



# **Friends Provident Life and Pensions Limited**

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Annual Return  
as at  
31st December 2010

Pursuant to the Interim Prudential Sourcebook

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

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

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# Friends Provident Life and Pensions Limited

Year ended 31<sup>st</sup> December 2010

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

Global business

Financial year ended **31 December 2010**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R2</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
			<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
			<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	1771709	1484124
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	1097163	1457940
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	2868872	2942064

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	460841	443235
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	2408031	2498829

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	482537	496041
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	3040	3128
Individual minimum capital requirement	<b>34</b>	482537	496041
Capital requirements of regulated related undertakings	<b>35</b>	339995	327888
Minimum capital requirement (34+35)	<b>36</b>	822532	823929
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	2287487	2287769
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	2081854	2081787

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	931238	612569
Enhanced capital requirement	<b>40</b>	1753770	1436498

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	1753770	1436498
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	1115102	1505566

**Contingent liabilities**

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

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

Global business

Financial year ended **31 December 2010**

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

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

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

**22nd March 2011**

**Components of capital resources**

Name of insurer

**Friends Provident Life and Pensions Limited**

Global business

Financial year ended

**31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		653750	653750	653750
Profit and loss account and other reserves	<b>12</b>		1092786	1092786	577852
Share premium account	<b>13</b>				721500
Positive valuation differences	<b>14</b>		1361905	1361905	1033809
Fund for future appropriations	<b>15</b>		216400	216400	198900
Core tier one capital in related undertakings	<b>16</b>		(671868)	(671868)	(533505)
Core tier one capital (sum of 11 to 16)	<b>19</b>		2652973	2652973	2652306

**Tier one waivers**

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

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>		51000	51000	51000
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>		476251	476251	476423
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		3180224	3180224	3179729
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>		5220	5220	3573
Deductions from tier one (32 to 36)	<b>37</b>		5220	5220	3573
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		3175004	3175004	3176156

**Components of capital resources**

Name of insurer

**Friends Provident Life and Pensions Limited**

Global business

Financial year ended

**31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Tier two capital**

Implicit items, (tier two waivers and amounts excluded from line 22)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>		121791	121791	121619
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>		121791	121791	121619
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>				
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>		121791	121791	121619

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>		161713	161713	161713
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>		161713	161713	161713

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		283504	283504	283332
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		283504	283504	283332



**Components of capital resources**

Name of insurer

**Friends Provident Life and Pensions Limited**

Global business

Financial year ended

**31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		3458508	3458508	3459488
Inadmissible assets other than intangibles and own shares	<b>73</b>		589636	589636	517424
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		2868872	2868872	2942064

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

Available capital resources for guarantee fund requirement	<b>81</b>		2868872	2868872	2942064
Available capital resources for 50% MCR requirement	<b>82</b>		2698753	2698753	2699733
Available capital resources for 75% MCR requirement	<b>83</b>		2698753	2698753	2699733

**Financial engineering adjustments**

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

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

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	4096141	GL	31	12	2010	£000
						This financial year 1	Previous year 2
Gross premiums written			11			187569	198111
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			187569	198111
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			187569	198111
Gross premiums earned			21			187569	198111
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			187569	198111
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			187569	198111
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			187569	198111
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			33762	35660
	Excess (if any) over 57.5M EURO x 0.02		33			2752	2934
<b>Sub-total J (32-33)</b>			34			31010	32726
Claims paid in period of 3 financial years			41			192920	177850
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			199457	200323
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			208415	212957
<b>Sub-total C (41+42+43-44-45)</b>			46			183962	165216
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			31430	46893
<b>Sub-total D (46-47)</b>			48			152532	118323
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.83	0.72
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			25712	23437
Provision for claims outstanding (before discounting and net of reinsurance)			51			181131	179406
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53			23437	17252
Greater of lines 50 and 53			54			25712	23437

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units
		R12	4096141	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	192920		177850
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	199457		200323
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	208415		212957
Claims incurred in reference period (21+22+23-24-25)				26	183962		165216
Claims incurred for classes 11, 12 or 13 (included in 26)				27			
Claims incurred for "actuarial health insurance" (included in 26)				28			
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				<b>29</b>	183962		165216
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				<b>31</b>	61321		55072
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	15943		14319
	Excess (if any) over 40.3M EURO x 0.03			33	789		572
<b>Sub-total G (32-33)</b>				<b>39</b>	15154		13747
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				<b>41</b>	12565		9845
Higher of premiums amount and brought forward amount (11.54)				42	25712		23437
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				<b>43</b>	25712		23437

**Analysis of admissible assets**Name of insurer **Friends Provident Life and Pensions 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	4096141	GL	31	12	2010	£000	1
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings				11				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21	203918	307356
	Debts and loans	22		
Other insurance dependants	Shares	23	39551	37325
	Debts and loans	24	25000	25000
Non-insurance dependants	Shares	25		923
	Debts and loans	26		14100
Other group undertakings	Shares	27		
	Debts and loans	28		112000
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	91205	135336	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	142911	108142
	Other	46	159464	154486
Variable interest securities	Approved	47		
	Other	48	55789	53727
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		68833	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	23242	75842
	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 assets**Name of insurer **Friends Provident Life and Pensions 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	
<b>R13</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	1294	15116
	due in more than 12 months	<b>79</b>	11258	9578

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	289	6521
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	6085	5531
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		3750

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	760006	1133566
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**Analysis of admissible assets**Name of insurer **Friends Provident Life and Pensions 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	4096141	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	760006	1133566
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17228	23365
Capital resources requirement deduction of regulated related undertakings	94	338779	326637
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	56394	54946
Inadmissible assets of regulated related undertakings	96	519991	477968
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	620696	477409
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		(9578)
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	2313094	2484313
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 assets**Name of insurer **Friends Provident Life and Pensions 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	4096141	GL	31	12	2010	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11			340974	317406	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21	11887	14807
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	727972	948831
	Debts and loans	26	234679	234502
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	2054345	1962688	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	668158	513720	
Rights under derivative contracts	44	30049	3274	
Fixed interest securities	Approved	45	4229231	4167020
	Other	46	2783163	3447249
Variable interest securities	Approved	47	211856	375732
	Other	48	161351	253515
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	2683	2921	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1372717	463449
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	42215	41892
	Property linked	59	3293315	3306867

**Analysis of admissible assets**Name of insurer **Friends Provident Life and Pensions 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	4096141	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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	4320	7710
	Intermediaries	<b>72</b>	3572	3996
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		19
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	30907	18777
	due in more than 12 months	<b>79</b>	17656	16565

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	5717	2551
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	109008	127366
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		54

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	16335775	16230911
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**Analysis of admissible assets**Name of insurer **Friends Provident Life and Pensions 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	
<b>R13</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	16335775	16230911
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	59318	38826
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	1216	1251
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		4722
Inadmissible assets of regulated related undertakings	<b>96</b>	4682	7400
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	5623	7721
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	7046629	6716640
Other asset adjustments (may be negative)	<b>101</b>	(30837)	4958
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	23422406	23012429
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

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

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - With Profit Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2010	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings							340974	317406

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21	11887	14807
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	183801	413528
	Debts and loans	26	234679	234502
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	2053783	1957118	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	587698	494412	
Rights under derivative contracts	44	30049	3274	
Fixed interest securities	Approved	45	4179712	4049265
	Other	46	2641797	3325131
Variable interest securities	Approved	47	211856	375732
	Other	48	144015	236422
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	2683	2921	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1269632	433109
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	42215	41892
	Property linked	59		

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

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - With Profit Fund**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	4096141	GL	31	12	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	4173	7188
	Intermediaries	72	3141	3300
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		19
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	14461	8474
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3360	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	104903	120479
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		54

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	12064819	12039033
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**Analysis of admissible assets**Name of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	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)	<b>91</b>	12064819	12039033
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	14345	17048
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	1216	1251
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		4722
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	147410	141019
Other asset adjustments (may be negative)	<b>101</b>	(30771)	4482
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	12197019	12207555
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

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

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
	R13	4096141	GL	31	12	2010	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings						11	
<b>Investments in group undertakings and participating interests</b>							
UK insurance dependants	Shares					21	
	Debts and loans					22	
Other insurance dependants	Shares					23	
	Debts and loans					24	
Non-insurance dependants	Shares					25	544171
	Debts and loans					26	535303
Other group undertakings	Shares					27	
	Debts and loans					28	
Participating interests	Shares					29	
	Debts and loans					30	
<b>Other financial investments</b>							
Equity shares						41	562
Other shares and other variable yield participations						42	
Holdings in collective investment schemes						43	80460
Rights under derivative contracts						44	
Fixed interest securities	Approved					45	49519
	Other					46	141366
Variable interest securities	Approved					47	
	Other					48	17336
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	103085
	More than one month withdrawal					55	30340
Other financial investments						56	
Deposits with ceding undertakings						57	
Assets held to match linked liabilities	Index linked					58	
	Property linked					59	3293315
							3306867

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

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>12</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	147	522
	Intermediaries	<b>72</b>	431	696
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	16446	10303
	due in more than 12 months	<b>79</b>	35006	83655

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	2357	2551
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	4105	6887
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	4288306	4258968
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**Analysis of admissible assets**Name of insurer **Friends Provident Life and Pensions Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	4096141	GL	31	12	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)	<b>91</b>	4288306	4258968
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	44973	21778
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>	4682	7400
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	5623	7721
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	6899219	6575621
Other asset adjustments (may be negative)	<b>101</b>	(66)	476
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	11242737	10871964
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**Name of insurer **Friends Provident Life and Pensions 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	<b>11</b>	12040234	12266251	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	(97507)	(78958)	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	11942727	12187293	
Claims outstanding	Gross	<b>15</b>	16071	48663
	Reinsurers' share	<b>16</b>	5338	4789
	Net (15-16)	<b>17</b>	10733	43874
Provisions	Taxation	<b>21</b>	27084	12000
	Other risks and charges	<b>22</b>	14945	11367
Deposits received from reinsurers	<b>23</b>	1605271	1617429	
Creditors	Direct insurance business	<b>31</b>	30746	13310
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	2372	2482
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>		5429	
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	831562	773469
Accruals and deferred income	<b>39</b>	2333	2427	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	2525046	2481787	
Excess of the value of net admissible assets	<b>51</b>	1868002	1561831	
Total liabilities and margins	<b>59</b>	16335775	16230911	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	755221	722408
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1688044	1689438

Total liabilities (11+12+49)	<b>71</b>	14565280	14748038
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	7046629	6716640
Other adjustments to liabilities (may be negative)	<b>74</b>	1347673	1076623
Capital and reserves and fund for future appropriations	<b>75</b>	462824	471128
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	23422406	23012429



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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **With Profit 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	<b>11</b>	10057371	10301886	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	(269757)	(269757)	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	9787614	10032129	
Claims outstanding	Gross	<b>15</b>	14177	41018
	Reinsurers' share	<b>16</b>	2662	1667
	Net (15-16)	<b>17</b>	11515	39351
Provisions	Taxation	<b>21</b>	26413	12000
	Other risks and charges	<b>22</b>	3145	4531
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	25237	12709
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	567	629
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>		5429	
Creditors	Taxation	<b>37</b>	17350	67090
	Other	<b>38</b>	322643	300907
Accruals and deferred income	<b>39</b>	2333	2427	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	409203	445073	
Excess of the value of net admissible assets	<b>51</b>	1868002	1561831	
Total liabilities and margins	<b>59</b>	12064819	12039033	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	251405	253027
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	10466574	10746959
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	147410	141019
Other adjustments to liabilities (may be negative)	<b>74</b>	1366635	1120678
Capital and reserves and fund for future appropriations	<b>75</b>	216400	198899
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	12197019	12207555

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Non Profit 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	<b>11</b>	1982863	1964365	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	172250	190799	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2155113	2155164	
Claims outstanding	Gross	<b>15</b>	1894	7645
	Reinsurers' share	<b>16</b>	2676	3122
	Net (15-16)	<b>17</b>	(782)	4523
Provisions	Taxation	<b>21</b>	671	
	Other risks and charges	<b>22</b>	11800	6836
Deposits received from reinsurers	<b>23</b>	1605271	1617429	
Creditors	Direct insurance business	<b>31</b>	5509	601
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	1805	1853
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	508919	472562
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	2133193	2103804	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	4288306	4258968	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	503816	469381
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1688044	1689438

Total liabilities (11+12+49)	<b>71</b>	4116056	4068169
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	6899219	6575621
Other adjustments to liabilities (may be negative)	<b>74</b>	(18962)	(44055)
Capital and reserves and fund for future appropriations	<b>75</b>	246424	272229
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	11242737	10871964

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R15</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
						<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

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

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>			1622	2263
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Amounts deducted from technical provisions for discounting	<b>82</b>				
Other adjustments (may be negative)	<b>83</b>				(9578)
Capital and reserves	<b>84</b>			2311472	2491628
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>			2313094	2484313

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
				<b>This financial year</b>		<b>Previous year</b>		
				<b>1</b>		<b>2</b>		
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>					
	Equalisation provisions		<b>12</b>					
Transfer from the long term insurance business revenue account			<b>13</b>		76481		124239	
Investment income	Income		<b>14</b>		130149		25453	
	Value re-adjustments on investments		<b>15</b>		125967		100901	
	Gains on the realisation of investments		<b>16</b>					
Investment charges	Investment management charges, including interest		<b>17</b>		15119		14947	
	Value re-adjustments on investments		<b>18</b>					
	Loss on the realisation of investments		<b>19</b>		259		5460	
Allocated investment return transferred to the general insurance business technical account			<b>20</b>					
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>		317219		230186	
Tax on profit or loss on ordinary activities			<b>31</b>		(1680)		(655)	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>		318899		230841	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>					
Tax on extraordinary profit or loss			<b>42</b>					
Other taxes not shown under the preceding items			<b>43</b>					
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>		318899		230841	
Dividends (paid or foreseeable)			<b>51</b>		462000			
Profit or loss retained for the financial year (49-51)			<b>59</b>		(143101)		230841	

**Analysis of derivative contracts**Name of insurer **Friends Provident Life and Pensions 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	
		<b>R17</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>				
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>	69864		31485		665580		
	Inflation	<b>13</b>	460		579		201291		
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	10672		1314		810566		26015
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>			1446		141215		43087
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	36351				175619		
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>	7234				989128		
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>	59328				771448		
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	183909		34823		3754847		69101
Adjustment for variation margin		<b>52</b>	(153861)		4358				
Total (51 + 52)		<b>53</b>	30049		39182				

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

Global business

Financial year ended **31 December 2010**Category of assets **Total Long Term Business - With Profit Fund**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
		<b>R17</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>11</b>
<b>Derivative contracts</b>		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>				
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>	69864		31485		665580		
	Inflation	<b>13</b>	460		579		201291		
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	10672		1314		810566		26015
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>			1446		141215		43087
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	36351				175619		
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>	7234				989128		
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>	59328				771448		
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	183909		34823		3754847		69101
Adjustment for variation margin		<b>52</b>	(153861)		4358				
Total (51 + 52)		<b>53</b>	30049		39182				

