managed fund | 95 | FP Accumulation 0.00% | 0.00% | 1.2734 | 1.3881 | 9.01 |
| FP UK Special Situations ISA | 05 - life - UK equity | 14 | FP Accumulation 0.00% | 0.00% | 1.1160 | 1.4273 | 27.90 |
| Gartmore Cautious Managed ISA | 03 - life - defensive managed fund | 281 | FP Accumulation 0.00% | 0.00% | 1.1330 | 1.2394 | 9.39 |
| Gartmore Emerging Markets ISA | 06 - life - overseas equity | 53 | FP Accumulation 0.00% | 0.00% | 1.3670 | 1.7179 | 25.67 |
| Invesco Perpetual Asian ISA | 06 - life - overseas equity | 51 | FP Accumulation 0.00% | 0.00% | 1.6417 | 2.0946 | 27.59 |
| Invesco Perpetual Corporate Bond ISA | 01 - life - stock market managed fund | 262 | FP Accumulation 0.00% | 0.00% | 1.2348 | 1.3401 | 8.52 |
| Invesco Perpetual Distribution ISA | 03 - life - defensive managed fund | 88 | FP Accumulation 0.00% | 0.00% | 1.2460 | 1.4027 | 12.58 |
| Invesco Perpetual Global Bond ISA | 01 - life - stock market managed fund | 38 | FP Accumulation 0.00% | 0.00% | 1.3529 | 1.4509 | 7.24 |
| Invesco Perpetual High Income ISA | 05 - life - UK equity | 714 | FP Accumulation 0.00% | 0.00% | 1.2234 | 1.3760 | 12.47 |
| Invesco Perpetual Japan ISA | 06 - life - overseas equity | 6 | FP Accumulation 0.00% | 0.00% | 1.2711 | 1.4684 | 15.53 |
| Invesco Perpetual Monthly Income Plus ISA | 01 - life - stock market managed fund | 79 | FP Accumulation 0.00% | 0.00% | 1.1848 | 1.3632 | 15.06 |
| Investec American ISA | 06 - life - overseas equity | 13 | FP Accumulation 0.00% | 0.00% | 1.1322 | 1.3100 | 15.70 |
| Investec Cautious Managed ISA | 03 - life - defensive managed fund | 261 | FP Accumulation 0.00% | 0.00% | 1.1995 | 1.3689 | 14.13 |
| Investec Managed Distribution ISA | 01 - life - stock market managed fund | 18 | FP Accumulation 0.00% | 0.00% | 1.1698 | 1.2806 | 9.47 |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business
 Financial year ended **31 December 2010**
 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 |
|-----------------------------------|---------------------------------------|-----------------|-----------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Investec Sterling Bond ISA | 01 - life - stock market managed fund | 36 | FP Accumulation 0.00% | 0.00% | 1.1914 | 1.2848 | 7.84 |
| Investec UK Blue Chip ISA | 05 - life - UK equity | 21 | FP Accumulation 0.00% | 0.00% | 1.0495 | 1.2678 | 20.80 |
| Investec UK Smaller Companies ISA | 05 - life - UK equity | 15 | FP Accumulation 0.00% | 0.00% | 1.2318 | 1.7639 | 43.20 |
| JPM Cautious Total Return ISA | 03 - life - defensive managed fund | 95 | FP Accumulation 0.00% | 0.00% | 1.1705 | 1.2263 | 4.77 |
| JPM Natural Resources ISA | 06 - life - overseas equity | 83 | FP Accumulation 0.00% | 0.00% | 1.4453 | 2.1637 | 49.70 |
| Lazard European Alpha ISA | 06 - life - overseas equity | 71 | FP Accumulation 0.00% | 0.00% | 1.2066 | 1.2731 | 5.51 |
| Lazard UK Alpha ISA | 05 - life - UK equity | 21 | FP Accumulation 0.00% | 0.00% | 1.0057 | 1.1849 | 17.81 |
| Lazard UK Income ISA | 05 - life - UK equity | 6 | FP Accumulation 0.00% | 0.00% | 0.9600 | 1.1339 | 18.12 |
| Life- American | 06 - life - overseas equity | 2298 | Accumulation 4 | 1.00% | 7.3996 | 8.4683 | 14.44 |
| Life- Asian Growth | 06 - life - overseas equity | 3598 | Accumulation 4 | 1.00% | 6.7131 | 7.6283 | 13.63 |
| Life- Commercial Property | 07 - life - property | 258849 | Accumulation SY | 0.00% | 4.1880 | 4.7405 | 13.19 |
| Life- Conscience | 05 - life - UK equity | 1682 | Accumulation 4 | 1.00% | 3.0125 | 3.5606 | 18.19 |
| Life- Deposit | 03 - life - defensive managed fund | 2800 | Accumulation 4 | 1.00% | 5.7871 | 5.7695 | (0.31) |
| Life- European | 06 - life - overseas equity | 12284 | Accumulation 4 | 1.00% | 16.6843 | 18.0051 | 7.92 |
| Life- Extra Income Distribution | 01 - life - stock market managed fund | 3021 | Accumulation 4 | 1.00% | 1.0953 | 1.1681 | 6.65 |
| Life- Far Eastern Growth | 06 - life - overseas equity | 4241 | Accumulation 4 | 1.00% | 5.8906 | 6.7161 | 14.01 |
| Life- Fixed Interest | 01 - life - stock market managed fund | 12715 | Accumulation SY | 0.00% | 3.8950 | 4.1861 | 7.47 |
| Life- Guaranteed Deposit | 03 - life - defensive managed fund | 951 | Accumulation 4 | 1.00% | 5.7871 | 5.8082 | 0.36 |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|----------------------------------|---------------------------------------|-----------------|-----------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Life- Income Accumulation | 05 - life - UK equity | 13563 | Accumulation 4 | 1.00% | 18.3176 | 21.1301 | 15.35 |
| Life- Income Distribution | 01 - life - stock market managed fund | 5781 | Accumulation 4 | 1.00% | 5.6307 | 6.2157 | 10.39 |
| Life- International | 06 - life - overseas equity | 8559 | Accumulation 4 | 1.00% | 4.9935 | 5.5031 | 10.21 |
| Life- Managed | 04 - life - other managed fund | 59511 | Accumulation 4 | 1.00% | 14.7781 | 16.2040 | 9.65 |
| Life- Mixed | 04 - life - other managed fund | 62293 | Accumulation 4 | 1.00% | 14.3198 | 15.5032 | 8.26 |
| Life- Tokyo Unit Trust | 06 - life - overseas equity | 2486 | Accumulation 4 | 1.00% | 5.4088 | 6.2354 | 15.28 |
| Life- UK Equity | 05 - life - UK equity | 23602 | Accumulation 4 | 1.00% | 12.3506 | 13.9112 | 12.64 |
| M&G Global Basics ISA | 06 - life - overseas equity | 82 | FP Accumulation 0.00% | 0.00% | 1.3501 | 1.7497 | 29.60 |
| M&G Property Portfolio ISA | 07 - life - property | 294 | FP Accumulation 0.00% | 0.00% | 0.8712 | 0.9409 | 8.00 |
| M&G Recovery ISA | 05 - life - UK equity | 61 | FP Accumulation 0.00% | 0.00% | 1.2363 | 1.4605 | 18.14 |
| M&G UK Select Growth ISA | 05 - life - UK equity | 10 | Cross Holdings | 0.00% | 1.1204 | 1.2431 | 10.95 |
| Managed ISA | 04 - life - other managed fund | 295 | FP Accumulation 0.00% | 0.00% | 1.1978 | 1.3310 | 11.12 |
| Blackrock American ISA | 06 - life - overseas equity | 7 | FP Accumulation 0.00% | 0.00% | 0.9749 | 1.1135 | 14.21 |
| Blackrock Special Situations ISA | 05 - life - UK equity | 14 | FP Accumulation 0.00% | 0.00% | 1.0322 | 1.4172 | 37.29 |
| Blackrock UK Dynamic ISA | 05 - life - UK equity | 46 | FP Accumulation 0.00% | 0.00% | 1.0962 | 1.2351 | 12.68 |
| Blackrock UK Income ISA | 05 - life - UK equity | 22 | FP Accumulation 0.00% | 0.00% | 1.1434 | 1.3516 | 18.21 |
| Multi Manager Balanced ISA | 02 - life - balanced managed fund | 402 | FP Accumulation 0.00% | 0.00% | 1.2054 | 1.4007 | 16.20 |
| Multi Manager Cautious ISA | 03 - life - defensive managed fund | 445 | FP Accumulation 0.00% | 0.00% | 1.1677 | 1.3135 | 12.48 |