**With-profits insurance capital component for the fund**Name of insurer **Friends Provident Life and Pensions Limited**With-profits fund **With Profit Fund**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	12064819	12039033
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	2411944	2369612
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	42657	43049
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	9610217	9626373
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	7645426	7932274
	Regulatory current liabilities of the fund	<b>22</b>	409204	445073
	Total (21+22)	<b>29</b>	8054630	8377347
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	306096	318356
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	8360726	8695703
Regulatory excess capital (19-39)		<b>49</b>	1249491	930670

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	1249491	930670
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	282444	283834
Present value of other future internal transfers not already taken into account	<b>65</b>	35809	34266
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	931238	612570

**Realistic balance sheet**Name of insurer **Friends Provident Life and Pensions Limited**With-profits fund **With Profit Fund**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	9610217	9626373
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>	13103	16058
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	192019	208529
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>	13103	16058
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	9802236	9834903
Support arrangement assets	<b>27</b>	19464	38324
Assets available to the fund (26+27)	<b>29</b>	9821700	9873227

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	7881496	7852370	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>	276049	306416
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	305	437
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	72897	65362
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	311319	386144
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	475203	426571
	Future costs of smoothing (possibly negative)	<b>44</b>	38303	(17410)
	Financing costs	<b>45</b>	61536	52466
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	229129	208957
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1318337	1297345	
Realistic current liabilities of the fund	<b>51</b>	456106	528392	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	9655940	9678107	



**Realistic balance sheet**

Name of insurer **Friends Provident Life and Pensions Limited**  
 With-profits fund **With Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	9802236	9834903
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	9802236	9834903
Risk capital margin for fund (62-59)	<b>65</b>	146297	156795
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	19464	38324
Working capital for fund (29-59)	<b>68</b>	165761	195120
Working capital ratio for fund (68/29)	<b>69</b>	1.69	1.98

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	797723	1110904
Additional amount potentially available for inclusion in line 63	<b>82</b>	142500	99255

**Long-term insurance business : Revenue account**

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

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	480254	(1304348)
Investment income receivable before deduction of tax	12	654344	687244
Increase (decrease) in the value of non-linked assets brought into account	13	437207	(513088)
Increase (decrease) in the value of linked assets	14	236381	451867
Other income	15	36072	31541
<b>Total income</b>	<b>19</b>	<b>1844258</b>	<b>(646784)</b>

**Expenditure**

Claims incurred	21	1606060	1656735
Expenses payable	22	239714	239664
Interest payable before the deduction of tax	23	13117	18554
Taxation	24	24047	(28324)
Other expenditure	25	129405	123038
Transfer to (from) non technical account	26	76481	124239
<b>Total expenditure</b>	<b>29</b>	<b>2088824</b>	<b>2133906</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(244566)	(2780690)
Fund brought forward	49	12187293	14967983
Fund carried forward (39+49)	59	11942727	12187293

**Long-term insurance business : Revenue account**

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	227881	274016
Investment income receivable before deduction of tax	12	484972	545688
Increase (decrease) in the value of non-linked assets brought into account	13	413018	(527467)
Increase (decrease) in the value of linked assets	14		
Other income	15	36072	31541
<b>Total income</b>	<b>19</b>	<b>1161943</b>	<b>323778</b>

**Expenditure**

Claims incurred	21	1264898	1352522
Expenses payable	22	64063	69126
Interest payable before the deduction of tax	23	4894	10576
Taxation	24	66122	31767
Other expenditure	25		
Transfer to (from) non technical account	26	6481	4239
<b>Total expenditure</b>	<b>29</b>	<b>1406458</b>	<b>1468230</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(244515)	(1144452)
Fund brought forward	49	10032129	11176581
Fund carried forward (39+49)	59	9787614	10032129

**Long-term insurance business : Revenue account**

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	252373	(1578364)
Investment income receivable before deduction of tax	12	170180	145035
Increase (decrease) in the value of non-linked assets brought into account	13	24189	14379
Increase (decrease) in the value of linked assets	14	236381	451867
Other income	15		
<b>Total income</b>	<b>19</b>	<b>683123</b>	<b>(967083)</b>

**Expenditure**

Claims incurred	21	341163	304213
Expenses payable	22	175651	170538
Interest payable before the deduction of tax	23	9029	11458
Taxation	24	(42075)	(60091)
Other expenditure	25	129405	123038
Transfer to (from) non technical account	26	70000	120000
<b>Total expenditure</b>	<b>29</b>	<b>683173</b>	<b>669156</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(50)	(1636239)
Fund brought forward	49	2155163	3791402
Fund carried forward (39+49)	59	2155113	2155163

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

Name of insurer **Friends Provident Life and Pensions 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	411818	181987	62636	656441	745154
Single premiums	12	69828	103016	9581	182425	205331

**Reinsurance - external**

Regular premiums	13	30042	240	153	30435	33992
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	64544	83861	4999	153404	181121
Single premiums	16	53807	122163	(1198)	174772	2039720

**Net of reinsurance**

Regular premiums	17	317233	97886	57483	472602	530041
Single premiums	18	16021	(19147)	10779	7653	(1834389)

**Total**

Gross	19	481646	285003	72217	838866	950485
Reinsurance	20	148393	206264	3954	358612	2254833
Net	21	333253	78739	68262	480254	(1304348)

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	185708	153297	6611	345617	422093
Single premiums	12	70	95067	119	95256	107377

**Reinsurance - external**

Regular premiums	13	7398	225	13	7636	8409
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	29182	55171	3508	87862	103530
Single premiums	16	3118	114214	162	117494	143515

**Net of reinsurance**

Regular premiums	17	149129	97901	3090	250120	310154
Single premiums	18	(3048)	(19147)	(43)	(22238)	(36138)

**Total**

Gross	19	185778	248364	6731	440873	529470
Reinsurance	20	39698	169610	3684	212992	255454
Net	21	146080	78754	3047	227881	274016

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	226110	28690	56024	310824	323061
Single premiums	12	69759	7948	9462	87169	97954

**Reinsurance - external**

Regular premiums	13	22644	15	140	22800	25583
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	35362	28690	1491	65543	77591
Single premiums	16	50690	7948	(1360)	57278	1896205

**Net of reinsurance**

Regular premiums	17	168104	(15)	54393	222482	219887
Single premiums	18	19069		10822	29891	(1798251)

**Total**

Gross	19	295868	36639	65486	397993	421015
Reinsurance	20	108695	36654	271	145620	1999379
Net	21	187173	(15)	65215	252373	(1578364)

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

Name of insurer **Friends Provident Life and Pensions 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	135952	20500	4212	160664	169574
Disability periodic payments	12	22702			22702	23369
Surrender or partial surrender	13	760092	756375	90877	1607344	1641117
Annuity payments	14	2355	198465	19	200838	205170
Lump sums on maturity	15	406593	83773	11583	501949	520543
<b>Total</b>	<b>16</b>	<b>1327693</b>	<b>1059112</b>	<b>106691</b>	<b>2493496</b>	<b>2559773</b>

**Reinsurance - external**

Death or disability lump sums	21	21227			21227	21026
Disability periodic payments	22	1574			1574	1798
Surrender or partial surrender	23	(24)			(24)	23
Annuity payments	24	28			28	15
Lump sums on maturity	25	21			21	148
<b>Total</b>	<b>26</b>	<b>22827</b>			<b>22827</b>	<b>23010</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	30150	8627	980	39757	40507
Disability periodic payments	32	34			34	29
Surrender or partial surrender	33	295090	399381	29272	723743	747995
Annuity payments	34		24208		24208	24210
Lump sums on maturity	35	68854	2977	5036	76868	67287
<b>Total</b>	<b>36</b>	<b>394128</b>	<b>435192</b>	<b>35288</b>	<b>864609</b>	<b>880028</b>

**Net of reinsurance**

Death or disability lump sums	41	84575	11873	3232	99680	108041
Disability periodic payments	42	21094			21094	21542
Surrender or partial surrender	43	465025	356994	61606	883625	893099
Annuity payments	44	2326	174257	19	176602	180945
Lump sums on maturity	45	337718	80796	6546	425060	453108
<b>Total</b>	<b>46</b>	<b>910738</b>	<b>623920</b>	<b>71402</b>	<b>1606060</b>	<b>1656735</b>



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	67393	19593	1994	88979	93394
Disability periodic payments	12					
Surrender or partial surrender	13	319517	688172	46079	1053767	1040279
Annuity payments	14	1362	176976	19	178358	182374
Lump sums on maturity	15	372166	83121	5802	461088	485976
<b>Total</b>	<b>16</b>	<b>760438</b>	<b>967861</b>	<b>53893</b>	<b>1782192</b>	<b>1802023</b>

**Reinsurance - external**

Death or disability lump sums	21	6449			6449	5362
Disability periodic payments	22					
Surrender or partial surrender	23	(24)			(24)	23
Annuity payments	24	28			28	15
Lump sums on maturity	25	21			21	148
<b>Total</b>	<b>26</b>	<b>6475</b>			<b>6475</b>	<b>5548</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	11086	7719	154	18959	17148
Disability periodic payments	32					
Surrender or partial surrender	33	106652	331178	10504	448334	388317
Annuity payments	34		2720		2720	2441
Lump sums on maturity	35	34427	2354	4026	40807	36047
<b>Total</b>	<b>36</b>	<b>152165</b>	<b>343971</b>	<b>14684</b>	<b>510819</b>	<b>443953</b>

**Net of reinsurance**

Death or disability lump sums	41	49857	11873	1840	63570	70884
Disability periodic payments	42					
Surrender or partial surrender	43	212889	356994	35574	605457	651939
Annuity payments	44	1334	174257	19	175610	179918
Lump sums on maturity	45	337718	80767	1776	420261	449781
<b>Total</b>	<b>46</b>	<b>601798</b>	<b>623891</b>	<b>39209</b>	<b>1264898</b>	<b>1352522</b>

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	68560	907	2218	71685	76180
Disability periodic payments	12	22702			22702	23369
Surrender or partial surrender	13	440575	68203	44799	553577	600838
Annuity payments	14	992	21488		22480	22796
Lump sums on maturity	15	34427	652	5781	40860	34567
<b>Total</b>	<b>16</b>	<b>567256</b>	<b>91251</b>	<b>52798</b>	<b>711304</b>	<b>757750</b>

**Reinsurance - external**

Death or disability lump sums	21	14778			14778	15664
Disability periodic payments	22	1574			1574	1798
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>16352</b>			<b>16352</b>	<b>17462</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	19064	907	826	20798	23359
Disability periodic payments	32	34			34	29
Surrender or partial surrender	33	188439	68203	18767	275409	359678
Annuity payments	34		21488		21488	21769
Lump sums on maturity	35	34427	623	1011	36061	31240
<b>Total</b>	<b>36</b>	<b>241964</b>	<b>91222</b>	<b>20605</b>	<b>353790</b>	<b>436075</b>

**Net of reinsurance**

Death or disability lump sums	41	34718		1392	36110	37157
Disability periodic payments	42	21094			21094	21542
Surrender or partial surrender	43	252137		26031	278168	241160
Annuity payments	44	992			992	1027
Lump sums on maturity	45		29	4770	4799	3327
<b>Total</b>	<b>46</b>	<b>308941</b>	<b>29</b>	<b>32193</b>	<b>341163</b>	<b>304213</b>

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

Name of insurer **Friends Provident Life and Pensions 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	1944	1816	144	3904	3446
Commission - other	12	7128	1310	737	9176	10220
Management - acquisition	13	7126			7126	6011
Management - maintenance	14	34997	28471	2632	66100	84966
Management - other	15	25781	13022	819	39622	35266
<b>Total</b>	<b>16</b>	<b>76976</b>	<b>44620</b>	<b>4332</b>	<b>125928</b>	<b>139909</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	88	4	3	94	201
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>88</b>	<b>4</b>	<b>3</b>	<b>94</b>	<b>201</b>

**Reinsurance - intra-group**

Commission - acquisition	31	(45423)	2964	14	(42445)	(41251)
Commission - other	32					
Management - acquisition	33	(40230)	3		(40227)	(41651)
Management - maintenance	34	(14936)	7393		(7543)	(11033)
Management - other	35	(23665)			(23665)	(6021)
<b>Total</b>	<b>36</b>	<b>(124254)</b>	<b>10359</b>	<b>14</b>	<b>(113881)</b>	<b>(99956)</b>

**Net of reinsurance**

Commission - acquisition	41	47367	(1147)	129	46349	44697
Commission - other	42	7040	1306	735	9081	10019
Management - acquisition	43	47357	(3)		47354	47662
Management - maintenance	44	49933	21079	2632	73643	95999
Management - other	45	49446	13022	819	63287	41287
<b>Total</b>	<b>46</b>	<b>201142</b>	<b>34257</b>	<b>4315</b>	<b>239714</b>	<b>239664</b>

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

Name of insurer **Friends Provident Life and Pensions Limited**  
Total business / subfund **With Profit 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	25	1678	10	1712	1317
Commission - other	12	2631	1310	302	4243	5057
Management - acquisition	13					
Management - maintenance	14	8826	9722	410	18957	23771
Management - other	15	927	361	(10)	1278	(704)
<b>Total</b>	<b>16</b>	<b>12409</b>	<b>13071</b>	<b>712</b>	<b>26191</b>	<b>29441</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	9	4		12	15
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>9</b>	<b>4</b>		<b>12</b>	<b>15</b>

**Reinsurance - intra-group**

Commission - acquisition	31	22	2825	14	2862	2847
Commission - other	32					
Management - acquisition	33		3		3	(3)
Management - maintenance	34	(16735)	(23679)	(335)	(40749)	(42544)
Management - other	35					
<b>Total</b>	<b>36</b>	<b>(16713)</b>	<b>(20851)</b>	<b>(320)</b>	<b>(37884)</b>	<b>(39700)</b>

**Net of reinsurance**

Commission - acquisition	41	3	(1147)	(5)	(1149)	(1530)
Commission - other	42	2623	1306	302	4231	5042
Management - acquisition	43		(3)		(3)	3
Management - maintenance	44	25560	33402	745	59706	66315
Management - other	45	927	361	(10)	1278	(704)
<b>Total</b>	<b>46</b>	<b>29113</b>	<b>33918</b>	<b>1032</b>	<b>64063</b>	<b>69126</b>

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	1919	138	134	2191	2129
Commission - other	12	4497		435	4932	5163
Management - acquisition	13	7126			7126	6011
Management - maintenance	14	26171	18749	2222	47143	61195
Management - other	15	24854	12661	829	38344	35970
<b>Total</b>	<b>16</b>	<b>64568</b>	<b>31549</b>	<b>3621</b>	<b>99737</b>	<b>110468</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	80		3	82	186
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>80</b>		<b>3</b>	<b>82</b>	<b>186</b>

**Reinsurance - intra-group**

Commission - acquisition	31	(45445)	138		(45307)	(44098)
Commission - other	32					
Management - acquisition	33	(40230)			(40230)	(41648)
Management - maintenance	34	1799	31072	335	33206	31511
Management - other	35	(23665)			(23665)	(6021)
<b>Total</b>	<b>36</b>	<b>(107542)</b>	<b>31210</b>	<b>335</b>	<b>(75996)</b>	<b>(60256)</b>

**Net of reinsurance**

Commission - acquisition	41	47364		134	47498	46227
Commission - other	42	4417		433	4850	4977
Management - acquisition	43	47357			47357	47659
Management - maintenance	44	24372	(12323)	1887	13937	29684
Management - other	45	48519	12661	829	62009	41991
<b>Total</b>	<b>46</b>	<b>172030</b>	<b>338</b>	<b>3283</b>	<b>175651</b>	<b>170538</b>

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

Name of insurer **Friends Provident Life and Pensions 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	892812	1086960
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	2443646	2260678
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>3336458</b>	<b>3347638</b>
Provision for tax on unrealised capital gains	15	33144	7908
Secured and unsecured loans	16		
Other liabilities	17	1615270	1650292
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>1688044</b>	<b>1689438</b>

**Directly held linked assets**

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

Value of directly held linked assets and units held (18+21)	31	1688044	1689438
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>1688044</b>	<b>1689438</b>

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

Total business

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

Financial year 1	Previous year 2
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**Income**

Value of total creation of units	11	367750	489440
Investment income attributable to the funds before deduction of tax	12	153184	121094
Increase (decrease) in the value of investments in the financial year	13	236381	451867
Other income	14	114538	
<b>Total income</b>	<b>19</b>	<b>871853</b>	<b>1062401</b>

**Expenditure**

Value of total cancellation of units	21	715692	853151
Charges for management	22	29652	27464
Charges in respect of tax on investment income	23	6740	12183
Taxation on realised capital gains	24	7843	2641
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	10213	7444
Other expenditure	26	103107	1618239
<b>Total expenditure</b>	<b>29</b>	<b>873247</b>	<b>2521122</b>

Increase (decrease) in funds in financial year (19-29)	39	(1394)	(1458721)
Internal linked fund brought forward	49	1689438	3148159
Internal linked funds carried forward (39+49)	59	1688044	1689438

**Long-term insurance business : Summary of new business**Name of insurer **Friends Provident Life and Pensions 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		555		555	1059
Single premium business	12	6	274		280	1953
<b>Total</b>	<b>13</b>	<b>6</b>	<b>828</b>		<b>834</b>	<b>3012</b>

**Amount of new regular  
premiums**

Direct insurance business	21	5308	2981	118	8407	16503
External reinsurance	22					
Intra-group reinsurance	23	28932	321	6739	35991	33797
<b>Total</b>	<b>24</b>	<b>34240</b>	<b>3302</b>	<b>6857</b>	<b>44398</b>	<b>50300</b>

**Amount of new single  
premiums**

Direct insurance business	25	333	93024	351	93708	106056
External reinsurance	26					
Intra-group reinsurance	27	40521	873	8663	50057	
<b>Total</b>	<b>28</b>	<b>40854</b>	<b>93897</b>	<b>9014</b>	<b>143765</b>	<b>106056</b>



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

Name of insurer

**Friends Provident Life and Pensions 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
395	Annuity non-profit (PLA)			6	196
420	Group income protection		5308		
500	Life UWP single premium				38
700	Life property linked single premium				98

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

Name of insurer

**Friends Provident Life and Pensions 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
325	Level term assurance		7018		
330	Decreasing term assurance		5739		
340	Accelerated critical illness (guaranteed premiums)		12631		
345	Accelerated critical illness (reviewable premiums)		2512		
350	Stand-alone critical illness (guaranteed premiums)		499		
355	Stand-alone critical illness (reviewable premiums)		340		
500	Life UWP single premium				4
700	Life property linked single premium				40517
715	Life property linked endowment regular premium - savings		192		

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

Name of insurer

**Friends Provident Life and Pensions Limited**

Total business

Financial year ended

**31 December 2010**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)				4226
525	Individual pensions UWP	1	1	4	39241
535	Group money purchase pensions UWP	1	65	4	91
725	Individual pensions property linked	23	8	3	36835
735	Group money purchase pensions property linked	530	2906	263	12632

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

Name of insurer

Friends Provident Life and Pensions Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
525	Individual pensions UWP		22		150
535	Group money purchase pensions UWP		298		723

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

Name of insurer

**Friends Provident Life and Pensions 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
505	Life UWP whole life regular premium		4		
510	Life UWP endowment regular premium - savings		3		
525	Individual pensions UWP				60
700	Life property linked single premium				116
710	Life property linked whole life regular premium		6		
715	Life property linked endowment regular premium - savings		86		
725	Individual pensions property linked		19		175

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

Name of insurer

**Friends Provident Life and Pensions Limited**

Total business

Financial year ended

**31 December 2010**

Units

**£000**

Overseas / 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
700	Life property linked single premium				4948
715	Life property linked endowment regular premium - savings		6739		3715

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

Name of insurer **Friends Provident Life and Pensions 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	21877	21911	949	4.33	
Approved fixed interest securities	12	449169	449169	18252	3.96	
Other fixed interest securities	13	1906290	1906902	118713	6.14	
Variable interest securities	14	60722	60722	2746	5.27	
UK listed equity shares	15	52468	61697	1987	5.39	
Non-UK listed equity shares	16	28375	35515	1037	4.09	
Unlisted equity shares	17	544171				
Other assets	18	344306	871463	5717	0.68	
<b>Total</b>	<b>19</b>	<b>3407378</b>	<b>3407378</b>	<b>149400</b>	<b>4.40</b>	

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

Land and buildings	21	319097	514333	22278	4.33	17.20
Approved fixed interest securities	22	3819490	3816897	153432	3.62	8.50
Other fixed interest securities	23	946061	960434	60120	6.41	9.90
Variable interest securities	24	312763	254949	9872	4.99	10.40
UK listed equity shares	25	933051	1254317	40276	3.54	17.50
Non-UK listed equity shares	26	674137	792716	23136	4.51	14.00
Unlisted equity shares	27	562002	366314			16.70
Other assets	28	2043616	1650257	11691	0.79	4.60
<b>Total</b>	<b>29</b>	<b>9610217</b>	<b>9610217</b>	<b>320806</b>	<b>3.41</b>	<b>13.00</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					12.90
Return allocated to non taxable 'asset shares'	32					12.90
Return allocated to taxable 'asset shares'	33					11.00

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Category of assets **11 Total Long Term Business - With Profit Fund**  
 Financial year ended **31 December 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	21877	21911	949	4.42	
Approved fixed interest securities	12	398895	398895	16035	4.00	
Other fixed interest securities	13	1761593	1762205	110308	6.16	
Variable interest securities	14	43386	43386	1680	4.92	
UK listed equity shares	15	51906	61135	1963	5.41	
Non-UK listed equity shares	16	28375	35515	1037	4.09	
Unlisted equity shares	17					
Other assets	18	106355	89341	633	0.98	
<b>Total</b>	<b>19</b>	<b>2412387</b>	<b>2412387</b>	<b>132604</b>	<b>5.53</b>	

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

Land and buildings	21	319097	514333	22278	4.33	17.20
Approved fixed interest securities	22	3819490	3816897	153432	3.62	8.50
Other fixed interest securities	23	946061	960434	60120	6.41	9.90
Variable interest securities	24	312763	254949	9872	4.99	10.40
UK listed equity shares	25	933051	1254317	40276	3.54	17.50
Non-UK listed equity shares	26	674137	792716	23136	4.51	14.00
Unlisted equity shares	27	562002	366314			16.70
Other assets	28	2043616	1650257	11691	0.79	4.60
<b>Total</b>	<b>29</b>	<b>9610217</b>	<b>9610217</b>	<b>320806</b>	<b>3.41</b>	<b>13.00</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					12.90
Return allocated to non taxable 'asset shares'	32					12.90
Return allocated to taxable 'asset shares'	33					11.00



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Category of assets **12 Total Long Term Business - Non Profit Fund**  
 Financial year ended **31 December 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	50274	50274	2217	3.66	
Other fixed interest securities	13	144697	144697	8406	5.90	
Variable interest securities	14	17336	17336	1067	6.15	
UK listed equity shares	15	562	562	24	4.27	
Non-UK listed equity shares	16					
Unlisted equity shares	17	544171				
Other assets	18	237951	782122	5084	0.65	
<b>Total</b>	<b>19</b>	<b>994991</b>	<b>994991</b>	<b>16797</b>	<b>1.66</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer **Friends Provident Life and Pensions 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
<b>UK Government approved fixed interest securities</b>	<b>11</b>	3389119	12.03	3.72	3.72

<b>Other approved fixed interest securities</b>	<b>21</b>	876947	11.94	3.42	3.29
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	334442	9.62	4.59	4.46
AA/Aa	<b>32</b>	508033	8.98	5.38	4.82
A/A	<b>33</b>	1216186	8.88	6.12	5.10
BBB/Baa	<b>34</b>	454101	7.54	6.67	4.54
BB/Ba	<b>35</b>	138810	6.76	11.18	5.71
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	215763	7.86	7.32	5.29
<b>Total other fixed interest securities</b>	<b>39</b>	2867336	8.59	6.23	4.93

<b>Approved variable interest securities</b>	<b>41</b>	154316	9.75	3.89	3.89
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<b>Other variable interest securities</b>	<b>51</b>	161354	9.52	6.14	5.06
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	7449072	10.60	4.71	4.17
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Provident Life and Pensions Limited**  
 Category of assets **11 Total Long Term Business - With Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	3355570	12.05	3.72	3.72

<b>Other approved fixed interest securities</b>	<b>21</b>	860222	12.03	3.42	3.30
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	307633	9.58	4.64	4.51
AA/Aa	<b>32</b>	481798	8.92	5.40	4.83
A/A	<b>33</b>	1148943	8.85	6.14	5.11
BBB/Baa	<b>34</b>	438981	7.50	6.69	4.54
BB/Ba	<b>35</b>	133924	6.72	11.24	5.70
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	211359	7.88	7.08	5.05
<b>Total other fixed interest securities</b>	<b>39</b>	2722639	8.55	6.25	4.93

<b>Approved variable interest securities</b>	<b>41</b>	154316	9.75	3.89	3.89
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<b>Other variable interest securities</b>	<b>51</b>	144018	9.09	6.14	5.14
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	7236766	10.62	4.69	4.16
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Provident Life and Pensions Limited**  
 Category of assets **12 Total Long Term Business - Non Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	33549	10.87	3.85	3.85

<b>Other approved fixed interest securities</b>	<b>21</b>	16725	7.45	3.26	3.13
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	26808	10.11	4.06	3.92
AA/Aa	<b>32</b>	26235	10.11	5.06	4.62
A/A	<b>33</b>	67243	9.26	5.84	4.89
BBB/Baa	<b>34</b>	15120	8.42	6.07	4.49
BB/Ba	<b>35</b>	4887	7.82	9.42	5.87
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	4404	7.01	18.55	17.02
<b>Total other fixed interest securities</b>	<b>39</b>	144697	9.37	5.90	5.02

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>	17336	13.01	6.15	4.40
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	212306	9.75	5.39	4.64
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**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Friends Provident Life and Pensions 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	1971581	1735464		3707045	3865811
Form 51 - non-profit	12	421175	2532057	(750)	2952482	2886278
Form 52	13	1226584	2658070	258009	4142663	4308584
Form 53 - linked	14	4444035	4686144	465330	9595509	9240315
Form 53 - non-linked	15	38291	144982	7382	190654	195564
Form 54 - linked	16		52014		52014	52493
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>8101664</b>	<b>11808731</b>	<b>729971</b>	<b>20640366</b>	<b>20549046</b>

**Reinsurance - external**

Form 51 - with-profits	21	2924	15		2939	3575
Form 51 - non-profit	22	75550	454		76004	77555
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>78474</b>	<b>469</b>		<b>78943</b>	<b>81129</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	3705	308320		312025	322948
Form 52	33	76000	47941	78457	202398	228248
Form 53 - linked	34	3095335	4686144	125987	7907465	7550877
Form 53 - non-linked	35	182	100120		100302	96030
Form 54 - linked	36		9799		9799	10601
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>3175221</b>	<b>5152324</b>	<b>204444</b>	<b>8531988</b>	<b>8208703</b>

**Net of reinsurance**

Form 51 - with-profits	41	1968656	1735449		3704106	3862237
Form 51 - non-profit	42	341920	2223283	(750)	2564453	2485776
Form 52	43	1150584	2610129	179551	3940265	4080336
Form 53 - linked	44	1348700		339344	1688044	1689438
Form 53 - non-linked	45	38109	44861	7382	90352	99534
Form 54 - linked	46		42215		42215	41892
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>4847970</b>	<b>6655938</b>	<b>525527</b>	<b>12029435</b>	<b>12259213</b>

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	1971581	1735464		3707045	3865811
Form 51 - non-profit	12	120074	2252078	406	2372558	2329519
Form 52	13	1147964	2604048	178510	3930522	4062999
Form 53 - linked	14	1246181	3934761	118528	5299470	4980607
Form 53 - non-linked	15	5726	131552	521	137799	132750
Form 54 - linked	16		42215		42215	41892
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>4491525</b>	<b>10700119</b>	<b>297965</b>	<b>15489609</b>	<b>15413578</b>

**Reinsurance - external**

Form 51 - with-profits	21	2924	15		2939	3575
Form 51 - non-profit	22	17970	454		18424	18625
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>20894</b>	<b>469</b>		<b>21363</b>	<b>22200</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32		30859		30859	29969
Form 52	33					
Form 53 - linked	34	1246181	3934761	118528	5299470	4980607
Form 53 - non-linked	35		91345		91345	85955
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>1246181</b>	<b>4056965</b>	<b>118528</b>	<b>5421674</b>	<b>5096531</b>

**Net of reinsurance**

Form 51 - with-profits	41	1968656	1735449		3704106	3862237
Form 51 - non-profit	42	102104	2220765	406	2323275	2280924
Form 52	43	1147964	2604048	178510	3930522	4062999
Form 53 - linked	44					
Form 53 - non-linked	45	5726	40207	521	46454	46796
Form 54 - linked	46		42215		42215	41892
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>3224450</b>	<b>6642685</b>	<b>179437</b>	<b>10046572</b>	<b>10294848</b>

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Friends Provident Life and Pensions Limited**Total business / subfund **Non Profit 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	301100	279979	(1156)	579923	556760
Form 52	13	78620	54022	79498	212141	245585
Form 53 - linked	14	3197854	751383	346802	4296039	4259708
Form 53 - non-linked	15	32565	13430	6861	52856	62814
Form 54 - linked	16		9799		9799	10601
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>3610139</b>	<b>1108612</b>	<b>432006</b>	<b>5150757</b>	<b>5135467</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	57580			57580	58929
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>57580</b>			<b>57580</b>	<b>58929</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	3705	277461		281165	292978
Form 52	33	76000	47941	78457	202398	228248
Form 53 - linked	34	1849154	751383	7459	2607995	2570270
Form 53 - non-linked	35	182	8776		8957	10075
Form 54 - linked	36		9799		9799	10601
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>1929040</b>	<b>1095359</b>	<b>85916</b>	<b>3110314</b>	<b>3112173</b>