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

Name of insurer **Friends Provident Life Assurance Limited**
Total business
Financial year ended **31 December 2010**
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 |
|--|---|-----------------|-----------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Multi Manager Distribution ISA | 01 - life - stock market managed fund | 570 | FP Accumulation 0.00% | 0.00% | 1.0190 | 1.1202 | 9.94 |
| Multi Manager Growth ISA | 01 - life - stock market managed fund | 205 | FP Accumulation 0.00% | 0.00% | 1.2636 | 1.4935 | 18.19 |
| New Star High Yield Bond ISA | 01 - life - stock market managed fund | 43 | FP Accumulation 0.00% | 0.00% | 1.1084 | 1.2469 | 12.49 |
| New Star Higher Income ISA | 05 - life - UK equity | 12 | FP Accumulation 0.00% | 0.00% | 0.7112 | 0.8297 | 16.67 |
| New Star Managed ISA | 03 - life - defensive managed fund | 38 | FP Accumulation 0.00% | 0.00% | 0.9760 | 1.1201 | 14.76 |
| New Star Property ISA | 07 - life - property | 368 | FP Accumulation 0.00% | 0.00% | 0.8363 | 0.9257 | 10.68 |
| North American ISA | 06 - life - overseas equity | 12 | FP Accumulation 0.00% | 0.00% | 1.1585 | 1.3605 | 17.44 |
| Norwich Property Trust ISA | 07 - life - property | 94 | FP Accumulation 0.00% | 0.00% | 0.6864 | 0.7664 | 11.67 |
| Norwich Sustainable Futures European ISA | 06 - life - overseas equity | 6 | FP Accumulation 0.00% | 0.00% | 1.1296 | 1.2230 | 8.26 |
| Pension- American | 16 - individual pension - overseas equity | 3965 | Accumulation C | 1.00% | 8.8800 | 10.2990 | 15.98 |
| Pension- Asian Growth | 16 - individual pension - overseas equity | 12650 | Accumulation C | 1.00% | 9.2386 | 10.6141 | 14.89 |
| Pension- Commercial Property | 17 - individual pension - property | 722350 | Accumulation SY | 0.00% | 5.4653 | 6.2468 | 14.30 |
| Pension- Conscience | 15 - individual pension - UK equity | 10984 | Accumulation C | 1.00% | 3.5099 | 4.1704 | 18.82 |
| Pension- Deposit | 13 - individual pension - defensive managed fund | 18040 | Accumulation SY | 1.00% | 1.0000 | 1.0016 | 0.16 |
| Pension- European | 16 - individual pension - overseas equity | 32090 | Accumulation C | 1.00% | 13.4554 | 14.6330 | 8.75 |
| Pension- Far Eastern Growth | 16 - individual pension - overseas equity | 16199 | Accumulation C | 1.00% | 7.6293 | 8.7882 | 15.19 |
| Pension- Fixed Interest | 11 - individual pension - stock market managed fund | 46950 | Accumulation SY | 0.00% | 5.8831 | 6.3757 | 8.37 |
| Pension- Greig Middleton | 16 - individual pension - overseas equity | 3977 | Accumulation C | 1.00% | 5.4075 | 5.9600 | 10.22 |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

| Fund name 1 | Type of fund 2 | Net assets 3 | Main series 4 | Unit management charge 5 | Price at previous valuation date 6 | Price at current valuation date 7 | Change in price during year 8 |
|---|--|-----------------|-----------------------|-----------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Pension- Guaranteed Deposit | 13 - individual pension - defensive managed fund | 7776 | Accumulation C | 1.00% | 5.4231 | 5.4418 | 0.34 |
| Pension- Income Accumulation | 15 - individual pension - UK equity | 26503 | Accumulation C | 1.00% | 9.9345 | 11.5483 | 16.24 |
| Pension- International | 16 - individual pension - overseas equity | 2258 | Accumulation C | 1.00% | 3.7784 | 4.2006 | 11.17 |
| Pension- Managed | 14 - individual pension - other managed fund | 286469 | Accumulation C | 1.00% | 45.9463 | 51.1471 | 11.32 |
| Pension- Managed Balanced Exempt | 12 - individual pension - balanced managed fund | 3345 | Accumulation C | 1.00% | 4.5611 | 5.0047 | 9.73 |
| Pension- Mixed | 14 - individual pension - other managed fund | 265684 | Accumulation C | 1.00% | 7.5577 | 8.3294 | 10.21 |
| Pension- Tokyo | 16 - individual pension - overseas equity | 9133 | Accumulation C | 1.00% | 5.5178 | 6.3547 | 15.17 |
| Pension- UK Equity | 15 - individual pension - UK equity | 22793 | Accumulation C | 1.00% | 7.7999 | 8.9099 | 14.23 |
| Schroder Alpha Plus ISA | 05 - life - UK equity | 23 | FP Accumulation 0.00% | 0.00% | 1.1994 | 1.4726 | 22.78 |
| Schroder Gilt and Fixed Interest ISA | 01 - life - stock market managed fund | 77 | FP Accumulation 0.00% | 0.00% | 1.1531 | 1.2194 | 5.75 |
| Schroder Income ISA | 05 - life - UK equity | 32 | FP Accumulation 0.00% | 0.00% | 1.2282 | 1.3494 | 9.87 |
| Schroder S&P Managed Distribution Portfolio ISA | 03 - life - defensive managed fund | 15 | FP Accumulation 0.00% | 0.00% | 1.0493 | 1.1493 | 9.53 |
| Schroder UK Mid 250 ISA | 05 - life - UK equity | 338 | FP Accumulation 0.00% | 0.00% | 0.9708 | 1.2020 | 23.81 |
| Schroder UK Smaller Companies ISA | 05 - life - UK equity | 12 | Cross Holdings | 0.00% | 0.8928 | 1.2639 | 41.57 |
| Stewardship ISA | 05 - life - UK equity | 801 | FP Accumulation 0.00% | 0.00% | 1.0739 | 1.2892 | 20.06 |
| Threadneedle Equity and Bond ISA | 03 - life - defensive managed fund | 39 | FP Accumulation 0.00% | 0.00% | 1.2242 | 1.3869 | 13.29 |
| Threadneedle Global Select ISA | 06 - life - overseas equity | 28 | FP Accumulation 0.00% | 0.00% | 1.1653 | 1.3715 | 17.70 |
| Threadneedle UK Corporate Bond ISA | 01 - life - stock market managed fund | 43 | FP Accumulation 0.00% | 0.00% | 1.0681 | 1.1689 | 9.45 |

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Provident Life Assurance Limited**
Subfund **Other Business Fund**
Financial year ended **31 December 2010**
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 | 11647 | 2.80% | 3.50% | 3.92% |
| UK F51 L&GA NP | (24540) | 3.00% | 3.00% | 3.66% |
| UK F52 L&GA | 121 | 2.80% | 3.50% | 3.92% |
| UK F53 L&GA NL | (8610) | 2.80% | 3.50% | 3.66% |
| UK F51 Pensions NP | 79538 | 3.50% | 3.50% | 3.92% |
| UK F51 Pensions NP | 446527 | 4.60% | 4.60% | 4.79% |
| UK F53 Pensions NL | 8213 | 3.50% | 3.50% | 3.92% |
| OS F51 NP | (16384) | 3.50% | 3.50% | 3.66% |
| OS F53 NL | (11070) | 3.50% | 3.50% | 3.66% |
| OS F53 NL | 7087 | 4.00% | 4.00% | 4.19% |
| Miscellaneous UK F53 L&GA NL | 9911 | n/a | n/a | 0.65% |
| Miscellaneous UK F51 Pensions NP | 9020 | n/a | n/a | 0.65% |
| Miscellaneous UK F53 Pensions NL | 312 | n/a | n/a | 0.65% |
| Miscellaneous OS F53 NL | 6815 | n/a | n/a | 0.65% |
| | | | | |
| | | | | |
| | | | | |
| Total | 518587 | | | |

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Provident Life Assurance Limited**
Subfund **Closed Fund**
Financial year ended **31 December 2010**
Units **£000**

| Product group 1 | Net mathematical reserves 2 | Net valuation interest rate 3 | Gross valuation interest rate 4 | Risk adjusted yield on matching assets 5 |
|----------------------------------|--------------------------------|----------------------------------|------------------------------------|---|
| UK F51 L&GA WP | 101208 | 2.60% | 2.95% | 4.01% |
| UK F51 L&GA NP | 1978 | 2.80% | 3.17% | 4.01% |
| UK F51 Pensions WP | 40263 | 3.30% | 3.30% | 4.01% |
| UK F51 Pensions WP | 32248 | 3.50% | 3.50% | 4.01% |
| UK F51 Pensions NP | 50750 | 3.50% | 3.50% | 4.01% |
| Miscellaneous UK F51 L&GA WP | 1039 | n/a | n/a | 4.01% |
| Miscellaneous UK F51 Pensions WP | 1300 | n/a | n/a | 4.01% |
| | | | | |
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| | | | | |
| | | | | |
| | | | | |
| Total | 228786 | | | |

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Valuation result

| | | | |
|---|----|---------|---------|
| Fund carried forward | 11 | 4088320 | 4065999 |
| Bonus payments in anticipation of a surplus | 12 | 7277 | 6306 |
| Transfer to non-technical account | 13 | 70000 | 80000 |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 4165597 | 4152305 |
| Mathematical reserves | 21 | 4003420 | 3931797 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 162178 | 220508 |

Composition of surplus

| | | | |
|---|----|--------|--------|
| Balance brought forward | 31 | 133787 | 188801 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 28391 | 31707 |
| Total | 39 | 162178 | 220508 |

Distribution of surplus

| | | | |
|---|----|--------|--------|
| Bonus paid in anticipation of a surplus | 41 | 7277 | 6306 |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | 1144 | 416 |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | 8421 | 6721 |
| Net transfer out of fund / part of fund | 47 | 70000 | 80000 |
| Total distributed surplus (46+47) | 48 | 78421 | 86721 |
| Surplus carried forward | 49 | 83757 | 133787 |
| Total (48+49) | 59 | 162178 | 220508 |

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Valuation result

| | | | |
|---|----|---------|---------|
| Fund carried forward | 11 | 3859635 | 3838161 |
| Bonus payments in anticipation of a surplus | 12 | | |
| Transfer to non-technical account | 13 | 70000 | 80000 |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 3929635 | 3918161 |
| Mathematical reserves | 21 | 3775777 | 3704261 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 153858 | 213900 |

Composition of surplus

| | | | |
|---|----|--------|--------|
| Balance brought forward | 31 | 133900 | 188908 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 19958 | 24992 |
| Total | 39 | 153858 | 213900 |

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 | 70000 | 80000 |
| Total distributed surplus (46+47) | 48 | 70000 | 80000 |
| Surplus carried forward | 49 | 83858 | 133900 |
| Total (48+49) | 59 | 153858 | 213900 |

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2010**
 Units **£000**

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

Valuation result

| | | | |
|---|----|--------|--------|
| Fund carried forward | 11 | 228685 | 227838 |
| Bonus payments in anticipation of a surplus | 12 | 7277 | 6306 |
| Transfer to non-technical account | 13 | | |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 235962 | 234144 |
| Mathematical reserves | 21 | 227642 | 227535 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 8320 | 6608 |

Composition of surplus

| | | | |
|---|----|-------|-------|
| Balance brought forward | 31 | (113) | (108) |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 8433 | 6716 |
| Total | 39 | 8320 | 6608 |

Distribution of surplus

| | | | |
|---|----|-------|-------|
| Bonus paid in anticipation of a surplus | 41 | 7277 | 6306 |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | 1144 | 416 |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | 8421 | 6721 |
| Net transfer out of fund / part of fund | 47 | | |
| Total distributed surplus (46+47) | 48 | 8421 | 6721 |
| Surplus carried forward | 49 | (101) | (113) |
| Total (48+49) | 59 | 8320 | 6608 |

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : With-profits payouts on maturity (normal retirement)Name of insurer **Friends Provident Life Assurance Limited**Original insurer **National Mutual**Date of maturity value / open market option **01 March 2011**

| Category of with-profits policy | Original term (years) | Maturity value / open market option | Terminal bonus | MVA | CWP / UWP | MVA permitted? | Death benefit |
|---------------------------------|-----------------------|-------------------------------------|----------------|-----|-----------|----------------|---------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Endowment assurance | 10 | N/A | N/A | N/A | N/A | N/A | N/A |
| Endowment assurance | 15 | N/A | N/A | N/A | N/A | N/A | N/A |
| Endowment assurance | 20 | 34607 | 17303 | N/A | CWP | N | 34607 |
| Endowment assurance | 25 | 55288 | 24314 | N/A | CWP | N | 55288 |
| Regular premium pension | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| Regular premium pension | 10 | N/A | N/A | N/A | N/A | N/A | N/A |
| Regular premium pension | 15 | N/A | N/A | N/A | N/A | N/A | N/A |
| Regular premium pension | 20 | 156754 | 69668 | N/A | CWP | N | 156754 |
| Single premium pension | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 10 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 15 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 20 | N/A | N/A | N/A | N/A | N/A | N/A |

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

Name of insurer **Friends Provident Life Assurance Limited**
 Original insurer **National Mutual**
 Date of surrender value **01 March 2011**

| Category of with-profits policy | Duration at surrender (years) | Surrender value | Terminal bonus | MVA | CWP / UWP | MVA permitted? | Death benefit |
|---------------------------------|-------------------------------|-----------------|----------------|-----|-----------|----------------|---------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Endowment assurance | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| Endowment assurance | 10 | N/A | N/A | N/A | N/A | N/A | N/A |
| Endowment assurance | 15 | N/A | N/A | N/A | N/A | N/A | N/A |
| Endowment assurance | 20 | 32585 | N/A | N/A | CWP | N | 44343 |
| With-profits bond | 2 | N/A | N/A | N/A | N/A | N/A | N/A |
| With-profits bond | 3 | N/A | N/A | N/A | N/A | N/A | N/A |
| With-profits bond | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| With-profits bond | 10 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 2 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 3 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| Single premium pension | 10 | N/A | N/A | N/A | N/A | N/A | N/A |

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

Global business

Financial year ended **31 December 2010**Units **£000**

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

Insurance death risk capital component

| | | | | | | | |
|------------------------------|-----------|-------|----------|---------|------|-------|-------|
| Life protection reinsurance | 11 | 0.0% | | | | | |
| Classes I (other), II and IX | 12 | 0.1% | | | | | |
| Classes I (other), II and IX | 13 | 0.15% | | | 0.50 | | |
| Classes I (other), II and IX | 14 | 0.3% | 51228740 | 1624471 | | 76843 | 74129 |
| Classes III, VII and VIII | 15 | 0.3% | 729296 | 729296 | 1.00 | 2188 | 2072 |
| Total | 16 | | 51958035 | 2353767 | | 79031 | 76201 |

Insurance health risk and life protection reinsurance capital component

| | | | | | | | |
|--|----|--|--|--|--|------|------|
| Class IV supplementary classes 1 and 2 and life protection reinsurance | 21 | | | | | 6355 | 6355 |
|--|----|--|--|--|--|------|------|

Insurance expense risk capital component

| | | | | | | | |
|--|-----------|-----|---------|---------|------|-------|-------|
| Life protection and permanent health reinsurance | 31 | 0% | | | | | |
| Classes I (other), II and IX | 32 | 1% | 881913 | 786890 | 0.89 | 7869 | 7640 |
| Classes III, VII and VIII (investment risk) | 33 | 1% | 91505 | 91505 | 1.00 | 915 | 548 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 34 | 1% | 73766 | 73766 | 1.00 | 738 | 765 |
| Classes III, VII and VIII (other) | 35 | 25% | | | | | 1514 |
| Class IV (other) | 36 | 1% | (15453) | (30478) | 1.97 | (305) | (407) |
| Class V | 37 | 1% | | | | | |
| Class VI | 38 | 1% | | | | | |
| Total | 39 | | | | | 9217 | 10061 |

Insurance market risk capital component

| | | | | | | | |
|--|-----------|----|---------|---------|------|-------|--------|
| Life protection and permanent health reinsurance | 41 | 0% | | | | | |
| Classes I (other), II and IX | 42 | 3% | 881913 | 786890 | 0.89 | 23607 | 22920 |
| Classes III, VII and VIII (investment risk) | 43 | 3% | 91505 | 91505 | 1.00 | 2745 | 1644 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 44 | 0% | 73766 | 73766 | | | |
| Classes III, VII and VIII (other) | 45 | 0% | 4745300 | 3082880 | | | |
| Class IV (other) | 46 | 3% | (15453) | (30478) | 1.97 | (914) | (1220) |
| Class V | 47 | 0% | | | | | |
| Class VI | 48 | 3% | | | | | |
| Total | 49 | | 5777031 | 4004563 | | 25438 | 23344 |

| | | | | | | | |
|--|-----------|--|--|--|--|--------|--------|
| Long term insurance capital requirement | 51 | | | | | 120040 | 115961 |
|--|-----------|--|--|--|--|--------|--------|

Supplementary notes to the Return
 Friends Provident Life Assurance Limited
 Global Business
 Financial year ended 31 December 2010

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

| | <u>2010</u> <u>£000</u> | <u>2009</u> <u>£000</u> |
|---|--|--|
| Admissible assets (long term) | 4,203,105 | 4,166,352 |
| Admissible assets (other than long term) | 152,314 | 130,413 |
| Less: | | |
| Mathematical Reserves after distribution of surplus | 4,004,563 | 3,932,212 |
| Other Insurance & non-insurance liabilities | 40,999 | 25,317 |
| Liabilities other than long-term business | 5,114 | 5,008 |
| Net Admissible Assets | 304,743 | 334,228 |
| Form 3 Line 79 Capital resources after deductions | 304,743 | 334,228 |

***0310* Valuation differences**

Positive valuation differences included within line 14 are:

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

| | <u>2010</u> <u>£000</u> | <u>2009</u> <u>£000</u> |
|--|--|--|
| Reduction in liabilities arising from reinsurance agreement with Munich Re | 28,884 | 3,920 |
| Liability at amortised cost | 44,712 | 43,785 |
| Deferred front end fee | 47,978 | 32,015 |
| | 121,574 | 79,720 |

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

| | | |
|---|---------|--------|
| Removal of reinsurers' credit risk adjustment | 11,170 | 8,674 |
| Actuarial reserve for solvency II costs | 4,000 | - |
| Actuarial reserve for strategic review costs | 5,000 | 5,000 |
| Deferred tax | - | 48,289 |
| | 20,170 | 61,963 |
| Total equalling Form 3 Line 14 | 101,404 | 17,757 |

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

| | |
|---|--------------------------------|
| Profit and loss account reserves b/fwd | <u>£000</u> (28,429) |
| Profit and loss account reserves c/fwd | 292,380 |
| Movement | 320,809 |
| Transfer of assets from long term fund to shareholder fund | 70,000 |
| Surplus arising on the long-term business technical account | 25,237 |
| Share Capital/Prem Reduction | (394,012) |
| Total equalling Form 16 line 59 | 22,034 |

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

- i) The company held unlisted equity, fixed & variable interest securities valued at £0.5m.
- ii) Lines 46 & 48 include assets to the value of £0.5m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interests or remainders in property other than land or buildings.

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

The Company held hybrid securities valued at £26.9m in the long-term fund and £0.9m in the shareholder fund.

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

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

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

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

Actual counterparty exposure is regularly monitored through reports to the Investment Oversight Committee.

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

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

At 31 December 2010, there were no exposures in excess of 5% of the sum of its base capital resources requirement and its long-term insurance liabilities, excluding property-linked liabilities and net of reinsurance ceded.

***1307* & *1313* Fully secured rights**

The aggregate amount of fully secured rights is £28.8m; this has been included in Form 3 line 93.

Supplementary notes to the Return
 Friends Provident Life Assurance Limited
 Global Business
 Financial year ended 31 December 2010

***1318* Other asset adjustments**

| | <u>2010</u> £000 | <u>2009</u> £000 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Closed fund | | |
| Interfund | - | (169) |
| Variation margin | - | 456 |
| Intercompany | - | (409) |
| Tax creditor | (5,072) | - |
| Policy related control | - | (4) |
| | <hr/> | <hr/> |
| | (5,072) | (126) |
| Other business fund | | |
| Deferred taxation | - | 48,289 |
| Valuation difference on assets | (13) | (4) |
| Tax creditor | (3,202) | (1,549) |
| | <hr/> | <hr/> |
| | (3,215) | (46,736) |
| Shareholders | | |
| Interfund | - | (579) |
| Intercompany | - | (108) |
| Tax creditor | (5,114) | - |
| | <hr/> | <hr/> |
| | (5,114) | (687) |

***1324* Market risk and counterparty limits**

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

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

***1401* & *1501* Provision for reasonably foreseeable adverse variations**

The Company’s assets are valued on a mark to market basis. Where this is not possible, mark to model is calculated on a prudent basis and incorporates all necessary valuation adjustments 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 assets held by the Company.

Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2010

***1402* & *1502* Contingent Liabilities**

- i) No charge has been made on the assets of the Company (other than liabilities under an insurance contract).
- ii) Provision has been made for the total potential liability of £6.5m (2009: £1.5m) relating to taxation on unrealised capital gains arising in linked funds. There are no further contingent liabilities relating to unrealised capital gains tax.
- iii) In accordance with guidance issued by the Financial Services Authority and the Personal Investment Authority, the Company has reviewed the appropriateness of advice given to policyholders who effected personal pensions contracts after 1988.