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	239816	2518	(1156)	241178	204852
Form 52	43	2620	6081	1041	9743	17337
Form 53 - linked	44	1348700		339344	1688044	1689438
Form 53 - non-linked	45	32383	4654	6861	43898	52739
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>1623520</b>	<b>13253</b>	<b>346090</b>	<b>1982863</b>	<b>1964365</b>

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	21365	225674	2177				138508
120	Conventional endowment with-profits OB savings	25084	194016	4467				152787
125	Conventional endowment with-profits OB target cash	142828	2006747	60920				1674015
165	Conventional deferred annuity with-profits	19	5					98
175	Group conventional deferred annuity with-profits	8	32					379
210	Additional reserves with-profits OB							5793
300	Regular premium non-profit WL/EA OB	33110	87428	2110				52738
325	Level term assurance	39996	2631502	8779				15904
330	Decreasing term assurance	154690	2102126	8137				17296
340	Accelerated critical illness (guaranteed premiums)	7957	406361	2556				7655
350	Stand-alone critical illness (guaranteed premiums)	2039	97913	543				651
390	Deferred annuity non-profit	106	7					165
395	Annuity non-profit (PLA)	2660	2506					20442
435	Miscellaneous non-profit	215	5275	11				5223



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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		8428	22				2821
120	Conventional endowment with-profits OB savings		197					67
125	Conventional endowment with-profits OB target cash		66					36
300	Regular premium non-profit WL/EA OB		83	1				59
325	Level term assurance		945834	3464				11993
330	Decreasing term assurance		113287	814				(168)
340	Accelerated critical illness (guaranteed premiums)		324511	1930				6025
350	Stand-alone critical illness (guaranteed premiums)		6756	33				59
395	Annuity non-profit (PLA)							2

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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
100	Conventional whole life with-profits OB	7	160					120
155	Conventional pensions endowment with-profits	5	101					93
165	Conventional deferred annuity with-profits	24862	41961	3555				953759
175	Group conventional deferred annuity with-profits	13358	148962	128				779310
185	Group conventional pensions endowment with-profits	48	434	1				385
205	Miscellaneous conventional with-profits	716	13222	18				1796
300	Regular premium non-profit WL/EA OB	519	201218	535				1278
315	Individual deposit administration non-profit	465	7904					7904
320	Group deposit administration non-profit	333	10586	28				24016
325	Level term assurance	14865	753038	1955				3888
390	Deferred annuity non-profit	6611	14142	1				202624
400	Annuity non-profit (CPA)	86085	170294					2012368

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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
205	Miscellaneous conventional with-profits		875	2				15
325	Level term assurance		80593	47				296
390	Deferred annuity non-profit		24					
400	Annuity non-profit (CPA)		10					158

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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
315	Individual deposit administration non-profit		7904					7904
320	Group deposit administration non-profit		10586	28				21715
390	Deferred annuity non-profit		95					1239

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	898	103750	383				(173)
330	Decreasing term assurance	101	6666	42				46
350	Stand-alone critical illness (guaranteed premiums)	916	35930	214				332
395	Annuity non-profit (PLA)	11	21					201

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	1118	12336	565				9382
325	Level term assurance	29103	6981968	24130				9330
330	Decreasing term assurance	20201	7288138	25631				(35687)
340	Accelerated critical illness (guaranteed premiums)	48879	5683927	74661				(9244)
345	Accelerated critical illness (reviewable premiums)	838	856616	17267				44
350	Stand-alone critical illness (guaranteed premiums)	3544	323508	2490				(2932)
355	Stand-alone critical illness (reviewable premiums)	41	116801	2816				(1489)
360	Income protection non-profit (guaranteed premiums)	71394	1018997	27416				18586
385	Income protection claims in payment	1280	15986					139086
395	Annuity non-profit (PLA)	297	964					8331
410	Group Life	808	1100000	1765				1324
420	Group income protection	3953	1741231	26859				74182
425	Group income protection claims in payment	112	7640					60371
440	Additional reserves non-profit OB							29817

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

Name of insurer **Friends Provident Life and Pensions Limited**  
Total business / subfund **Non Profit 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
325	Level term assurance		1985319	5311				20131
330	Decreasing term assurance		661141	3346				(2279)
340	Accelerated critical illness (guaranteed premiums)		1947714	4316				14333
345	Accelerated critical illness (reviewable premiums)		42871					468
350	Stand-alone critical illness (guaranteed premiums)		146366	500				404
355	Stand-alone critical illness (reviewable premiums)		1808					10
360	Income protection non-profit (guaranteed premiums)		161454	329				3388
385	Income protection claims in payment		1250					10605
410	Group Life		590000	400				300
420	Group income protection		153197	2363				6201
425	Group income protection claims in payment		569					4016

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
425	Group income protection claims in payment		672					3705



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	35	4409	25				73
400	Annuity non-profit (CPA)	8905	20975					277387
440	Additional reserves non-profit OB							2518

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
325	Level term assurance		4409	25				73
400	Annuity non-profit (CPA)		20975					277387

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	3694	551977	2060				(1851)
330	Decreasing term assurance	525	43407	276				331
340	Accelerated critical illness (guaranteed premiums)	26	3230	23				43
350	Stand-alone critical illness (guaranteed premiums)	2013	99017	643				320

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	28620	413424		409403	409403	464	409867
505	Life UWP whole life regular premium	5329	632047	8441	134818	134098	5517	139615
510	Life UWP endowment regular premium - savings	7362	151101	5381	79599	79531	1061	80593
515	Life UWP endowment regular premium – target cash	29982	1292511	30892	433829	432887	8812	441698
574	UWP investment only reinsurance		76295	16	76295	76293	(102)	76191

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	149033	2109455	25034	2072070	2049063	142262	2191326
535	Group money purchase pensions UWP	15475	163088	2664	211300	211130	12604	223734
574	UWP investment only reinsurance		189276	44	189276	189247	(258)	188989

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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
500	Life UWP single premium	1848	90791		89892	89892	(20)	89872
505	Life UWP whole life regular premium	29	2241	61	2218	2218		2218
510	Life UWP endowment regular premium - savings	177	6048	403	5082	4988	3	4990
525	Individual pensions UWP	113	2978	130	2972	2972		2972
574	UWP investment only reinsurance		78731		78731	78731	(273)	78457

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	1954	54473		53933	53933	(10)	53923
505	Life UWP whole life regular premium	255	53523	550	2124	2124	(1)	2123
510	Life UWP endowment regular premium - savings	2030	14129	1523	12094	12094	15	12109
515	Life UWP endowment regular premium – target cash	611	19171	686	4023	4023	5	4028
574	UWP investment only reinsurance		3818		3818	3818	(1)	3816
575	Miscellaneous UWP						2620	2620

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
500	Life UWP single premium		539				84	84
505	Life UWP whole life regular premium		51399				3	3
510	Life UWP endowment regular premium - savings		2035				16	16
515	Life UWP endowment regular premium – target cash		15148				8	8
574	UWP investment only reinsurance		75992		75992	75992	(102)	75890



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	1989	24228	452	24116	24027	325	24352
535	Group money purchase pensions UWP	1993	23615	1321	23413	23413	176	23589
575	Miscellaneous UWP						6081	6081

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
525	Individual pensions UWP		201	452			349	349
535	Group money purchase pensions UWP		202	1321			110	110
574	UWP investment only reinsurance		47440		47440	47440	42	47482

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
500	Life UWP single premium	1262	57298		56731	56731	(45)	56686
505	Life UWP whole life regular premium	27	1287	130	1275	1275		1275
510	Life UWP endowment regular premium - savings	1227	19394	1575	17098	14803	7	14809
525	Individual pensions UWP	193	5967	159	5923	5923	1	5924
575	Miscellaneous UWP						806	806

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
574	UWP investment only reinsurance		78731		78731	78731	(273)	78457

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	22569	476328		471435	471435	2532	473968
710	Life property linked whole life regular premium	44761	1196682	12688	228792	225785	3531	229316
715	Life property linked endowment regular premium - savings	18348	361284	6510	175324	175100	185	175285
720	Life property linked endowment regular premium – target cash	39046	842449	18610	377115	373860	(522)	373338

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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		1246181		1246181	1246181		1246181

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
725	Individual pensions property linked	485426	3234123	90435	3206681	3179425	38333	3217758
735	Group money purchase pensions property linked	58440	854372	59209	758327	755336	93219	848555

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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
725	Individual pensions property linked		698		29237	29237		29237
735	Group money purchase pensions property linked		141		141	141		141
794	Property linked investment only reinsurance		3996335	47536	3905383	3905383	91345	3996728



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit 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	1548	51219		50712	50712	394	51106
710	Life property linked whole life regular premium	255	9747	328	9651	9651	12	9663
715	Life property linked endowment regular premium - savings	2601	38548	2040	33836	32813	52	32865
725	Individual pensions property linked	1322	25383	1195	25352	25352	64	25416

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

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

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
794	Property linked investment only reinsurance		118528		118528	118528		118528

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	12493	401876		397911	397911	89	398000
710	Life property linked whole life regular premium	2047	123039	1082	5423	5423	73	5497
715	Life property linked endowment regular premium - savings	1897	17968	1563	14567	14567	18	14585
720	Life property linked endowment regular premium – target cash	505	15865	512	3294	3294	2	3296
794	Property linked investment only reinsurance		2776658		2776658	2776658		2776658
800	Additional reserves property linked						32383	32383

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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
700	Life property linked single premium		401876		397911	397911	89	398000
710	Life property linked whole life regular premium		123039	1082	5423	5423	73	5497
715	Life property linked endowment regular premium - savings		17968	1563	14567	14567	18	14585
720	Life property linked endowment regular premium – target cash		15865	512	3294	3294	2	3296
794	Property linked investment only reinsurance		1427958		1427958	1427958		1427958

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	33722	346765	5316	346681	346681	3094	349775
735	Group money purchase pensions property linked	34572	406864	19877	405433	404702	5682	410384
800	Additional reserves property linked						4654	4654



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit 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	619	27802		27548	27548	(69)	27479
710	Life property linked whole life regular premium	117	4342	253	4299	4299	2	4301
715	Life property linked endowment regular premium - savings	7025	74658	6307	64507	54090	(215)	53875
725	Individual pensions property linked	847	15181	675	15098	15098	13	15111
794	Property linked investment only reinsurance		245768		245768	245768		245768
800	Additional reserves property linked						7130	7130











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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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
Activest Lux Chance (EUR)	06 - life - overseas equity	299	IRIS Accumulation	2.40%	0.8367	0.9480	13.31
Activest Lux Ertrag (EUR)	06 - life - overseas equity	45	IRIS Accumulation	1.95%	0.9043	0.9198	1.71
Activest Lux Wachstum (EUR)	06 - life - overseas equity	52	IRIS Accumulation	2.35%	0.8723	0.9335	7.01
Cash	03 - life - defensive managed fund	3240	Accumulation - PRE	1.00%	1.5831	1.5710	(0.77)
European	06 - life - overseas equity	38747	Accumulation - PRE	1.00%	3.3805	3.4500	2.06
F&C Asia Pacific (EUR)	06 - life - overseas equity	1587	Multi Currency FPLAL Accumulation	1.00%	1.8752	2.1946	17.03
F&C European Equity (EUR)	06 - life - overseas equity	405	Multi Currency FPLP Accumulation	1.00%	1.0281	1.0993	6.92
F&C Global Equity (EUR)	06 - life - overseas equity	377	Multi Currency FPLAL Accumulation	1.00%	1.0376	1.1900	14.68
F&C High Yield Bond	01 - life - stock market managed fund	814	Multi Currency FPLP Accumulation	1.00%	1.2389	1.3718	10.73
F&C Japan (EUR)	06 - life - overseas equity	160	Multi Currency FPLAL Accumulation	1.00%	0.8910	1.0634	19.36
F&C Managed (EUR)	04 - life - other managed fund	574	Multi Currency FPLP Accumulation	1.00%	0.8582	0.9396	9.48
F&C Monthly Distribution	01 - life - stock market managed fund	1799	Multi Currency FPLP Accumulation	1.00%	1.1202	1.2494	11.54
F&C North American Equity (EUR)	06 - life - overseas equity	106	Multi Currency FPLAL Accumulation	1.00%	0.8075	0.9688	19.98
F&C Stewardship International IRIS (EUR)	06 - life - overseas equity	64	IRIS Accumulation	1.76%	0.8519	0.9918	16.42
F&C UK Property	07 - life - property	7459	Accumulation - POST	1.00%	1.0382	1.1635	12.07
Fidelity European Growth IRIS (EUR)	06 - life - overseas equity	4215	Multi Currency FPLAL Accumulation	2.25%	0.7864	0.9071	15.35
Fixed Interest	01 - life - stock market managed fund	6588	Accumulation - POST	1.00%	2.2415	2.3220	3.59
FPI East Capital Balkan (SEK)	06 - life - overseas equity	372	Multi Currency FPLAL Accumulation	2.50%	8.1417	7.7925	(4.29)

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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
FPI East Capital Eastern (SEK)	06 - life - overseas equity	844	Multi Currency FPLAL Accumulation	2.50%	11.2414	13.2720	18.06
FPI Global Equity IRIS (EUR)	06 - life - overseas equity	8374	Cross Holdings	0.00%	0.8142	0.9508	16.78
FPI Lannebo Smabolag (SEK)	06 - life - overseas equity	1589	Multi Currency FPLAL Accumulation	1.75%	13.9780	18.6486	33.41
FPI Lannebo Sverige (SEK)	06 - life - overseas equity	405	Multi Currency FPLAL Accumulation	1.75%	10.5161	13.9910	33.04
FPI Model 1 Preservation IRIS (EUR)	03 - life - defensive managed fund	16	Cross Holdings	0.00%	0.9486	0.9569	0.87
FPI Model 2 Cautious IRIS (EUR)	03 - life - defensive managed fund	185	Multi Currency FPLAL Accumulation	1.75%	0.9061	0.9052	(0.09)
FPI Model 3 Balanced IRIS (EUR)	02 - life - balanced managed fund	1171	Multi Currency FPLAL Accumulation	1.75%	0.8099	0.8184	1.06
FPI Model 4 Growth IRIS (EUR)	02 - life - balanced managed fund	6372	Multi Currency FPLAL Accumulation	1.75%	0.7300	0.7519	3.01
FPI Model 5 Aggressive IRIS (EUR)	02 - life - balanced managed fund	15695	Multi Currency FPLAL Accumulation	1.75%	0.6780	0.7003	3.29
FPI Nordea SEK Reserve (SEK)	06 - life - overseas equity	1550	Multi Currency FPLAL Accumulation	0.75%	10.9102	10.9117	0.01
FPI Nordea Swedish Bond (SEK)	06 - life - overseas equity	513	Multi Currency FPLAL Accumulation	1.25%	10.7583	10.9161	1.47
Templeton BRIC (USD)	06 - life - overseas equity	4933	Multi Currency FPLAL Accumulation	2.25%	1.7085	1.9035	11.41
International Stewardship	06 - life - overseas equity	5780	Accumulation - POST	1.00%	0.9867	1.1552	17.07
Investec American Equity (USD)	06 - life - overseas equity	234	Multi Currency FPLAL Accumulation	1.50%	1.1532	1.2592	9.19
Investec Cautious Managed	03 - life - defensive managed fund	14716	Accumulation - PRE	1.50%	1.3697	1.5438	12.71
Investec Global Strategy Global Energy (USD)	06 - life - overseas equity	548	Multi Currency FPLAL Accumulation	1.75%	1.2592	1.3868	10.13
Investec UK Equity	05 - life - UK equity	638	Accumulation - PRE	1.50%	1.3667	1.6068	17.57
JPMF Euro Liquidity (EUR)	03 - life - defensive managed fund	1856	Multi Currency FPLAL Accumulation	0.75%	1.0629	1.0600	(0.27)