These reviews have long since been substantially completed. £2.5m remains within the long-term business provision in respect of residual associated costs and contingencies.

- iv) Friends Provident Life Assurance Limited has given an undertaking to LAUTRO (subsequently transferred to the PIA and now to the FSA under the Financial Services and Markets Act 2000) that it will assume responsibility for all liabilities (including complaints) and any other matters which may arise in connection with the business conducted on its behalf by FP Financial Management Limited, formerly NM Financial Management Limited. At the balance sheet date, no claims have been paid or are pending.
- v) The FSA and other regulatory bodies may wish, in future, to examine the suitability of past sales and associated administration of products that could affect the Company and the industry in general. The directors of the Company also conduct ongoing reviews of such products. As a result, it is possible that additional unprovided liabilities could arise.
- vi) Liabilities in relation to endowment complaints are being provided for and settled by Friends Provident Life and Pensions Limited, of which the Company is a subsidiary.
- vii) The Company is not aware of any fundamental uncertainties.

***1405* Other adjustments to liabilities**

| | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| | <u>£000</u> | <u>£000</u> |
| Closed fund | | |
| Interfund | - | (169) |
| Variation margin | - | 456 |
| Taxation | (5,072) | - |
| Companies Act accounts fair value adjustment to liabilities | (51) | (57) |
| Intercompany | - | (409) |
| Policy related control | - | (4) |
| | <hr/> | <hr/> |
| | (5,123) | (183) |
| Other business fund | | |
| Reduction in liabilities arising from reinsurance agreement with Munich Re | 28,883 | 3,920 |
| Companies Act accounts fair value adjustment to liabilities | 24,580 | 30,163 |
| Deferred front end fees | 47,978 | 32,015 |
| Tax creditor | (3,202) | (1,549) |
| | <hr/> | <hr/> |
| | 98,239 | 64,459 |

Supplementary notes to the Return
 Friends Provident Life Assurance Limited
 Global Business
 Financial year ended 31 December 2010
***1507* Other adjustments**

| Other than long-term insurance business | <u>2010</u> £000 | <u>2009</u> £000 |
|--|---|---|
| Interfund | - | (579) |
| Intercompany | - | (108) |
| Taxation creditors netted off in account | (5,114) | - |
| | <hr style="width: 100%; border: 0.5px solid black;"/> (5,114) | <hr style="width: 100%; border: 0.5px solid black;"/> (687) |

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

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

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

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

***1701* Variation margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £32,261. Variation margin of £85,303 has been included in Form 13 line 44.

***1702* Quasi-derivatives**

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

***4002* Other income and expenditure**

Other income comprises of:

| Closed fund | <u>2010</u> £000 | <u>2009</u> £000 |
|-----------------------------|---|---|
| Policy loan income | 145 | 128 |
| | <hr style="width: 100%; border: 0.5px solid black;"/> 145 | <hr style="width: 100%; border: 0.5px solid black;"/> 128 |
| Other business fund | | |
| Interest received from FPLP | 102,380 | 98,508 |
| Munich Re loan | 28,306 | - |
| FPLP management charges | 17,074 | 15,672 |
| | <hr style="width: 100%; border: 0.5px solid black;"/> 147,760 | <hr style="width: 100%; border: 0.5px solid black;"/> 114,180 |

Other expenditure comprises of:

| Other business fund | <u>2010</u> £000 | <u>2009</u> £000 |
|------------------------------|-----------------------------------|-----------------------------------|
| Munich Re loan interest paid | 3,342 | 5,325 |

***4006* Long-term business funds**

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

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

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

Supplementary notes to the Return

Friends Provident Life Assurance Limited

Global Business

Financial year ended 31 December 2010

***4008* Management services**

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

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

***4009* Material connected party transactions**

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

During the period 1 January 2010 to 31 December 2010 the Company (paid)/received amounts as follows with respect to the property-linked funds reinsurance agreement between the Company and both FPLP and FPP:

| | |
|------|---------|
| FPLP | (£45m) |
| FPP | (£0.5m) |

Other reinsurance agreements with FPLP

Non profit life, non-linked term assurance and critical illness policies written by the company from 1 January 2004 during 2010 has been reinsured to FPLP under an agreement dated 28 October 2009. Under this agreement FPLP reassured 100% of the liabilities relating to this business with the Company receiving 100% of the premiums but accepting liability for 100% of the expenses associated with the business. The aggregate amount reassured in 2010 was £66m expense.

The unit liabilities on unit linked life & savings business written by the Company since 1 April 2004 are reinsured back to FPLP. The aggregate amount reassured in 2010 was £182m income.

Unit linked life business written pre 2004 in FPLP is reinsured to the company under an agreement dated 28 October 2009. The aggregate amount reassured in 2010 was £102m expense.

FPLP is the immediate parent undertaking of FPLAL and FPP.

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

Assets within this form have been valued as follows:

- i) Land and buildings have been valued at open market value.
- ii) Listed investments have been valued at market prices consistent with the pricing basis within those funds.
- iii) OEICs are carried at the market value at the balance sheet date.
- iv) Unit trusts are valued at either bid price or the price less discount as appropriate to the pricing basis of the respective internal fund.
- v) All other investments have been valued on a prudent basis having regard to their likely realisable value.

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

At the end of 2010 the internal linked funds held rights of £268k and liabilities of £548k under derivative contracts.

Supplementary notes to the Return
 Friends Provident Life Assurance Limited
 Global Business
 Financial year ended 31 December 2010

***4502* Other income and expenditure**

Other income and expenditure consists of

| | <u>2010</u> £000 | <u>2009</u> £000 |
|--------------------------------|---------------------|---------------------|
| Other income | | |
| Reassurance with FPLP | - | 1,518,921 |
| Interest on reinsurance | 102,380 | 98,508 |
| Total other income | <u>102,380</u> | <u>1,617,429</u> |
| Other expenditure | | |
| Investment related expenditure | 2,451 | 2,505 |
| Administrative expenses | 4 | (4) |
| Index linked | - | (368) |
| Reassurance with FPLP | 114,538 | - |
| Total other expenditure | <u>116,993</u> | <u>2,133</u> |

Amounts in other expenditure include reinsurance of unit-linked liabilities of £115m to FPLP; the assets backing these liabilities have been immediately deposited back by way of loan. Also included is an amount of £102m relating to interest on the loan.

***4802* Interest in default**

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

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

The investment returns in lines 21-29 column 5 for the Closed Fund have been based upon a specific portfolio of assets identified to back asset shares and on which the return credited to asset shares is based.

***4901* Rating agencies**

The majority of ratings used in Form 49 were provided either by Standard & Poor's or Moody's. Where ratings were not available from these agencies, ratings provided by Fitch rating agency have been used where available. It was not possible to separately identify "CCC" rated bonds from those of non-investment grade. All "CCC" rated bonds have, therefore, been included in L38.

***5600* Index-linked assets**

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

***5701* Negative reserves**

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

Where positive mathematical reserves have been entirely offset by negative reserves, the yield on backing assets is shown as the INSPRU 3.1.45 yield on which the valuation interest rate is based.

Supplementary notes to the Return
 Friends Provident Life Assurance Limited
 Global Business
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***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 | Other Business Fund | | Closed Fund | |
|----------------------------------|---------------------|---------------------|-------------|---------------------|
| | Yield | Risk Adjusted Yield | Yield | Risk Adjusted Yield |
| UK F51 L&GA WP | | | 4.01% | 4.01% |
| UK F51 L&GA NP | 3.93% | 3.92% | 4.01% | 4.01% |
| UK F51 L&GA NP | 3.66% | 3.66% | | |
| UK F52 L&GA | 3.93% | 3.92% | | |
| UK F53 L&GA NL | 3.66% | 3.66% | | |
| UK F51 Pensions WP | | | 4.01% | 4.01% |
| UK F51 Pensions WP | | | 4.01% | 4.01% |
| UK F51 Pensions NP | 3.93% | 3.92% | 4.01% | 4.01% |
| UK F51 Pensions NP | 5.18% | 4.79% | | |
| UK F53 Pensions NL | 3.93% | 3.92% | | |
| OS F51 NP | 3.66% | 3.66% | | |
| OS F53 NL | 3.66% | 3.66% | | |
| OS F53 NL | 4.19% | 4.19% | | |
| Miscellaneous UK F51 L&GA WP | | | 4.01% | 4.01% |
| Miscellaneous UK F53 L&GA NL | 0.65% | 0.65% | | |
| Miscellaneous UK F51 Pensions WP | | | 4.01% | 4.01% |
| Miscellaneous UK F51 Pensions NP | 0.65% | 0.65% | | |
| Miscellaneous UK F53 Pensions NL | 0.65% | 0.65% | | |
| Miscellaneous OS F53 NL | 0.65% | 0.65% | | |

**Additional information on derivative and quasi-derivative contracts
(IPRU (INS) rule 9.29)
Friends Provident Life Assurance Limited
Financial year ended 31 December 2010**

Derivative Contracts

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

- a) Investment Guidelines.
Investment guidelines operated by the company during 2010 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, namely 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.
No contracts were held during the financial year, which 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 Life Assurance Limited
Financial year ended 31 December 2010

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 Limited;
- (iii) Friends Provident Group plc;
- (iv) Friends Provident Holdings (UK) plc;
- (v) Resolution Holdings (Guernsey) Limited;
- (vi) Resolution Holdco No1LP;
- (vii) Resolution Limited;
- (viii) UBS AG.

(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 2010, Resolution Limited owned 99.99% of the Shares of Resolution Holdco No1LP, a company of which Friends Provident Life Assurance Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (ii) Resolution Holdco No1LP

As at 31 December 2010, Resolution Holdco No1LP owned 100% of the Shares of Resolution Holdings (Guernsey) Limited, a company of which Friends Provident Life Assurance 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 2010, Resolution Holdings (Guernsey) Limited owned 100% of the Shares of Friends Provident Holdings (UK) plc, a company of which Friends Provident Life Assurance Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iv) Friends Provident Holdings (UK) plc

As at 31 December 2010, Friends Provident Holdings (UK) plc owned 100% of the Shares of Friends Provident Group plc, a company of which Friends Provident Life Assurance 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 2010, Friends Provident Group plc owned 100% of the Shares of Friends Provident Limited, a company of which Friends Provident Life Assurance 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 2010, Friends Provident Limited owned 100% of the Shares of Friends Provident Life and Pensions Limited, a company of which Friends Provident Life Assurance 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 2010, Friends Provident life and Pensions Limited owned 100% of Friends Provident Life Assurance 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 31st December 2010
- (2) The previous investigation related to 31st December 2009
- (3) Not applicable .

2. Product Range

New products

The following products were introduced in 2010:

1. International Protector Africa

International Protector Africa was launched through Friends Provident International on 7th September 2010. This is a multi-currency term assurance with benefits payable on death, during a specified term.

The product has a regular premium Life Cover plan and is available on single and joint life first death basis. A terminal illness benefit is included for terms of 3 years or more.

Premiums are guaranteed and are payable either monthly or annually. The product is offered in Sterling, US Dollars and Euros, with the premium currency being the same as the sum assured currency during the policy term.

The sum assured under a joint life policy is the same for both lives. A policy can be cancelled, the sum assured or/and term reduced, at any point during the policy term.

2. Friends Plan*classic*

This unit-linked pension insurance plan is an addition to the Friends Plan product range and was launched on 17th September 2010. The product is only sold to German residents, is governed by German Law and is compliant with the VVG regulations in force from 1/1/08. It provides an annuity option as well as a cash option at retirement, in order to comply with local regulations, but the annuity option is highly unlikely to be more favourable than annuity purchase rates at the time of vesting. A death benefit is payable in deferment equal to the return of premiums in the first 3 years and a selected sum assured thereafter, or the unit value if greater.

Regular premium contributions can be increased subject to the minimum contribution increase in place at the time. They can also be decreased subject to tax considerations and a minimum contribution threshold. A premium holiday of up to 12 consecutive months can be requested at any time after the policy has been in force and regular premium contributions have been paid for at least 6 months. At the end of the 12 months, the premium contribution holiday can continue, provided that the value of the unit holding is greater than the current minimum policy value.

The policy guarantees return of premium (less any amounts paid out to date) at the selected retirement date, for which a charge is made. There is the option to remove this guarantee and charge after 5 years and once taken this cannot be reversed. Increments are only included in this guarantee if the remaining duration of the contract is at least 12 years from the date of the increment

A number of charges apply to the product, namely:

- Guaranteed return of premium charge expressed as a percentage of premium.
- Plan fee – a fixed amount is deducted from each regular premium.
- Reduced allocation – there is a reduced allocation period of 60 months for all regular premium contributions. The reduction depends upon the term of the contract.
- Annual charge – a reduction in the allocation rate for durations of more than 24 months.
- Plan administration charge – a monthly charge expressed as a percentage of unit value.

- Mortality charge – where the sum assured exceeds the unit value.
- Annual management charges which depend on the fund.

Partial and full surrenders are available at any time up to maturity, subject to a surrender fee.

Changes to existing products

1. Tesco Life Insurance Products

The optional waiver of premium benefit has been removed.

2. Tesco Over 50s Plan

If death occurs during the first 2 years of the policy start date, the policy will now pay 1.5 times the premiums.

The exclusions for accidental death benefits have been amended.

3. Enhancements to Critical Illness Cover

Total mastectomy cover has now been included. This extra cover will not reduce the client's original sum assured so their policy can continue unchanged.

Five further conditions have been enhanced to ABI+ cover, giving a total of 7 conditions at ABI+.

These changes have also been extended to Children's Critical Illness Cover.

4. Income Protection

The option to increase cover on the Income Protection and Executive Income Protection products is now available on an extended range of events, namely birth/abortion of a child, marriage/civil partnership, increase in salary by 5% or more, promotion or on the third anniversary of the plan for the first 18 years.

Products Withdrawn

No products were withdrawn in 2010.

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

3. Discretionary Charges and Benefits

- (1) No Market value reduction (MVR) factors were applied during 2010.
- (2) There have been no changes to premiums on reviewable protection policies during the year.
- (3) There are no non-profit deposit administration contracts.
- (4) Policy fees for a number of products increase in line with the RPI. This was negative during 2009 and a decision was taken to freeze charges during 2010. To maintain fairness to customers, any future positive inflation will be offset by the deflation from last year. The relevant business is:
 - Optimum Life Plan
 - Income Replacement Plan

Policy fees for certain products are linked to the National Average Earnings index; the charges in 2010 were 1.5% greater than in 2009. The relevant business is:

- Personal Pension Scheme

Policy fees for the Universal Pension Account are subject to discretionary increases; the charges in 2010 were kept the same as those in 2009. Historically the charges have been linked to the RPI and, as above, any future positive inflation will be offset by the deflation from last year.

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

(7) Unit Pricing

(a) Description of Methods

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

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

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

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

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

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

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

| | |
|----------------|------|
| Cash | 0%; |
| Fixed Interest | 20%; |
| Index Linked | 20%; |
| Other | 20%. |

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

During 2010 the percentage was applied in order to achieve tax provisions on gains as follows:

| | |
|----------------|------|
| Cash | 0%; |
| Fixed Interest | 20%; |
| Index Linked | 20%; |
| Other | 20%. |

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

4. Valuation Basis (Other Than for Special Reserves)

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

(1) Valuation Methods Used

(a) General Method

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

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

(b) General Principles

- (i) All policies are individually valued and, other than for non-profit protection products, any negative reserves arising on individual contracts as the result of the valuation method adopted have been eliminated. As a result these contracts are not treated as an asset.
- (ii) For conventional life, critical illness and income protection policies, a prudent allowance for lapses has been made. In addition, a prudent allowance is made for regular withdrawals where this increases the liability.

- (iii) The valuation liabilities ceded to external reinsurers, where positive, have been reduced by 5% to allow for credit risk. Where reserves ceded are negative, there is no credit risk. Credit risk is quantified by projecting reinsurance credit risk exposures, multiplying by a prudent estimate of the probability of default and then discounting to the valuation date to arrive at the total cost.

(c) Non Standard Methods

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

- Where an extra premium is payable on a life assurance policy to cover additional mortality risk, a reserve of three times the extra premium is held. For income protection business, where an extra premium is payable the assumed inception rates are increased by a proportion equal to twice the extra premium divided by the total premium.
- A reserve equal to a multiple of premium is held for some minor ancillary benefits.
- The amount held as a reserve against the payment of extra benefits in the event of accidental death and against the payment of benefits or the waiver of premiums in the event of total disablement was three times the additional annual premium payable for this benefit.
- For single premium income protection business the liability in respect of benefits secured by premiums paid during the preceding three years is 90% of those premiums. Where claims are in course of payment after three years, they are valued individually as life annuities ceasing on the earlier of recovery, death or ceasing age. Hospitalisation benefit claims are assumed to be 0.006% of the annual policy benefit.

(2) Valuation Interest Rates

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

| | 31.12.2010 | | | | 31.12.2009 | | | |
|---|------------|------|------|-----|------------|------|------|-----|
| | L & GA | | Pens | IP | L & GA | | Pens | IP |
| | UK % | OS % | % | % | UK % | OS % | % | % |
| Annuities in possession | 2.8 | | 3.5 | | 3.0 | | 3.8 | |
| Other non-profit business and unit linked | 2.8 | | 3.5 | 3.5 | 3.0 | | 3.8 | 3.8 |
| Unitised With Profits | 2.8 | | | | 3.3 | | | |
| With-profits deferred annuities: | | | | | | | | |
| in deferment | 2.6 | | 3.3 | | 2.8 | | 3.6 | |
| in possession | 2.8 | | 3.5 | | 3.0 | | 3.8 | |
| Other with-profit business | 2.6 | | 3.3 | | 2.8 | | 3.6 | |
| Pension annuities written between 01/01/2007 and 30/06/2008, reinsured from Friends Provident Pensions Limited. | | | 4.60 | | | | 4.93 | |

Interest rates assumed for policies where negative reserves are permitted:

| | 31.12.2010 | | | | 31.12.2009 | | | |
|-----------|------------|------|------|-----|------------|------|------|-----|
| | L & GA | | Pens | IP | L & GA | | Pens | IP |
| | UK % | OS % | % | % | UK % | OS % | % | % |
| Low rate | 2.3 | 3.0 | 3.0 | 3.0 | 2.5 | 3.3 | N/A | 3.3 |
| High rate | 5.0 | 5.0 | N/A | N/A | 5.4 | 5.4 | N/A | N/A |

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

(2) Adjustment of Yields for Risk

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

The deduction for individual bonds may be restricted such that the risk-adjusted yield is not less than that on a British Government security of equivalent duration.