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

Name of insurer **Friends Provident Life and Pensions Limited**  
Total business  
Financial year ended **31 December 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
JPMF Euro Liquidity IRIS (EUR)	03 - life - defensive managed fund	451	Multi Currency FPLAL Accumulation	1.55%	1.0514	1.0403	(1.06)
JPMF Euroland Equity (EUR)	06 - life - overseas equity	374	Multi Currency FPLAL Accumulation	1.50%	1.2636	1.3464	6.55
JPMF Global Balanced (EUR)	02 - life - balanced managed fund	780	Multi Currency FPLP Accumulation	1.50%	1.1995	1.3367	11.43
JPMF Sterling Liquidity	03 - life - defensive managed fund	1753	Multi Currency FPLP Accumulation	0.75%	1.1720	1.1699	(0.18)
JPMF USD Liquidity (USD)	03 - life - defensive managed fund	1037	Multi Currency FPLP Accumulation	0.75%	1.0806	1.0755	(0.47)
Life Aegon Ethical Corporate Bond Accumulation	01 - life - stock market managed fund	6452	FP Accumulation 0.75% - FPLAL	0.75%	0.9153	0.9883	7.98
Life Aegon Ethical Equity	05 - life - UK equity	3830	FP Accumulation 0.75% - FPLAL	0.75%	0.8757	1.0894	24.40
Life Aegon Sterling Corporate Bond Income	01 - life - stock market managed fund	3261	FP Accumulation 0.75% - FPLAL	0.75%	0.8950	0.9715	8.54
Life American	06 - life - overseas equity	14998	FP Accumulation 0.75% - PRE	0.75%	2.5432	2.9699	16.78
Life Artemis Income	05 - life - UK equity	13220	FP Accumulation 0.75% - FPLAL	0.75%	1.1927	1.3353	11.96
Life Artemis UK Growth	05 - life - UK equity	2129	FP Accumulation 0.75% - FPLAL	0.75%	0.8956	1.1265	25.77
Life Artemis UK Special Situations	05 - life - UK equity	6318	FP Accumulation 0.75% - FPLAL	0.75%	1.1278	1.3477	19.50
Life Baillie Gifford British 350	05 - life - UK equity	434	FP Accumulation 0.65% - FPLAL	0.65%	1.3562	1.6418	21.06
Life Baillie Gifford Income	05 - life - UK equity	307	FP Accumulation 0.65% - FPLAL	0.65%	1.2556	1.4666	16.80
Life Capital Growth	03 - life - defensive managed fund	9480	Ex LMA 5.00%	5.00%	38.6088	43.8898	13.68
Life Cash	03 - life - defensive managed fund	77502	FP Accumulation 0.75% - FPLAL	0.75%	3.3661	3.3661	0.00
Life Tri Balanced Income	02 - life - balanced managed fund	1218	FP Accumulation 0.75% - FPLAL	0.75%	0.7399	0.7965	7.65
Life Tri Cautious Growth	03 - life - defensive managed fund	502	FP Accumulation 0.75% - FPLAL	0.75%	0.8389	0.8955	6.75

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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 Tri Strategic Growth	01 - life - stock market managed fund	1216	FP Accumulation 0.75% - FPLAL	0.75%	0.9727	1.0445	7.39
Life Cazenove UK Dynamic	05 - life - UK equity	812	FP Accumulation 0.75% - FPLAL	0.75%	1.2001	1.2919	7.64
Life Credit Suisse Multi Manager Cautious Managed	03 - life - defensive managed fund	1996	FP Accumulation 0.75% - FPLAL	0.75%	0.9552	1.0620	11.18
Life Credit Suisse Multi Manager Constellation	06 - life - overseas equity	409	FP Accumulation 0.75% - FPLAL	0.75%	0.9317	1.0503	12.72
Life Credit Suisse Multi Manager Ethical Portfolio	01 - life - stock market managed fund	2274	FP Accumulation 0.75% - FPLAL	0.75%	0.9291	1.0809	16.34
Life Equity	05 - life - UK equity	80176	FP Accumulation 0.75% - PRE	0.75%	8.5942	9.7536	13.49
Life European	06 - life - overseas equity	69778	FP Accumulation 0.75% - PRE	0.75%	6.5933	7.1266	8.09
Life F&C Stewardship Income	05 - life - UK equity	36352	FP Accumulation 0.75% - FPLAL	0.75%	1.2547	1.4990	19.47
Life Fidelity European	06 - life - overseas equity	8170	FP Accumulation 0.65% - FPLAL	0.65%	1.6474	1.8237	10.70
Life Fidelity Money Builder Income	01 - life - stock market managed fund	20350	FP Accumulation 0.65% - FPLAL	0.65%	1.2119	1.3134	8.37
Life Fidelity Multi Manager Special Situations	05 - life - UK equity	889	FP Accumulation 0.75% - FPLAL	0.75%	0.8265	0.9372	13.39
Life Fidelity Portfolio	02 - life - balanced managed fund	3615	FP Accumulation 0.65% - FPLAL	0.65%	1.4067	1.5752	11.98
Life Fidelity Special Situations	02 - life - balanced managed fund	6588	FP Accumulation 0.65% - FPLAL	0.65%	1.6011	1.8255	14.02
Life Fidelity Wealthbuilder	02 - life - balanced managed fund	3777	FP Accumulation 0.65% - FPLAL	0.65%	1.3421	1.5602	16.25
Life First State Asian Pacific Leaders	06 - life - overseas equity	7936	FP Accumulation 0.65% - FPLAL	0.65%	1.9734	2.4304	23.15
Life First State Global Emerging Markets	06 - life - overseas equity	5071	FP Accumulation 0.65% - FPLAL	0.65%	2.0535	2.5778	25.53
Life Fixed Interest	01 - life - stock market managed fund	163620	Cross Holdings	0.00%	1.9101	2.0640	8.06
Life Fund of External Funds	01 - life - stock market managed fund	21206	FP Accumulation 0.75% - FPLAL	0.75%	1.4375	1.6572	15.28

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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 FP Special Situations	05 - life - UK equity	864	FP Accumulation 0.75% - FPLAL	0.75%	0.9972	1.2236	22.70
Life Gartmore Cautious Managed	03 - life - defensive managed fund	11704	FP Accumulation 0.65% - FPLAL	0.65%	1.0763	1.1606	7.83
Life Gartmore China Opportunities	06 - life - overseas equity	5048	FP Accumulation 0.75% - FPLAL	0.75%	2.0834	2.4559	17.88
Life Gartmore Emerging Markets Opportunities	06 - life - overseas equity	2655	FP Accumulation 0.75% - FPLAL	0.75%	1.3704	1.6805	22.62
Life Guaranteed Deposit	03 - life - defensive managed fund	746	Ex LMA 0.25%	0.25%	5.5759	5.5994	0.42
Life High Yield Distribution Accumulation	01 - life - stock market managed fund	51773	FP Accumulation 0.75% - FPLAL	0.75%	1.5059	1.6872	12.04
Life High Yield Distribution Bond	01 - life - stock market managed fund	60442	Cross Holdings	0.00%	1.0068	1.0635	5.63
Life Income Distribution	01 - life - stock market managed fund	33232	FP Accumulation 0.75% - PRE	0.75%	1.1411	1.2706	11.35
Life Indexed	01 - life - stock market managed fund	44237	FP Accumulation 0.75% - FPLAL	0.75%	3.7146	3.9648	6.73
Life International	06 - life - overseas equity	67728	Cross Holdings	0.00%	1.4316	1.6089	12.38
Life Invesco Perpetual Asian	06 - life - overseas equity	2245	FP Accumulation 0.75% - FPLAL	0.75%	1.8049	2.2048	22.16
Life Invesco Perpetual Corporate Bond	01 - life - stock market managed fund	32287	FP Accumulation 0.75% - FPLAL	0.75%	1.1351	1.2065	6.29
Life Invesco Perpetual Distribution	01 - life - stock market managed fund	11789	FP Accumulation 0.65% - FPLAL	0.65%	1.1320	1.2452	10.00
Life Invesco Perpetual Global Bond	01 - life - stock market managed fund	6794	FP Accumulation 0.75% - FPLAL	0.75%	1.2223	1.2806	4.77
Life Invesco Perpetual High Income	05 - life - UK equity	42860	FP Accumulation 0.75% - FPLAL	0.75%	1.2703	1.4121	11.15
Life Invesco Perpetual Japan	06 - life - overseas equity	1201	FP Accumulation 0.75% - FPLAL	0.75%	1.3014	1.4588	12.09
Life Invesco Perpetual Monthly Income Plus	01 - life - stock market managed fund	9363	FP Accumulation 0.75% - FPLAL	0.75%	1.0574	1.1887	12.41
Life Investec American	06 - life - overseas equity	5801	FP Accumulation 0.65% - FPLAL	0.65%	1.2115	1.3588	12.17



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

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Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Investec Cautious Managed	03 - life - defensive managed fund	44054	FP Accumulation 0.65% - FPLAL	0.65%	1.4034	1.5712	11.96
Life Investec Managed Distribution Accumulation	01 - life - stock market managed fund	2999	FP Accumulation 0.65% - FPLAL	0.65%	1.2399	1.3409	8.15
Life Investec Managed Distribution	01 - life - stock market managed fund	7750	Cross Holdings	0.00%	1.1058	1.1658	5.43
Life Investec Sterling Bond	01 - life - stock market managed fund	3476	FP Accumulation 0.65% - FPLAL	0.65%	1.2468	1.3239	6.19
Life Investec UK Blue Chip	05 - life - UK equity	3527	FP Accumulation 0.65% - FPLAL	0.65%	1.3775	1.5994	16.10
Life Investec UK Smaller Companies	05 - life - UK equity	4269	FP Accumulation 0.65% - FPLAL	0.65%	1.8930	2.5601	35.24
Life Investment Trust	01 - life - stock market managed fund	78997	Ex LMA 0.25%	0.25%	27.8410	33.6975	21.04
Life Japan	05 - life - UK equity	240	Ex LMA 0.75%	0.75%	2.1631	2.4993	15.54
Life JPM Cautious Total Return Income	03 - life - defensive managed fund	13050	FP Accumulation 0.75% - FPLAL	0.75%	1.0435	1.0761	3.12
Life JPM Natural Resources	06 - life - overseas equity	4804	FP Accumulation 0.75% - FPLAL	0.75%	1.2442	1.7295	39.00
Life Lazard European Alpha	06 - life - overseas equity	3990	FP Accumulation 0.65% - FPLAL	0.65%	1.7449	1.7668	1.26
Life Lazard UK Alpha	05 - life - UK equity	3848	FP Accumulation 0.65% - FPLAL	0.65%	1.3588	1.5827	16.48
Life Lazard UK Income	05 - life - UK equity	1189	FP Accumulation 0.65% - FPLAL	0.65%	1.3194	1.5221	15.37
Life M&G Global Basics	06 - life - overseas equity	9271	FP Accumulation 0.75% - FPLAL	0.75%	1.3027	1.6053	23.23
Life M&G Recovery Accumulation	05 - life - UK equity	10856	FP Accumulation 0.80% - FPLAL	0.80%	1.1183	1.2790	14.37
Life M&G Property	07 - life - property	9813	FP Accumulation 0.65% - FPLAL	0.65%	0.7786	0.8283	6.37
Life M&G UK Select Growth	05 - life - UK equity	312	FP Accumulation 0.75% - FPLAL	0.75%	1.0870	1.1799	8.54
Life Managed	04 - life - other managed fund	779996	FP Accumulation 0.75% - PRE	0.75%	6.3227	6.9442	9.83

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Life Managed Stewardship	04 - life - other managed fund	46061	FP Accumulation 0.75% - FPLAL	0.75%	1.3619	1.5736	15.54
Life Blackrock American	06 - life - overseas equity	1635	FP Accumulation 0.65% - FPLAL	0.65%	1.1626	1.3058	12.32
Life Blackrock Balanced Portfolio	02 - life - balanced managed fund	1832	FP Accumulation 0.65% - FPLAL	0.65%	1.3629	1.5510	13.80
Life Blackrock Corporate Bond	01 - life - stock market managed fund	1083	FP Accumulation 0.65% - FPLAL	0.65%	1.1775	1.3017	10.54
Life Blackrock Special Situations	05 - life - UK equity	1767	FP Accumulation 0.75% - FPLAL	0.75%	0.9718	1.2745	31.15
Life Blackrock UK Dynamic	05 - life - UK equity	4998	FP Accumulation 0.75% - FPLAL	0.75%	1.1382	1.2671	11.33
Life Blackrock UK Income	05 - life - UK equity	3353	FP Accumulation 0.65% - FPLAL	0.65%	1.5581	1.8129	16.35
Life Money Maker	03 - life - defensive managed fund	207	Ex LMA 0.25%	0.25%	6.6709	7.1578	7.30
Life Monthly Distribution	01 - life - stock market managed fund	464882	Cross Holdings	0.00%	0.9643	1.0366	7.50
Life Monthly Distribution Accumulation	01 - life - stock market managed fund	164374	FP Accumulation 0.75% - FPLAL	0.75%	1.2402	1.3867	11.81
Life MultiManager Balanced	02 - life - balanced managed fund	26257	FP Accumulation 0.75% - FPLAL	0.75%	1.2611	1.4548	15.36
Life MultiManager Cautious	03 - life - defensive managed fund	31093	FP Accumulation 0.75% - FPLAL	0.75%	1.1810	1.3166	11.49
Life MultiManager Distribution Accumulation	01 - life - stock market managed fund	58960	FP Accumulation 0.75% - FPLAL	0.75%	1.0304	1.1228	8.96
Life MultiManager Distribution	01 - life - stock market managed fund	62556	Cross Holdings	0.00%	0.8831	0.9331	5.66
Life New Star High Yield Bond	01 - life - stock market managed fund	1827	FP Accumulation 0.75% - FPLAL	0.75%	0.9901	1.0984	10.93
Life New Star Higher Income	01 - life - stock market managed fund	444	FP Accumulation 0.75% - FPLAL	0.75%	0.7005	0.8039	14.77
Life New Star Managed Distribution	01 - life - stock market managed fund	1239	FP Accumulation 0.75% - FPLAL	0.75%	0.8910	1.0128	13.67
Life New Star Property	07 - life - property	9851	FP Accumulation 0.65% - FPLAL	0.65%	0.8043	0.8757	8.88