The following deductions have been made from gross redemption yields:

| Credit Rating | Term to Redemption (years) | | |
|---------------|----------------------------|-------|-----|
| | 0-10 | 10-20 | 20+ |
| AAA | 12 | 11 | 16 |
| AA | 56 | 45 | 41 |
| A | 104 | 71 | 63 |
| BBB | 203 | 145 | 126 |
| BB | 387 | 296 | 253 |
| B | 544 | 422 | 384 |
| Below B | 1280 | 830 | 686 |

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

- (c) In compliance with INSPRU 3.1.37R, the running yield on equities is calculated as the greater of the dividend yield and the average of the dividend yield and the earnings yield. This yield and the yield on property 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):

| | 31.12.2010 | | 31.12.2009 | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Male | Female | Male | Female |
| Regular Premium Income Protection | | | | |
| Lives not claiming | 60% AM80 | 60% AF80 | 60% AM80 | 60% AF80 |
| Lives claiming | 58.5% CMI12 for sick lives | 58.5% CMI12 for sick lives | 58.5% CMI12 for sick lives | 58.5% CMI12 for sick lives |
| Term Assurances Paying Death Benefits Only | | | | |
| Smokers | 93% TMS00 (Select) (5) | 88% TFS00 (Select) (5) | 93% TMS00 (Select) (5) | 88% TFS00 (Select) (5) |
| Non-Smokers | 93% TMN00 (Select) (5) | 86% TFN00 (Select) (5) | 93% TMN00 (Select) (5) | 86% TFN00 (Select) (5) |
| Non-Differentiated ⁽¹⁾ | 105% TMN00 (Select) (5) | 105% TFN00 (Select) (5) | 105% TMN00 (Select) (5) | 105% TFN00 (Select) (5) |
| With Profit Term Assurance | 105% TMN00 (Select) (5) | 105% TFN00 (Select) (5) | 105% TMN00 (Select) (5) | 105% TFN00 (Select) (5) |

| | 31.12.2010 | | 31.12.2009 | |
|--|---------------|---------------|---------------|---------------|
| | Male | Female | Male | Female |
| Term Assurances - Endowments | | | | |
| With Profit Endowments | 80% AM80 | 80% AF80 | 80% AM80 | 80% AF80 |
| Unit Linked Business | | | | |
| Pre-2003 Business | 80% A67/70 | 80% A67/70 | 80% A67/70 | 80% A67/70 |
| Post-2003 business – Regular premium - Life | 130% AMC00 | 130% AFC00 | 130% AMC00 | 130% AFC00 |
| Post-2003 business – Other | 110% AMC00 | 110% AFC00 | 110% AMC00 | 110% AFC00 |
| Deferred Annuities | | | | |
| - in deferment | 65% AMC00 | 55% AFC00 | 65% AMC00 | 55% AFC00 |
| - Annuity Options on Vesting – Individual Contracts | | | | |
| Pension business | 59-93% RMV00 | 61-93% RFV00 | 56-94% RMV00 | 58-94% RFV00 |
| - Options on Vesting – Executive Pensions | | | | |
| Pension business | 70-93% PCMA00 | 77-93% PCFA00 | 67-94% PCMA00 | 75-94% PCFA00 |
| Annuities in Possession – Individual Contracts | | | | |
| Pension business (Pre 2003) | 84-93% RMV00 | 87-93% RFV00 | 83-94% RMV00 | 87-94% RFV00 |
| Pension business (2007 - 2008) | 59-93% RMV00 | 61-93% RFV00 | 56-94% RMV00 | 58-94% RFV00 |
| Annuities in Possession – Group Contracts | | | | |
| Pension business (Pre 2003) | 82-93% PCMA00 | 90-93% PCFA00 | 81-94% PCMA00 | 90-94% PCFA00 |
| Pension business (2007 - 2008) | 70-93% PCMA00 | 77-93% PCFA00 | 67-94% PCMA00 | 75-94% PCFA00 |

⁽¹⁾ 'Non-differentiated' refers to a separate block of business where smoker status was not disclosed. This business is assumed to have a different mortality experience to business sold where smoker status was required to be disclosed and hence uses a different percentage of the mortality table.

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

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

Annuity options on vesting – individual contracts
RMV92/RFV92 C2025

| Current Age | Expectation at Age | 31.12.2010 | | 31.12.2009 | |
|-------------|--------------------|------------|--------|------------|--------|
| | | Male | Female | Male | Female |
| 45 | 65 | 21.01 | 23.71 | 21.01 | 23.71 |
| 55 | 65 | 21.01 | 23.71 | 21.01 | 23.71 |
| 65 | 65 | 21.01 | 23.71 | 21.01 | 23.71 |
| 75 | 75 | 13.24 | 15.20 | 13.24 | 15.20 |

Options on vesting – executive pensions
PMA92/PFA92 C2025

| Current Age | Expectation at Age | 31.12.2010 | | 31.12.2009 | |
|-------------|--------------------|------------|--------|------------|--------|
| | | Male | Female | Male | Female |
| 45 | 65 | 20.19 | 23.13 | 20.19 | 23.13 |
| 55 | 65 | 20.19 | 23.13 | 20.19 | 23.13 |
| 65 | 65 | 20.19 | 23.13 | 20.19 | 23.13 |
| 75 | 75 | 12.10 | 14.77 | 12.10 | 14.77 |

Annuities in possession - individual contracts - pension business (Pre 2003)
Modified RMV00/RFV00 for 2010, Modified RMV00/RFV00 for 2009

| Current Age | Expectation at Age | 31.12.2010 | | 31.12.2009 | |
|-------------|--------------------|------------|--------|------------|--------|
| | | Male | Female | Male | Female |
| 45 | 65 | 29.49 | 30.88 | 26.82 | 28.40 |
| 55 | 65 | 27.15 | 29.06 | 25.44 | 27.33 |
| 65 | 65 | 24.94 | 27.32 | 24.00 | 26.24 |
| 75 | 75 | 15.47 | 17.27 | 15.09 | 16.71 |

Annuities in possession - group contracts - pension business (Pre 2003)
Modified PCMA00/PCFA00 for 2010, Modified PCMA00/PCFA00 for 2009

| Current Age | Expectation at Age | 31.12.2010 | | 31.12.2009 | |
|-------------|--------------------|------------|--------|------------|--------|
| | | Male | Female | Male | Female |
| 45 | 65 | 29.60 | 30.05 | 26.79 | 27.48 |
| 55 | 65 | 27.15 | 28.11 | 25.31 | 26.33 |
| 65 | 65 | 24.83 | 26.26 | 23.80 | 25.17 |
| 75 | 75 | 15.21 | 16.50 | 14.79 | 15.95 |

Annuities in possession - group contracts - pension business (2007-2008)
Modified PCMA00/PCFA00 for 2010, Modified PCMA00/PCFA00 for 2009

| Current Age | Expectation at Age | 31.12.2010 | | 31.12.2009 | |
|-------------|--------------------|------------|--------|------------|--------|
| | | Male | Female | Male | Female |
| 45 | 65 | 30.10 | 30.52 | 27.33 | 27.99 |
| 55 | 65 | 27.70 | 28.61 | 25.88 | 26.87 |
| 65 | 65 | 25.42 | 26.80 | 24.42 | 25.74 |
| 75 | 75 | 15.53 | 16.83 | 15.12 | 16.29 |

Modifications to standard tables for the 31.12.2010 valuation are based on CMI Working Paper 1 entitled "An interim basis for adjusting the '92' series mortality projections for cohort effects". An allowance is made for future improvement, applied from 2001, using percentages of the Medium Cohort. In 2009, the average of the Medium and Long Cohort was used. The percentages used were 100% for males and 75% for females in both the 2010 and 2009 valuations, subject to a minimum annual rate of improvement. For males, this minimum is assumed to be 1.5% p.a. before 2010 and 2.1% p.a. after 2010; for females it is 1.25% p.a. before 2010 and 1.8% p.a. after 2010. In 2009, the minimum annual rate of improvement was 1.5% p.a. for males and 1.25% p.a. for females for all years.

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

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

| | 31.12.2010 | 31.12.2009 |
|----------------------|------------|------------|
| Males Smokers | 53% | 53% |
| Males Non-smokers | 46% | 46% |
| Males Unclassified | 48% | 48% |
| Females Smokers | 122% | 122% |
| Females Non-smokers | 106% | 106% |
| Females Unclassified | 111% | 111% |

The recovery rates have been adjusted by the following proportions:

| Policy Year | 31.12.2010 | 31.12.2009 |
|-------------|------------|------------|
| 1 | 32% | 32% |
| 2 | 59% | 59% |
| 3-5 | 68% | 68% |
| 6+ | 41% | 41% |

- (b) The valuation of single premium Income Protection claims in payment, for both the 2010 and 2009 valuations, are assumed to have 40% of the ultimate recovery and mortality rates for sick lives published in the CMI Report No. 12.
- (c) The mortality and morbidity tables for critical illness used in the 2010 valuation are as follows:

| | 31.12.2010 | | 31.12.2009 | |
|---|--------------------|---------------------|--------------------|---------------------|
| | Male | Female | Male | Female |
| Accelerated Critical Illness Mortality | | | | |
| - Smokers | 89% CIBT02 mort | 111% CIBT02 mort | 89% CIBT02 mort | 111% CIBT02 mort |
| - Non-Smokers | 45% CIBT02 mort | 51% CIBT02 mort | 45% CIBT02 mort | 51% CIBT02 mort |
| Standalone Critical Illness Morbidity | | | | |
| - Smokers | 87% CIBT02 | 89% CIBT02 | 87% CIBT02 | 89% CIBT02 |
| - Non-Smokers | 51% CIBT02 | 64% CIBT02 | 51% CIBT02 | 64% CIBT02 |

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

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

| | Per annum Deterioration Factors (no Maximum Values) | |
|---------|--|------------|
| | 31.12.2010 | 31.12.2009 |
| Males | 1.25% | 1.25% |
| Females | 1.50% | 1.50% |

(6) Expense Bases

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

Tax relief in the life fund is assumed to be:

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

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

Closed Fund

All classes of business in the Closed Fund have been valued on a net premium valuation basis, with no Zillmer adjustments applied. The same method was used for 2009.

Other Business Fund

| Class | | 31.12.2010 | | | | 31.12.2009 | | | |
|---|-------------------|---------------------|------------------------|---------------------------------------|-----------------|---------------------|------------------------|---------------------------------------|-----------------|
| | | Zilmer Adj. % SA | Annual Expense £ | Investment Expense % of Fund pa | % of Premium | Zilmer Adj. % SA | Annual Expense £ | Investment Expense % of Fund pa | % of Premium |
| Term Assurance (325 / 330) | Premium Paying | N/a | 22.70 | 0.125 | 0 | N/a | 21.72 | 0.122 | 0 |
| | Otherwise | N/a | 15.78 | 0.125 | 0 | N/a | 15.10 | 0.122 | 0 |
| Critical Illness (340 / 345 / 350 / 355) | Premium Paying | N/a | 22.70 | 0.125 | 0 | N/a | 21.72 | 0.122 | 0 |
| | Otherwise | N/a | 15.78 | 0.125 | 0 | N/a | 15.10 | 0.122 | 0 |
| Income Protection (360 / 365) | All | N/a | 28.55 | 0.125 | 0 | N/a | 27.32 | 0.122 | 0 |
| Income Protection Claims in Payment(385) | All | N/a | N/a | N/a | 8% of claims | N/a | N/a | N/a | 8% of claims |
| Annuity (400) | All | N/a | 18.45 | 0.060 | 0 | N/a | 17.66 | 0.059 | 0 |
| UWP Bond (500) | All | N/a | 29.80 | 0.125 | 0 | N/a | 28.52 | 0.122 | 0 |
| UWP Savings Endowment (510) | Premium Paying | N/a | 34.28 | 0.125 | 0 | N/a | 32.80 | 0.122 | 0 |
| | Otherwise | N/a | 29.80 | 0.125 | 0 | N/a | 28.52 | 0.122 | 0 |
| UWP Target Cash Endowment (515) | Premium Paying | N/a | 34.28 | 0.125 | 0 | N/a | 32.80 | 0.122 | 0 |
| | Otherwise | N/a | 29.80 | 0.125 | 0 | N/a | 28.52 | 0.122 | 0 |
| UWP Regular Premium Pension (525 / 545) | Premium Paying | N/a | 30.44 | 0.125 | 0 | N/a | 29.13 | 0.122 | 0 |
| | Otherwise | N/a | 20.82 | 0.125 | 0 | N/a | 19.92 | 0.122 | 0 |
| UWP Single Premium Pension (525 / 545) | All | N/a | 17.15 | 0.125 | 0 | N/a | 16.41 | 0.122 | 0 |
| UL Bond (700) | All | N/a | 13.47 | 0.361 | 0 | N/a | 12.68 | 0.353 | 0 |
| UL Savings Endowment (715) | Premium Paying | N/a | 80.83 | 0.361 | 0 | N/a | 76.09 | 0.353 | 0 |
| | Otherwise | N/a | 13.47 | 0.361 | 0 | N/a | 12.68 | 0.353 | 0 |
| UL Target Cash Endowment (720) | Premium Paying | N/a | 80.83 | 0.361 | 0 | N/a | 76.09 | 0.353 | 0 |
| | Otherwise | N/a | 13.47 | 0.361 | 0 | N/a | 12.68 | 0.353 | 0 |
| UL Regular Premium Pension (725) | Premium Paying | N/a | 107.77 | 0.361 | 0 | N/a | 101.45 | 0.353 | 0 |
| | Otherwise | N/a | 13.47 | 0.361 | 0 | N/a | 12.68 | 0.353 | 0 |
| UL Single Premium Pension (725) | All | N/a | 13.47 | 0.361 | 0 | N/a | 12.68 | 0.353 | 0 |
| UL Group Single Premium Pension | All | N/a | 13.47 | 0.361 | 0 | N/a | 12.68 | 0.353 | 0 |

- (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:

| x | 31.12.2010 | | | 31.12.2009 | | |
|----------------------------|-----------------------|-----|--------------------------------|-----------------------|-----|--------------------------------|
| | 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 | 4.4 | N/a | N/a | 4.7 |
| Income Protection | N/a | N/a | 4.4 | N/a | N/a | 4.7 |
| Unitised | 3.5 | 2.8 | 4.4 | 3.8 | 3.0 | 4.7 |

For policies with explicit policy charges, these charges increase in line with the RPI or National Average Earnings Index. It has been assumed that future RPI is 3.4% p.a., and that future NAEI is 1% higher at 4.4% p.a.

- (8) The liabilities for accumulating with-profit policies are fully reassured to FPLP. The future bonus rates used in valuing these contracts are zero.
- (9) A summary of the lapse assumptions is shown below:

| Product | | Average lapse / surrender / paid-up rate for the policy years | | | |
|--|----------------------|--|--------|--------|--------|
| | | 1-5 | 6-10 | 11-15 | 16-20 |
| | | % p.a. | % p.a. | % p.a. | % p.a. |
| Level term (incl. critical illness) - low rate | Lapse | 8.0 | 4.3 | 2.5 | 2.5 |
| Level term (incl. critical illness) – high rate | Lapse | 14.8 | 7.9 | 4.6 | 4.6 |
| Decreasing term (incl. critical illness) - low rate | Lapse | 8.3 | 6.6 | 4.6 | 4.6 |
| Decreasing term (incl. critical illness) - high rate | Lapse | 15.3 | 12.2 | 8.5 | 8.5 |
| Income protection – low rate | Lapse | 7.4 | 6.2 | 4.6 | 4.6 |
| Income protection – high rate | Lapse | 13.8 | 11.6 | 8.5 | 8.5 |
| UWP bond | Surrender | n/a | n/a | n/a | n/a |
| UWP bond | Partial Surrender | 5.0 | 5.0 | 5.0 | 5.0 |
| UWP Individual Pension | PUP | n/a | n/a | n/a | n/a |
| UL bond | Surrender | n/a | n/a | n/a | n/a |
| UL bond | Partial Surrender | 5.0 | 5.0 | 5.0 | 5.0 |

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

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

(10) There are no other material assumptions.

(11) Derivatives are shown at market value using quoted prices where exchange-traded and prices from counterparties otherwise. Combined yields are calculated for assets with covering derivatives, whether in-the-money or out-of-the-money, in accordance with INSPRU 3.1.30R. The interest rates used in the valuation of liabilities are consistent with the yields on backing assets, reflecting covering derivatives if appropriate. In the calculation of the resilience capital requirement the derivative values and the yields on the combined assets are recalculated to reflect the market risk scenario being tested.

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

| | 31/12/06 | 31/12/07 |
|--|----------|----------|
| Allowance for lapses on valuation of protection business | £2.6m | £69.5m |
| Allowance for negative reserves on valuation of protection business | £55.6m | £143.0m |
| Allowance for lapses on valuation of unit-linked business | - | - |
| Allowance for negative reserves on valuation of unit-linked business | £1.6m | - |

The impact would have been greater in 2007 were it not for the fact that £119m of negative reserves were still eliminated in accordance with INSPRU 1.2.24 (3)R.

5. Options and Guarantees

(1) Guaranteed Annuity Rate Options

Deferred annuities are valued as the greater of the present value of the annuity or, if appropriate, the alternative cash fund available at vesting for the purchase of an annuity. It has been assumed that all cashable deferred annuities have such a guarantee. It is assumed that 95% of the fund at retirement is taken in the form of an annuity.

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

| Product Name | Basic Reserve | Outstanding Durations | Guarantee Reserve | Guaranteed Rate | Increments allowed | Annuity Form | Retirement Ages |
|---------------------------------|---------------|-----------------------|-------------------|-----------------|--------------------|---|-----------------|
| (i) | (ii) £m | (iii) | (iv) £m | (v) | (vi) | (vii) | (viii) |
| Conventional Deferred Annuities | 41.90 | Up to 15 years | 32.9 | 10% | No | Single Life; monthly in advance, guaranteed 5 years | 60-70 |
| Personal Pension (pre Series D) | 24 | Up to 15 years | 6.5 | 9.5% | No | Single life, monthly in advance, guaranteed 5 years | 60-75 |

(2) Guaranteed Surrender and Unit-Linked Maturity Values

(a) A number of unit-linked pension savings contracts contain a guaranteed return of premium at the policyholder's normal retirement date. The reserve for this guarantee is calculated with the Black-Scholes option pricing formula, using market consistent assumptions. A benefit from future lapses is allowed for, reducing this reserve. The guarantee offered is optional, but to incorporate prudent margins in the reserve, a 100% take-up rate is assumed – at the end of 2010 the actual take-up rate was approximately 58%.

(b) Further details of the guarantee are shown in the table below:

| Product Name (i) | Basic Reserve (ii) £m | Outstanding Durations (iii) | Guarantee Reserve (iv) £m | Guaranteed Amount (v) | MVA Free Conditions (vi) | In-force Premiums (vii) £m | Increments (viii) |
|----------------------|-----------------------|-----------------------------|---------------------------|---|--------------------------|----------------------------|--|
| Friends Planbasic | 63 | Up to 65 years | 7 | Return of the total premiums paid on the policy at the policyholder's normal retirement date. | n/a | 49 | Yes, providing they occur more than 12 years before the policyholder's normal retirement date. |
| Friends Planbusiness | | | | | | | |
| Friends Planprivate | | | | | | | |

(3) Guaranteed Insurability Options

(a) Guaranteed Insurability Options arise mainly in respect of older contracts. As a result, any additional mortality arising is embedded in the company's mortality experience and is already reflected within the mortality assumptions set out in 4(4) above. Consequently, no additional reserve is held in respect of Guaranteed Insurability Options. The total sum assured on contracts with these options is less than £1bn.

(4) Other Guarantees and Options

Small additional reserves are held in respect of other options and guarantees.

6. Expense Reserves

(1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £26.3m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below:

| Homogeneous Risk Group | Implicit allowances £m | Explicit allowance (investment) £m | Explicit allowances (other) £m | Non-attributable expenses £m | Total £m |
|-----------------------------|---------------------------|---------------------------------------|-----------------------------------|---------------------------------|-------------|
| Post April 2004 Unit Linked | | 3.2 | 4.0 | 1.2 | 8.4 |
| All Expenses Attributable | | 3.0 | 14.9 | | 17.9 |
| Total | | 6.2 | 18.9 | 1.2 | 26.3 |

- (2) Where a net premium method has been used, the implicit allowance for expenses is the difference between the value of the future net premiums and the value of the future gross premiums. Otherwise, there is no implicit allowance for expenses.
- (3) The maintenance expenses in line 14 of Form 43 are £23.6m. Line 14 includes £0.5m in respect of expenses related to the purchase of investments in linked funds. These expenses are charged directly to those funds and therefore offset by equal reductions in the unit liability so no additional reserves are held. The remaining difference from allowances arises from margins for adverse deviation.
- (4) The value of future profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is held.
- (5) The cost of closure to new business has been estimated, allowing in particular for redundancy costs and the cost of vacating properties. This was less than margins expected to emerge from in-force business on a prudent basis. Hence no additional reserve was required.
- (6) Non-attributable expenses have only been calculated for unit-linked and UWP products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation (or bonus reserve valuation for UWP), the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

7. Mismatching Reserves

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

| Currency | Value of liabilities (£m) | Value of assets (£m) |
|--------------|---------------------------|----------------------|
| Sterling | 752 | 946 |
| Total | 752 | 946 |

- (2) As noted above, Friends Provident Life Assurance Limited has no liabilities denominated in currencies other than sterling.
- (3) Sterling liabilities are wholly matched by sterling assets, consequently no reserve for currency mismatching is considered necessary.
- (4) The most onerous of the scenarios specified by INSPRU 3.1.16R was:
 - A fall in the market value of equities of 10%;
 - A fall in real estate values of 20%; and
 - A fall in yields on all fixed interest securities of 0.80% 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 £25m.
 - (b) The long-term insurance liabilities increased by £63.6m.