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Life New Star Tri-Star Income	03 - life - defensive managed fund	193	FP Accumulation 0.75% - FPLAL	0.75%	0.7430	0.8349	12.36
Life Norwich Property Trust	07 - life - property	1992	FP Accumulation 0.75% - FPLAL	0.75%	0.6034	0.6604	9.45
Life Norwich Sustainable Futures European	06 - life - overseas equity	1354	FP Accumulation 0.75% - FPLAL	0.75%	0.9931	1.0651	7.25
Life Pacific Basin	06 - life - overseas equity	24836	FP Accumulation 0.75% - PRE	0.75%	2.7673	3.1612	14.23
Life Property	07 - life - property	240853	FP Accumulation 0.75% - FPLAL	0.75%	3.6728	4.1265	12.35
Life Schroder Alpha Plus	05 - life - UK equity	3554	FP Accumulation 0.65% - FPLAL	0.65%	1.5910	1.8827	18.33
Life Schroder Gilt and Fixed Interest	01 - life - stock market managed fund	7260	FP Accumulation 0.65% - FPLAL	0.65%	1.1817	1.2283	3.94
Life Schroder Income	05 - life - UK equity	4211	FP Accumulation 0.65% - FPLAL	0.65%	1.6434	1.7737	7.93
Life Schroder Mid 250	05 - life - UK equity	13793	FP Accumulation 0.65% - FPLAL	0.65%	1.4246	1.7349	21.78
Life Schroder S&P Managed Distribution Portfolio	03 - life - defensive managed fund	3811	FP Accumulation 0.75% - FPLAL	0.75%	0.9397	1.0123	7.73
Life Schroder UK Smaller Companies	05 - life - UK equity	885	FP Accumulation 0.65% - FPLAL	0.65%	1.1698	1.6245	38.87
Life Stewardship	05 - life - UK equity	237393	FP Accumulation 0.75% - PRE	0.75%	7.0330	8.3824	19.19
Life Stewardship International	06 - life - overseas equity	5584	FP Accumulation 0.75% - FPLAL	0.75%	1.4440	1.6594	14.92
Life Stewardship Safeguard Optimiser	05 - life - UK equity	59561	FP Accumulation 0.75% - FPLAL	0.75%	1.1515	1.1787	2.36
Life Threadneedle Equity & Bond	01 - life - stock market managed fund	6812	FP Accumulation 0.65% - FPLAL	0.65%	1.4124	1.5591	10.38
Life Threadneedle Global Select	06 - life - overseas equity	1757	FP Accumulation 0.75% - FPLAL	0.75%	1.0939	1.2364	13.02
Life Threadneedle UK Corporate Bond	01 - life - stock market managed fund	5044	FP Accumulation 0.65% - FPLAL	0.65%	1.1137	1.1980	7.57
Life UK Index Tracker	01 - life - stock market managed fund	6227	FP Accumulation 0.75% - FPLAL	0.75%	1.2364	1.3948	12.81

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

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Life UK Safeguard Optimiser	05 - life - UK equity	47735	FP Accumulation 0.75% - FPLAL	0.75%	1.1431	1.1630	1.73
Managed Portfolio	04 - life - other managed fund	22168	Accumulation - PRE	1.00%	1.8394	2.1444	16.58
Mixed	04 - life - other managed fund	40168	Accumulation - PRE	1.00%	1.8332	1.9094	4.16
Morgan Stanley Euro Strategic Bond (EUR)	01 - life - stock market managed fund	12219	Cross Holdings	0.00%	1.2992	1.3615	4.80
Morgan Stanley Euro Strategic Bond IRIS (EUR)	01 - life - stock market managed fund	12112	Cross Holdings	0.00%	1.1760	1.2324	4.80
Morgan Stanley European Property (EUR)	07 - life - property	469	Multi Currency FPLP Accumulation	1.50%	1.1463	1.2838	12.00
Morgan Stanley European Value Equity (EUR)	06 - life - overseas equity	201	Multi Currency FPLP Accumulation	1.50%	1.1579	1.3409	15.80
Morgan Stanley Global Bond (USD)	01 - life - stock market managed fund	311	Multi Currency FPLAL Accumulation	1.25%	1.2463	1.3183	5.78
Morgan Stanley US Property (USD)	07 - life - property	66	Multi Currency FPLP Accumulation	1.50%	1.3466	1.7059	26.68
Nordea North America Value (USD)	06 - life - overseas equity	218	IRIS Accumulation	2.25%	0.6742	0.7769	15.22
North American	06 - life - overseas equity	14014	Accumulation - PRE	1.00%	1.7583	2.0498	16.58
Overseas	06 - life - overseas equity	8421	Accumulation - PRE	1.00%	1.5741	1.7522	11.32
Pacific Basin	06 - life - overseas equity	22868	Accumulation - PRE	1.00%	1.6181	1.8684	15.47
Pioneer America (USD)	06 - life - overseas equity	81	IRIS Accumulation	2.00%	0.8687	0.9807	12.89
Stewardship	05 - life - UK equity	18875	Accumulation - PRE	1.00%	2.0322	2.4133	18.75
Templeton Euro Growth IRIS (EUR)	06 - life - overseas equity	2844	Multi Currency FPLAL Accumulation	2.25%	0.7136	0.8030	12.53
UK Equity	05 - life - UK equity	15461	Accumulation - PRE	1.00%	2.1084	2.4085	14.23
UK Index Tracker	01 - life - stock market managed fund	2831	Accumulation - POST	1.00%	1.0750	1.2265	14.10

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Aberdeen Global Asia Pacific (USD)	06 - life - overseas equity	1047	IRIS Accumulation	2.35%	0.9631	1.2034	24.95
Baring Eastern Europe (EUR)	06 - life - overseas equity	1289	Multi Currency FPLAL Accumulation	1.75%	0.8186	0.9721	18.75
Fidelity Eurobond (EUR)	01 - life - stock market managed fund	308	IRIS Accumulation	1.95%	1.0397	1.0911	4.94
Fidelity Global Property	07 - life - property	85	Multi Currency FPLAL Accumulation	1.50%	0.7420	0.9033	21.75
Fidelity Global Property (EUR)	07 - life - property	55	IRIS Accumulation	2.21%	0.5785	0.7224	24.87
Fidelity Multi-Asset Strategic (EUR)	06 - life - overseas equity	115	Multi Currency FPLAL Accumulation	1.50%	0.9486	1.0287	8.45
Invesco Asia Infrastructure (USD)	06 - life - overseas equity	1085	Multi Currency FPLAL Accumulation	1.50%	0.8891	1.0431	17.33
Invesco Asia Infrastructure (USD)	06 - life - overseas equity	20	Multi Currency FPLAL Accumulation	1.50%	0.7027	0.7744	10.20
Invesco Asian Equity (USD)	06 - life - overseas equity	463	Multi Currency FPLAL Accumulation	1.50%	0.9848	1.1974	21.59
Invesco Euro Corporate Bond (EUR)	01 - life - stock market managed fund	384	Multi Currency FPLAL Accumulation	1.25%	1.1837	1.2474	5.38
Invesco Sterling Bond	01 - life - stock market managed fund	1901	Multi Currency FPLAL Accumulation	1.25%	1.1846	1.2835	8.35
Invesco UK Equity	05 - life - UK equity	111	Multi Currency FPLAL Accumulation	1.75%	0.7816	0.8420	7.73
Lehner Multi Leaders (EUR)	06 - life - overseas equity	673	IRIS Accumulation	2.65%	0.7259	0.8588	18.31
Life Artemis Strategic Bond	01 - life - stock market managed fund	2418	FP Accumulation 0.75% - FPLAL	0.75%	0.9767	1.0704	9.59
Life Blackrock UK Alpha Plus	05 - life - UK equity	2414	FP Accumulation 0.75% - FPLAL	0.75%	1.0347	1.0684	3.25
Life Capital Assured 2	03 - life - defensive managed fund	5119	FP Accumulation 1.80% - FPLAL	1.80%	1.1067	1.1387	2.89
Life Capital Assured Fund	03 - life - defensive managed fund	4482	FP Accumulation 1.80% - FPLAL	1.80%	1.0615	1.0821	1.94
Life Cazenove MM Diversity	05 - life - UK equity	297	FP Accumulation 0.85% - FPLAL	0.85%	0.9903	1.0545	6.48

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

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Life Credit Suisse European Frontier	06- life -overseas equity	65	FP Accumulation 0.85% - FPLAL	0.85%	0.7653	0.9042	18.14
Life Enhanced Cash Fund	01 - life - stock market managed fund	5557	Cross Holdings	0.00%	1.0659	1.0958	2.80
Life F&C Climate Opportunities	06- life -overseas equity	205	FP Accumulation 0.80% - FPLAL	0.80%	0.8909	0.9987	12.11
Life F&C Growth & Income	05 - life - UK equity	1887	FP Accumulation 0.90% - FPLAL	0.90%	0.7311	0.8722	19.31
Life F&C Latin America	06- life -overseas equity	647	FP Accumulation 0.75% - FPLAL	0.75%	1.1793	1.3657	15.81
Life F&C Lifestyle Balanced	01 - life - stock market managed fund	869	FP Accumulation 0.75% - FPLAL	0.75%	0.9051	1.0131	11.93
Life F&C Lifestyle Cautious	03 - life - defensive managed fund	682	FP Accumulation 0.75% - FPLAL	0.75%	0.9126	1.0152	11.25
Life F&C Lifestyle Defensive	03 - life - defensive managed fund	487	FP Accumulation 0.75% - FPLAL	0.75%	0.8618	0.9550	10.82
Life F&C Lifestyle Growth	01 - life - stock market managed fund	132	FP Accumulation 0.75% - FPLAL	0.75%	0.9057	1.0380	14.60
Life F&C Maximum Income Bond	01 - life - stock market managed fund	150	FP Accumulation 0.80% - FPLAL	0.80%	0.9537	1.0579	10.93
Life F&C Stewardship Corporate Bond	01 - life - stock market managed fund	1684	FP Accumulation 0.75% - FPLAL	0.75%	1.0257	1.1077	7.99
Life Impax Environmental Markets	06- life -overseas equity	1076	FP Accumulation 0.75% - FPLAL	0.75%	1.0004	1.0973	9.69
Life Insight Diversified High Income	01 - life - stock market managed fund	30	FP Accumulation 0.85% - FPLAL	0.85%	0.8394	0.8779	4.60
Life Insight Diversified Target Return	03 - life - defensive managed fund	205	FP Accumulation 0.85% - FPLAL	0.85%	0.8722	0.9172	5.16
Life Invesco Perpetual Monthly Income Plus (INC)	05 - life - UK equity	181	FP Accumulation 0.75% - FPLAL	0.75%	0.8784	0.9146	4.11
Life Investec Managed Growth	05 - life - UK equity	74	FP Accumulation 0.75% - FPLAL	0.75%	0.7550	0.9617	27.39
Life JPM Japan	06- life -overseas equity	10	FP Accumulation 0.75% - FPLAL	0.75%	0.7577	0.8408	10.96
Life Jupiter Ecology	06- life -overseas equity	2653	FP Accumulation 0.75% - FPLAL	0.75%	0.8416	0.9510	12.99

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Life Jupiter Emerging European Opportunities	06- life -overseas equity	612	FP Accumulation 0.75% - FPLAL	0.75%	0.7744	0.9141	18.03
Life Jupiter Income	05 - life - UK equity	1838	FP Accumulation 0.75% - FPLAL	0.75%	0.7481	0.8145	8.86
Life M&G America	06- life -overseas equity	66	FP Accumulation 0.80% - FPLAL	0.80%	0.9689	1.1290	16.52
Life M&G Cautious Multi Asset	03 - life - defensive managed fund	11369	FP Accumulation 0.75% - FPLAL	0.75%	1.0399	1.1389	9.53
Life M&G High Yield Corporate Bond	01 - life - stock market managed fund	288	FP Accumulation 0.75% - FPLAL	0.75%	1.0108	1.0997	8.79
Life M&G Optimal Income	05 - life - UK equity	8012	FP Accumulation 0.75% - FPLAL	0.75%	1.1571	1.2561	8.55
Life Martin Currie North America	06- life -overseas equity	179	FP Accumulation 0.83% - FPLAL	0.83%	0.9047	1.0500	16.06
Life Blackrock Gold & General	05 - life - UK equity	2709	FP Accumulation 0.75% - FPLAL	0.75%	1.3570	1.8338	35.14
Life Morley Global Balanced Income	01 - life - stock market managed fund	273	FP Accumulation 0.75% - FPLAL	0.75%	0.8330	0.8962	7.59
Life Morley Global Cautious Income	03 - life - defensive managed fund	516	FP Accumulation 0.75% - FPLAL	0.75%	0.9341	1.0063	7.73
Life New Star European Growth	06- life -overseas equity	55	FP Accumulation 0.75% - FPLAL	0.75%	0.9207	1.0754	16.80
Life New Star International Property	07 - life - property	965	FP Accumulation 0.75% - FPLAL	0.75%	0.5517	0.6309	14.35
Life Old Mutual Corporate Bond	01 - life - stock market managed fund	470	FP Accumulation 0.75% - FPLAL	0.75%	0.8758	0.9881	12.82
Life Old Mutual UK Select Mid Cap	05 - life - UK equity	863	FP Accumulation 0.75% - POST	0.75%	0.8697	1.0879	25.09
Life Schroder Climate Change	06- life -overseas equity	216	FP Accumulation 0.75% - FPLAL	0.75%	0.9945	1.0719	7.79
Life Schroder Tokyo	06- life -overseas equity	294	FP Accumulation 0.75% - FPLAL	0.75%	0.8830	1.0566	19.66
Loys Global (EUR)	06 - life - overseas equity	101	IRIS Accumulation	2.00%	0.8170	0.9661	18.25
M&G Global Basics (EUR)	06 - life - overseas equity	3125	IRIS Accumulation	2.35%	0.8163	1.0653	30.50