- (c) The value of the assets allocated to match these liabilities increased by £44.3m from their value as shown in Form 13.
- (7) The nature and term of the assets matching liabilities is regularly reviewed to ensure continued appropriateness and no additional provision was required at the valuation date to ensure that the company could meet its obligations as they arise.

8. Other Special Reserves

Other special reserves in excess of 0.1% of the mathematical reserves (£4.0m) have been held as follows:

- (1) Provision of £7m to allow for a prudent estimate of expense overruns in respect of OLAB business during the period 2011-15.
- (2) A reserve of £5m to allow for adverse deviation of renewal expenses, in addition to that implicit in the per policy expense assumptions.

9. Reinsurance

- (1) No premiums for reinsurance ceded on a facultative basis were paid during 2010 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 on pages 122 and 123, 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 2010 are quoted in the table.
 - (g) There were no deposit back arrangements.
 - (h) Availability to new business is quoted in the table.
 - (i) There are no undischarged obligations of the insurer.
 - (j) The mathematical reserves ceded under the treaty are quoted in the table.
 - (k) Retentions on new business are quoted in the table.
 - (l) All reinsurers quoted in the table are authorised to carry on insurance business in the UK.
 - (m) Connections of any reinsurer to the Company are quoted in the table.
 - (n) Apart from any reserves ceded internally the mathematical reserves shown in the table have been reduced by £11.2m to allow for credit risk.
 - (o) No provision has been made for the Company's liability to refund reinsurance commission in the event of lapse or surrender of the contracts reinsured. This is because the premiums recoverable will exceed any commission refundable.
 - (p) Munich Re Financing Treaty
 - (i) Cashflows are made up of premium and clawback margins in respect of the unit linked savings plans (Friends Plan Basic, Friends Plan Private and Friends Plan Business) sold in Germany between 1st September 2006 and 31st December 2007. Premium margins represent that portion of each premium paid not allocated to policyholder units less cost of renewal commission. Clawback margins represent clawback of initial commission in respect of lapses, surrenders and paid up policies in each month.

| Treaty Effective Date | Capacity Limit (EUR) | Interest rate |
|-----------------------|----------------------|--|
| 31 December 2007 | 25m | EURIBOR + 1.75% |
| 1 January 2010 | 15m | EURIBOR + 3.35% EURIBOR + 3.60% from 29 December 2010 |

Each month cashflows are paid into a deficit account, which, after deducting interest as in the table above, reduces the amount outstanding to the Reinsurer. The balance outstanding on the deficit account must not exceed 35m euros.

- (ii) The sterling reserve calculation takes into account the cashflows due to the Reinsurer. There is no overall affect on the sterling reserves as the sterling reserve is limited by the surrender penalty on the contract, both before and after taking the reinsurance premiums into account. The net impact is the regulatory excess capital at 31st December 2010 is increased by £28.9m, the outstanding value of the loan from Munich Re at 31st December 2010, which is not treated as a liability in Form 14.

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

| (d) Reinsurer | (e) Nature and extent of cover under the treaty | (f) Premiums payable £m | (h) New business | (j) Mathematical reserves £m | (k) Retention for new policies | (m) Connected Company |
|--|--|------------------------------------|-----------------------------|---|---|----------------------------------|
| Munich Reinsurance Company | Unit Linked business financing treaty providing 40m euros of finance subject to repayments as set out above in section p. | 0 | Closed | 0 | N/A | No |
| Swiss Re Life & Health Ltd (including Swiss Re Europe) | 1 st surplus reinsurance for Group Life in excess of £1m up to £3m. | 6 | Open | 5 | £1m | No |
| | 1st surplus reinsurance for Individual IP for excess over £15,600 p.a. initial benefit up to £156,000 p.a. | | | | £15,600 p.a. for IP | No |
| | Quota share reinsurance for non-linked life for 65% up to a maximum retention of £500,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect July 2005 percentage changed from 65% to 75%. With effect August 2006 percentage for decreasing term assurance (life cover only) decreased from 75% to 50%. With effect August 2007 level and decreasing life cover no longer reinsured. | | | | 25% | No |
| | 1 st surplus reinsurance for Individual Income Protection. | | | | £300pw | No |
| | 1 st surplus reinsurance for Individual Income Protection for £2,000 p.w initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). With effect from January 2007 benefit increased to £2,700 p.w. plus NI and pension fund contributions. | £300pw | | | | |
| | 1 st surplus reinsurance for Executive Income Protection for £2,000 p.w initial benefit and over in some cases (except nil for D4 business). With effect from January 2007 benefit increased to £2,700 p.w plus NI and pension fund contributions. | £300pw | | | | |
| | Quota share reinsurance for guaranteed premiumTerm Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium. | 25% | | | | |
| | Quota share reinsurance for reviewable premium decreasing cover Term Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium. | 25% | | | | |
| | Quota Share reinsurance for whole of life for 50% (maximum policy sum insured £25,000) – net level premium. | 50% | | | | |
| Quota Share reinsurance for German pensions waiver for 90% - Risk Premium. | 10% | | | | | |

| | | | | | | |
|---|--|-----|--------|-------|-----|----------------------|
| Munich Reinsurance Co | Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £500,000 per life, and 100% thereafter to a maximum sum assured of £10m per life. | 33 | Open | 136 | 15% | No |
| | Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500. | | Closed | | N/A | |
| | 1 st surplus reinsurance for Group Income Protection for £200,000 per annum Closed to new business with effect from November 2007. | | Closed | | N/A | |
| Friends Provident Life & Pensions Limited | Unitised With Profit Fund. All investment benefits under Unitised With Profit Funds. | 217 | Open | 17 | Nil | Yes – Parent Company |
| | Linked Life Business | | Open | 1,658 | Nil | |
| | 100% Quota share for post demutualisation individual non-profit business together with new non-profit life business written up until 31 December 2010 (Excluding PHI and OLAB business). | | Open | (88) | Nil | |

10. Reversionary Bonus

- (1) The Bonus series meeting the stated conditions are shown in the table below.
- (2) Not applicable.
- (3) Super-compound bonuses have been shown in the table as “rate applying to basic benefit” / “rate applying to bonus already declared”.
- (4) Not applicable.

| Name of Bonus Series | Amount of Mathematical Reserves £m | Reversionary Bonus Rate for the | | Guaranteed Bonus Rate for the Year % |
|--|---------------------------------------|---------------------------------|---------------------|---|
| | | Current Year % | Preceding Year % | |
| Closed Fund (ex-National Mutual Policies) | | | | |
| Conventional Pension Fund policies | 72.3 | 0.25 / 0.25 | 0.25 / 0.25 | 0.00 |
| Conventional Life Fund policies | 100.2 | 1.00 / 1.00 | 0.25 / 0.25 | 0.00 |

RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS
Information on With Profits Actuary as required by IPRU (INS) 9.36.
Friends Provident Life Assurance Limited
Financial year ended 31 December 2010

The Company has requested Mike Collins, the With Profits Actuary to provide particulars specified in IPRU(INS) Rule 9.36 and the following details for the full year to 31 December 2010 have been furnished pursuant to that request.

- (a) At 31st December 2010, the actuary had a direct interest in 1,448 ordinary shares of no nominal value in Resolution plc and 2,453 shares in the Share Incentive Plan. A further 4,952 ordinary shares in Resolution plc were held by the actuary's spouse.
- (b) He had no interest at any time during the year in any shares in, or debentures of, the Company or its subsidiaries.
- (c) During the year:-
 - (i) He had a sole pecuniary interest in two policies on his life administered by Friends Provident Pensions Limited (FPP), with premiums amounting to £11,362 paid and a combined final value at the end of the year of £39,586.
 - (ii) The actuary and his spouse had a pecuniary interest in two policies on their joint lives administered by Friends Provident Life and Pensions Limited (FPLP). Annual premiums amounted to £466, a sum of £6,447 was received and the sum assured at the end of the year was £32,000.
 - (iii) The actuary's spouse had a pecuniary interest in one single premium policy on her life administered by FPLP. Income of £375 was received during the year and the policy value at the end of the year was £4,135.
- (d) The aggregate amount of remuneration and value of other benefits receivable by the With Profits Actuary (excluding pension contributions) was £141,398.
- (e) He is a member of the Friends Provident Pension Scheme, a UK defined benefit pension plan, which, during 2010, was a contributory scheme.
- (f) His other pecuniary benefits receivable are provided under the standard terms and conditions of the Group's permanent health insurance scheme.

**Directors' certificate required by rule 9.34 of the Accounts and Statements Rules
Friends Provident Life Assurance Limited
Financial year ended 31 December 2010**

Global Business

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waivers dated 10 June 2009 and 13 August 2009 issued under section 148 of the Financial Services and Markets Act 2000, details of which are contained in notes 1324 and 5702 respectively; and
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (c) that the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
 - (d) that we have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice in preparing the return from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

T.J. MATTHEWS
Director

D. MONGER
Secretary

A.M. PARSONS
Director

22 March 2011

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

Friends Provident Life Assurance Limited

Global business

Financial year ended 31 December 2010

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

- Forms 2, 3, 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 valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

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

Respective responsibilities of the insurer and its 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 are required to reflect appropriately the requirements of INSPRU 1.2.

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

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

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 22 March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

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

Opinion

In our opinion:

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

Ernst & Young LLP

Statutory Auditor

London

22 March 2011