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M&G Global Leaders (EUR)	06 - life - overseas equity	263	IRIS Accumulation	2.35%	0.7752	0.9240	19.20
M&G UK Property	07 - life - property	60	Multi Currency FPLAL Accumulation	1.50%	0.6135	0.6361	3.68
Martin Currie Asia Pacific (EUR)	06 - life - overseas equity	85	Multi Currency FPLAL Accumulation	1.50%	0.8406	1.0513	25.06
Blackrock New Energy (EUR)	06 - life - overseas equity	658	Multi Currency FPLAL Accumulation	1.95%	0.6487	0.6059	(6.60)
Blackrock US Flexible Equity (USD)	06 - life - overseas equity	139	Multi Currency FPLAL Accumulation	1.50%	0.7488	0.8039	7.36
Blackrock World Gold (USD)	06 - life - overseas equity	1782	Multi Currency FPLAL Accumulation	2.00%	1.4081	1.9075	35.46
Morley UK Property	07 - life - property	93	Multi Currency FPLAL Accumulation	1.50%	0.6189	0.6756	9.17
New Star GIF European Growth (EUR)	06 - life - overseas equity	72	Multi Currency FPLAL Accumulation	1.75%	0.7098	0.8710	22.70
New Star International Property (EUR)	07 - life - property	215	Multi Currency FPLAL Accumulation	1.75%	0.6178	0.7220	16.86
Oppenheim Global Absolute Return (EUR)	06 - life - overseas equity	517	IRIS Accumulation	2.25%	0.8320	0.8983	7.97
Oppenheim Global Selection	06 - life - overseas equity	625	IRIS Accumulation	2.15%	0.7784	0.8169	4.94
Schroder ISF Global Property Securities (EUR)	07 - life - property	10	Multi Currency FPLAL Accumulation	1.50%	0.6238	0.7052	13.04
Schroder ISF Strategic Bond (EUR)	01 - life - stock market managed fund	96	Multi Currency FPLAL Accumulation	1.25%	1.0990	1.1793	7.31
Thames River High Income	05 - life - UK equity	498	Multi Currency FPLAL Accumulation	2.00%	1.0018	1.0955	9.36
Thames River Property & Growth	07 - life - property	306	Multi Currency FPLAL Accumulation	2.00%	0.6612	0.7432	12.39
Life Artemis Strategic Bond Distribution	01 - life - stock market managed fund	10	FP Accumulation 0.75% - FPLAL	0.75%	0.9483	0.9864	4.02
Life Old Mutual Corporate Bond Distribution	01 - life - stock market managed fund	20	FP Accumulation 0.75% - FPLAL	0.75%	0.8269	0.8978	8.58
Life Fidelity Moneybuilder Distribution	01 - life - stock market managed fund	163	FP Accumulation 0.65% - FPLAL	0.65%	0.9681	0.9906	2.32



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 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 Newton Global Higher Income	06 - life - overseas equity	44	FP Accumulation 0.75% - FPLAL	0.75%	1.0356	1.1551	11.54
Life Aegon Global Bond	01 - life - stock market managed fund	180	FP Accumulation 0.75% - FPLAL	0.75%	1.0484	1.1244	7.25
Life Allianz BRIC Allstars	06 - life - overseas equity	132	FP Accumulation 0.78% - FPLAL	0.78%	0.9458	1.0539	11.43
Life JPM Global Equity Income	06 - life - overseas equity	11	FP Accumulation 0.75% - FPLAL	0.75%	0.9494	1.0452	10.10
Life Jupiter Merlin Balanced	02 - life - balanced managed fund	97	FP Accumulation 0.75% - FPLAL	0.75%	1.0370	1.1705	12.87
Life Jupiter Merlin Growth	01 - life - stock market managed fund	166	FP Accumulation 0.75% - FPLAL	0.75%	1.0337	1.2068	16.75
Life Jupiter Merlin Income	03 - life - defensive managed fund	591	FP Accumulation 0.75% - FPLAL	0.75%	1.0199	1.1369	11.47
Life M&G Managed Growth	01 - life - stock market managed fund	30	FP Accumulation 0.80% - FPLAL	0.80%	1.0324	1.2157	17.75
Life Neptune European Opportunities	06 - life - overseas equity	25	FP Accumulation 0.78% - FPLAL	0.78%	0.9978	1.0700	7.24
Life Neptune Global Equity	06 - life - overseas equity	54	FP Accumulation 0.78% - FPLAL	0.78%	0.8968	1.0845	20.94
Life Rathbone Income	05 - life - UK equity	11	Cross Holdings	0.00%	0.9384	1.1217	19.53
Life Thames River Distribution	03 - life - defensive managed fund	12	Cross Holdings	0.00%	1.1026	1.2339	11.91
Life Aegon Global Bond Distribution	01 - life - stock market managed fund	11	FP Accumulation 0.70% - FPLAL	0.70%	0.9664	0.9892	2.37
F&C Global Climate Change	06 - life - overseas equity	38	IRIS Accumulation	2.10%	0.8130	0.9559	17.58
Schroder Global Climate Change	06 - life - overseas equity	129	Multi Currency FPLAL Accumulation	1.50%	0.8717	0.9455	8.47
JPM Natural Resources	06 - life - overseas equity	732	Multi Currency FPLAL Accumulation	1.50%	0.7713	1.1555	49.81
Sarasin Global Sar	01 - life - stock market managed fund	271	Multi Currency FPLAL Accumulation	1.50%	0.9150	0.9803	7.14
DWS Global Agribusiness	06 - life - overseas equity	292	Multi Currency FPLAL Accumulation	1.75%	0.8206	0.9561	16.52

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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
Schroder ISF Middle East	06 - life - overseas equity	70	Multi Currency FPLAL Accumulation	1.75%	0.6324	0.7892	24.79
Pioneer Global Ecology	06 - life - overseas equity	203	IRIS Accumulation	2.20%	0.8530	0.9129	7.02
C-Quadrat ARTS Best Momentum	06 - life - overseas equity	260	IRIS Accumulation	2.60%	1.0363	1.2634	21.91
C-Quadrat Total Return Dynamic	06 - life - overseas equity	412	IRIS Accumulation	2.50%	1.1897	1.3056	9.74
DJE Managed Depot Ertag	01 - life - stock market managed fund	258	IRIS Accumulation	1.75%	1.0821	1.1271	4.16
DJE Managed Depot Wachstum	01 - life - stock market managed fund	1412	IRIS Accumulation	1.75%	1.1001	1.1827	7.51
DJE Managed Depot Chance	01 - life - stock market managed fund	1019	IRIS Accumulation	1.75%	1.1494	1.2904	12.27
FPI IAM ProVita World Fund	06 - life - overseas equity	346	IRIS Accumulation	2.35%	1.1415	1.1816	3.51
Prima Welt - Invest	01 - life - stock market managed fund	259	IRIS Accumulation	2.10%	1.1704	1.2494	6.75
Systematiska Covered Call	06 - life - overseas equity	2283	Multi Currency FPLAL Accumulation	2.00%	11.8405	13.3898	13.08
Oppenheim Inovesta	06 - life - overseas equity	17	Cross Holdings	0.00%	1.2079	1.3459	11.42
Oppenheim Inovesta Classic	06 - life - overseas equity	24	Cross Holdings	0.00%	1.2465	1.3992	12.25
Carmignac Patrimoine	01 - life - stock market managed fund	3532	IRIS Accumulation	2.45%	1.0441	1.1057	5.89
IVP Global Werte	01 - life - stock market managed fund	48	IRIS Accumulation	2.20%	0.9812	1.0019	2.11
IAM Taerget Global Portfolio	06 - life - overseas equity	124	IRIS Accumulation	2.35%	0.9966	0.9638	(3.29)
Metzler TORERO MultiAsset	06 - life - overseas equity	87	IRIS Accumulation	2.44%	1.0640	1.0262	(3.55)
Haspa Portfolio Stabil	01 - life - stock market managed fund	1540	IRIS Accumulation	1.85%	1.0167	1.0187	0.20
Warburg Portfolio Act Assets	01 - life - stock market managed fund	3805	IRIS Accumulation	1.95%	1.0355	1.1502	11.07

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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
FPI Portfolio Quality Selections	01 - life - stock market managed fund	498	IRIS Accumulation	1.85%	1.0245	1.1117	8.51
DWS Invest Chinese Equity	06 - life - overseas equity	11	Cross Holdings	0.00%	1.0670	1.1871	11.25
JPM Global Focus	06 - life - overseas equity	16	Cross Holdings	0.00%	1.0979	1.3629	24.14
BNY Mellon Euroland Bond	01 - life - stock market managed fund	14	Cross Holdings	0.00%	1.0026	1.0562	5.35
BNY Mellon Global Bond	01 - life - stock market managed fund	9	Cross Holdings	0.00%	0.9972	1.1593	16.26
HSBC Chinese Equity	06 - life - overseas equity	33	Cross Holdings	0.00%	0.9860	1.0096	2.39
JPM India	06 - life - overseas equity	86	Cross Holdings	0.00%	1.0393	1.3210	27.11
FPI Capinordic FoF Trend	01 - life - stock market managed fund	4709	Cross Holdings	0.00%	10.4575	10.9758	4.96
FPI Capinordic FoF Flexibel 100	01 - life - stock market managed fund	1814	Cross Holdings	0.00%	10.2237	11.3870	11.38
FPI Naventi Aktiv Forvaltning Balanserad	02 - life - balanced managed fund	1282	Cross Holdings	0.00%	10.0000	10.9136	9.14
FPI Naventi Aktiv Forvaltning Offensiv	02 - life - balanced managed fund	6535	Cross Holdings	0.00%	10.0000	11.4016	14.02
Life Stewardship Safeguard Optimiser 2	05 - life - UK equity	21029	FP Accumulation 1.35% - FPLAL	1.35%	1.1233	1.2237	8.95
Life UK Safeguard Optimiser 2	05 - life - UK equity	21276	FP Accumulation 1.35% - FPLAL	1.35%	1.1579	1.2226	5.59
Life Invesco Perpetual High Income (Skipton)	05 - life - UK equity	446	FP Accumulation 0.70% - FPLAL	0.75%	1.0697	1.1295	5.59
Life Invesco Perpetual Monthly Income Plus (Skipton)	01 - life - stock market managed fund	506	FP Accumulation 0.70% - FPLAL	0.75%	1.0906	1.1357	4.14
Life Invesco Perpetual Distribution (Skipton)	01 - life - stock market managed fund	1328	FP Accumulation 0.70% - FPLAL	0.75%	1.0729	1.1006	2.58
Life Gartmore Cautious Managed (Skipton)	03 - life - defensive managed fund	520	FP Accumulation 0.70% - FPLAL	0.65%	1.0336	1.0641	2.95
Life Jupiter Merlin Growth Portfolio (Skipton)	06 - life - overseas equity	530	FP Accumulation 0.70% - FPLAL	0.75%	1.1075	1.2909	16.56

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business  
 Financial year ended **31 December 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 Jupiter Merlin Income Portfolio (Skipton)	03 - life - defensive managed fund	3682	FP Accumulation 0.70% - FPLAL	0.75%	1.0685	1.1538	7.97
Life Schroder Multi-Manager Cautious Managed (Skipton)	01 - life - stock market managed fund	50	FP Accumulation 0.70% - FPLAL	0.75%	1.1020	1.1383	3.30
FPI ComInvest Fondak S1	01 - life - stock market managed fund	10	IRIS Accumulation	2.20%	1.0000	1.1534	15.34
FPI Carmignac Investissement S1	06 - life - overseas equity	557	IRIS Accumulation	2.35%	1.0000	1.1138	11.38
FPI IVP Global Wachstum S1	01 - life - stock market managed fund	23	IRIS Accumulation	2.60%	1.0000	0.9760	(2.40)
FPI Ethna Aktiv S1	01 - life - stock market managed fund	419	IRIS Accumulation	2.35%	1.0000	1.0364	3.64
FPI Ethna Global Defensiv S1	03 - life - defensive managed fund	41	IRIS Accumulation	1.95%	1.0000	1.0189	1.89
FPI Blackrock World Mining S1	06 - life - overseas equity	156	IRIS Accumulation	2.33%	1.0000	1.2081	20.81
FPI Top Trends AMI P S1	01 - life - stock market managed fund	10	Cross Holdings	0.00%	1.0000	1.0482	4.82
JPM America Large Cap S1	06 - life - overseas equity	10	Cross Holdings	0.00%	1.0000	1.0770	7.70
FPI Basket Alte und Neue Welt S1	01 - life - stock market managed fund	10	IRIS Accumulation	2.45%	1.0000	1.0709	7.09
FPI Basket Asianisierung S1	01 - life - stock market managed fund	10	Cross Holdings	0.00%	1.0000	1.0517	5.17
FPI Basket Augewogen S1	01 - life - stock market managed fund	10	Cross Holdings	0.00%	1.0000	1.0469	4.69
FPI Basket Klassiker S1	01 - life - stock market managed fund	10	Cross Holdings	0.00%	1.0000	1.0824	8.24

## Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Provident Life and Pensions Limited**  
Subfund **With Profit 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	1961876	2.80%	3.38%	3.86%
UK F51 L&GA NP	96881	2.80%	3.38%	3.86%
UK F52 L&GA	1146548	2.80%	3.38%	3.86%
UK F53 L&GA NL	3705	2.80%	3.38%	3.86%
UK F51 Pensions WP	1621431	3.50%	3.50%	3.86%
UK F51 Pensions NP	181790	3.50%	3.50%	3.86%
UK F51 Pensions NP	2012211	4.81%	4.81%	5.03%
UK F52 Pensions	2594489	3.50%	3.50%	3.86%
UK F53 Pensions NL	35956	3.50%	3.50%	3.86%
OS F51 NP	406	3.50%	3.50%	3.86%
OS F52	178510	3.50%	3.50%	3.86%
OS F53 NL	405	3.50%	3.50%	3.86%
Miscellaneous UK F51 L&GA WP	8810	n/a	n/a	1.17%
Miscellaneous UK F51 L&GA NP	5223	n/a	n/a	0.65%
Miscellaneous UK F52 L&GA	1416	n/a	n/a	1.17%
Miscellaneous UK F53 L&GA NL	2021	n/a	n/a	0.65%
Miscellaneous UK F51 Pensions WP	122787	n/a	n/a	1.17%
Miscellaneous UK F51 Pensions NP	26764	n/a	n/a	0.30%
Miscellaneous UK F52 Pensions	9559	n/a	n/a	1.17%
Miscellaneous UK F53 Pensions NL	4251	n/a	n/a	0.65%
<b>Total</b>				



**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **Friends Provident Life and Pensions Limited**  
Subfund **Non Profit 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	(63666)	2.80%	3.50%	3.66%
UK F51 L&GA NP	19032	2.80%	3.50%	4.63%
UK F51 L&GA NP	264310	3.50%	3.50%	4.41%
UK F52 L&GA	2620	2.80%	3.50%	4.63%
UK F53 L&GA NL	32098	2.80%	3.50%	4.63%
UK F51 Pensions NP	1566	3.50%	3.50%	3.66%
UK F52 Pensions	6081	3.50%	3.50%	3.66%
UK F53 Pensions NL	4654	3.50%	3.50%	3.66%
OS F51 NP	(1156)	3.50%	3.50%	3.66%
OS F52	1041	3.50%	3.50%	3.66%
OS F53 NL	6902	3.50%	3.50%	3.66%
Miscellaneous UK F51 L&GA NP	20140	n/a	n/a	0.11%
Miscellaneous UK F53 L&GA NL	286	n/a	n/a	0.11%
Miscellaneous UK F51 Pensions NP	953	n/a	n/a	0.11%
Miscellaneous OS F53 NL	(41)	n/a	n/a	3.66%
<b>Total</b>	294819			

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

Name of insurer **Friends Provident Life and Pensions 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	11942727	12187293
Bonus payments in anticipation of a surplus	12	177860	132879
Transfer to non-technical account	13	76481	124239
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	12197068	12444411
Mathematical reserves	21	12029435	12259213
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	167633	185198

**Composition of surplus**

Balance brought forward	31	(78958)	(14008)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	246591	199206
Total	39	167633	185198

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	177860	132879
Cash bonuses	42		
Reversionary bonuses	43	10799	7038
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	188659	139917
Net transfer out of fund / part of fund	47	76481	124239
Total distributed surplus (46+47)	48	265140	264157
Surplus carried forward	49	(97507)	(78958)
Total (48+49)	59	167633	185198

**Percentage of distributed surplus allocated to policyholders**

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



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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **With Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	9787614	10032129
Bonus payments in anticipation of a surplus	12	177860	132879
Transfer to non-technical account	13	6481	4239
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9971955	10169247
Mathematical reserves	21	10046572	10294848
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	(74617)	(125600)

**Composition of surplus**

Balance brought forward	31	(269757)	(269757)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	195140	144157
Total	39	(74617)	(125600)

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	177860	132879
Cash bonuses	42		
Reversionary bonuses	43	10799	7038
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	188659	139917
Net transfer out of fund / part of fund	47	6481	4239
Total distributed surplus (46+47)	48	195140	144157
Surplus carried forward	49	(269757)	(269757)
Total (48+49)	59	(74617)	(125600)

**Percentage of distributed surplus allocated to policyholders**

Current year	61	96.68	97.06
Current year - 1	62	97.06	95.58
Current year - 2	63	95.58	96.19
Current year - 3	64	96.19	96.60

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year 1	Previous year 2
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**Valuation result**

Fund carried forward	11	2155113	2155164
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	70000	120000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2225113	2275164
Mathematical reserves	21	1982863	1964365
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	242250	310799

**Composition of surplus**

Balance brought forward	31	190799	255749
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	51451	55050
Total	39	242250	310799

**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	120000
Total distributed surplus (46+47)	48	70000	120000
Surplus carried forward	49	172250	190799
Total (48+49)	59	242250	310799

**Percentage of distributed surplus allocated to policyholders**

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

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Original insurer **Friends Provident Life and Pensions Limited**  
 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	6996	1480	N/A	UWP	N	6996
Endowment assurance	15	11011	372	N/A	CWP	N	13700
Endowment assurance	20	17690	1638	N/A	CWP	N	25200
Endowment assurance	25	29293	5633	N/A	CWP	N	39000
Regular premium pension	5	14105	1839	N/A	UWP	N	14105
Regular premium pension	10	32178	6738	N/A	UWP	N	32178
Regular premium pension	15	48346	1882	N/A	UWP	N	48346
Regular premium pension	20	78407	3932	N/A	UWP	N	78407
Single premium pension	5	11937	1468	N/A	UWP	N	11937
Single premium pension	10	14593	2612	N/A	UWP	N	14593
Single premium pension	15	21504	1020	N/A	UWP	N	21504
Single premium pension	20	38457	5567	N/A	UWP	N	38457

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

Name of insurer **Friends Provident Life and Pensions Limited**  
Original insurer **Friends Provident Life and Pensions Limited**  
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	2493	290		UWP	Y	11540
Endowment assurance	10	5877	931		UWP	Y	29652
Endowment assurance	15	9703	N/A	N/A	CWP	N	32407
Endowment assurance	20	16476	N/A	N/A	CWP	N	39935
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	10958	1110		UWP	Y	11486
With-profits bond	5	11804	1395		UWP	Y	11908
With-profits bond	10	14028	2843		UWP	Y	14140
Single premium pension	2	12835	2690		UWP	Y	12835
Single premium pension	3	12510	2255		UWP	Y	12510
Single premium pension	5	11937	1468		UWP	Y	11937
Single premium pension	10	14593	2612		UWP	Y	14593

**Long-term insurance business : With-profits payouts on maturity (normal retirement)**Name of insurer **Friends Provident Life and Pensions Limited**Original insurer **London and Manchester**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	11066	2542	N/A	UWP	N	11066
Endowment assurance	20	23253	6280	N/A	CWP	N	23253
Endowment assurance	25	42508	13786	N/A	CWP	N	42508
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	28949	5560	N/A	UWP	N	28949
Regular premium pension	15	48687	10744	N/A	UWP	N	48687
Regular premium pension	20	83717	25605	N/A	UWP	N	83717
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	25083	9973	N/A	UWP	N	25083
Single premium pension	20	42432	18727	N/A	UWP	N	42432

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Original insurer **London and Manchester**  
 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	10756	2440		UWP	Y	13881
Endowment assurance	20	21144	N/A	N/A	CWP	N	29919
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

**Long-term insurance business : With-profits payouts on maturity (normal retirement)**Name of insurer **Friends Provident Life and Pensions Limited**Original insurer **UK Provident**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	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	25	29233	5613	N/A	CWP	N	29233
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A

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

Name of insurer **Friends Provident Life and Pensions Limited**  
 Original insurer **UK Provident**  
 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	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A



**Long-term insurance capital requirement**Name of insurer **Friends Provident Life and Pensions 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%	14249961	14249961		
Classes I (other), II and IX	12	0.1%	1098676	508991		658
Classes I (other), II and IX	13	0.15%			0.60	
Classes I (other), II and IX	14	0.3%	15658416	9528440		28138
Classes III, VII and VIII	15	0.3%	1883826	1744220	0.93	5233
<b>Total</b>	<b>16</b>		<b>32890878</b>	<b>26031612</b>		<b>34029</b>
						<b>39883</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					25712	23437
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	10417835	10054687	0.97	100547	102960
Classes III, VII and VIII (investment risk)	33	1%	198501	88400	0.85	1687	1678
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	186609		0.85	1586	1302
Classes III, VII and VIII (other)	35	25%				1661	2394
Class IV (other)	36	1%	293700	265311	0.90	2653	2618
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>108134</b>	<b>110952</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	(87309)	(87309)			
Classes I (other), II and IX	42	3%	10417835	10054687	0.97	301641	308880
Classes III, VII and VIII (investment risk)	43	3%	198501	88400	0.85	5062	5034
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	186609				
Classes III, VII and VIII (other)	45	0%	8075291	1719144			
Class IV (other)	46	3%	293700	265311	0.90	7959	7854
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>19084627</b>	<b>12040234</b>		<b>314662</b>	<b>321768</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>482537</b>	<b>496041</b>
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## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

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

The Financial Services Authority, on the application of the firm, made a direction in December 2010, under section 148 of the Financial Services and Markets. Under the direction allows the Company to include, under INSPRU 6.1, the 6.875% Step up Tier 1 Insurance Capital Securities, as innovative tier one resources.

The 6.875% Step up Tier 1 Insurance Capital Securities, issued by Friends Provident Plc on 18 November 2003, in respect of which the rights and obligations of Friends Provident plc were novated to Friends Provident Holdings (UK) plc on 15 December 2010.

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

	<u>2010</u> £000	<u>2009</u> £000
Total admissible assets (long-term)	16,335,775	16,230,911
Total admissible assets (other than long-term)	760,006	1,133,566
Less:		
Mathematical reserves, after distribution of surplus (long-term)	(12,040,234)	(12,266,251)
Total other insurance and non-insurance liabilities (long-term)	(2,525,047)	(2,481,787)
Total liabilities (other than long-term)	(1,622)	(2,263)
Net admissible assets	2,528,878	2,614,176
Add:		
Capital requirements of regulated related undertakings	339,995	327,888
Total capital resources after deductions	2,868,872	2,942,064

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

The amounts at line 25, 27, 43 and line 52 contain the 2003 STIC of £300m and 2005 STIC of £495m plus interest accrued of £15.8m. The amounts at line 27 are restricted to £476m with the remaining in £122m in line 43. The amounts at line 25 and 52 are £51m and £162m respectively.

#### **\*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> £000	<u>2009</u> £000
Realistic Balance Sheet Long Term Business Provision	1,387,051	1,105,748
Deferred front end fee	999	1,413
Liability at amortised cost	19,211	-
	1,407,261	1,107,161

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

Removal of reinsurers' credit risk adjustment	4,688	4,824
Actuarial reserve for whole of life guarantee	4,440	-
Actuarial reserve for solvency II costs	9,000	-
Actuarial reserve for strategic review costs	10,000	10,000
Deferred tax	-	12,641
Liability at amortised cost	-	20,672
Valuation of assets	17,228	25,215
	45,356	73,352
Total equalling Form 3 Line 14	1,361,905	1,033,809

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

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

	<b><u>2010</u></b> <b><u>£000</u></b>
Profit and loss account reserves b/fwd	577,852
Profit and loss account reserves c/fwd	1,092,786
<hr/>	
Movement	514,934
Remove FSA transfer from technical account to non technical account	76,481
Share premium reduction	(721,500)
Surplus arising on the long-term business technical account	(50,071)
Deferred tax	5,545
Payment of 2005 STIC interest	31,510
<hr/>	
Total equalling Form 16 line 59	(143,101)

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

- i) The company held unlisted equity, fixed & variable interest securities valued at £455m.
- ii) Lines 41, 46 & 48 include assets to the value of £29.1m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) The company held £51m worth of units or beneficial interests in collective schemes, which were not UCITS Directive/FSMA-recognised schemes.
- iv) There were no reversionary interest or remainders in property other than land or buildings.

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

The Company held hybrid securities valued at £371m in the long-term fund and £17.4m 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.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*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.

#### **\*1318\* Other asset adjustments**

	<b><u>2010</u></b> <b>£000</b>	<b><u>2009</u></b> <b>£000</b>
<b>With Profit</b>		
Variation margin	(4,358)	21,393
Amounts owed to credit institutions	-	(5,429)
Intercompany	-	518
Taxation	(26,413)	(12,000)
	<hr/>	<hr/>
	(30,771)	4,482
<b>Non Profit</b>		
Intercompany	605	3,935
Taxation	(671)	-
Interfund	-	(3,459)
	<hr/>	<hr/>
	(66)	476
<b>Shareholders</b>		
Taxation	-	(9,578)
	<hr/>	<hr/>
	-	(9,578)

#### **\*1322\* Total long term fund**

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

#### **\*1323\* Capital support account assets**

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

#### **\*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.”

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*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.

The contracts for differences shown in Form 17 lines 12 to 13 are held as part of the Company's arrangements to hedge against liabilities arising under guaranteed annuity options. The contracts for differences are covered and therefore there is no requirement for a provision for reasonably foreseeable adverse variances under INSPRU 3.2.17R

#### **\*1402\* & \*1502\* Contingent liabilities, guarantees and contractual commitments**

- 1) No charge has been made on the assets of the Company (other than liabilities under an insurance contract).
- 2) Provision has been made for the total potential liability of £33.1m (2009: £7.9m) relating to taxation on unrealised capital gains arising in linked funds. There are no further contingent liabilities relating to tax on unrealised capital gains .
- 3) In accordance with guidance issued by the Financial Services Authority, the Company has reviewed the appropriateness of advice given to policyholders who purchased personal pensions contracts after 1988.

These reviews have long since been substantially completed. £4m (2009: £4m) remains within the long-term business provision in respect of residual associated costs and contingencies. During the year £nil (2009: £nil) was released into surplus.

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

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*1402\* & \*1502\* Contingent liabilities, guarantees and contractual commitments (continued)**

7) The Company has the following guarantees:

- (i) 6.875% Step-up Tier one Insurance Capital Securities (STICS) issued by Friends Provident plc<sup>1</sup> (2003 STICS)

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

The guarantee is intended to provide the holder with rights against the Company in respect of the guaranteed payments which are as nearly as possible equivalent to those which they would have had if the 2003 STICS had been directly issued preference shares of the Company.

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

- (ii) 6.292% Step-up Tier one Insurance Capital Securities (STICS) issued by Friends Provident plc<sup>1</sup> (2005 STICS)

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

This guarantee does not meet the definition of a financial guarantee under FRS 26 as the Company is able to defer its obligation to make payments under the guarantee to holders of 2005 STICS for an unlimited period, and the holders have no right to enforce the obligation on the Company.

On 21 May 2010, Friends Provident plc carried out a financial restructuring by exchanging £90m of its £300m 6.875% Step-Up Tier one Insurance Capital Securities issued on 21 November 2003 (the 2003 STICS) and £232m of its £500m 6.292% Step-Up Tier one Insurance Capital Securities issued on 30 June 2005 (the 2005 STICS) for £162m 12% Sterling Denominated Fixed Rate Subordinated Guaranteed Notes due 2021, irrevocably guaranteed on a subordinated basis by Friends Provident Life and Pensions Limited.

On 6 July 2010, as part of its reorganisation of the Group, Friends Provident Holdings (UK) plc was substituted for Friends Provident plc as the issuer of the 2003 STICS and 2005 STICS.

<sup>1</sup> Friends Provident plc was re-registered as a private limited company in November 2010.

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

9) The Company has made provision for the estimated cost of settling complaints in respect of past sales. Although the provisions are regularly reviewed, the final outcome could be different from the provisions established as these costs cannot be calculated with certainty and are influenced by external factors beyond the control of management. Such uncertainties include future regulatory actions, media attention and investment performance. The majority of the uncertainty relates to endowment mortgages although a number of other products are being reviewed as an ongoing process. It is expected that the majority of endowment cases requiring compensation will be settled in the year.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*1402\* & \*1502\* Contingent liabilities, guarantees and contractual commitments (continued)**

10) Contractual commitments consist of equity investments of £64m due within one year and £93m due 2-5 years.

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

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>£000</b>	<b>£000</b>
<b>With Profit</b>		
Deferred taxation	26,413	12,000
Long term business provision	(1,385,870)	(1,104,520)
Intercompany with Non Profit funds	(11,536)	(11,676)
Amounts owed to credit institutions	-	5,429
Intercompany	-	(518)
Variation margin	4,358	(21,393)
	<hr/>	<hr/>
	(1,366,634)	(1,120,678)
<b>Non Profit</b>		
Deferred taxation	671	-
Long term business provision	7,754	34,268
Intercompany	-	(3,935)
Intercompany with With Profit funds	11,536	11,676
Interfund	-	3,459
Deferred front end fee	(999)	(1,413)
	<hr/>	<hr/>
	18,962	44,055

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

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>£000</b>	<b>£000</b>
<b>Shareholders</b>		
Taxation	-	(9,578)
	<hr/>	<hr/>
	-	(9,578)

#### **\*1601\* & \*4005\* Foreign currency translation**

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

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

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

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

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £13,516k. Variation margin of £153,861k has been included in Form 13 line 44.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*1702\* Quasi-derivatives**

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

#### **\*1811\* Capital support account assets**

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

#### **\*1911\* Capital support account assets**

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

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

Other income in the With Profits Fund comprises of:

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>£000</b>	<b>£000</b>
FPP management charges	22,696	19,751
FPLP management charges	13,128	11,669
Policy loan income	248	121
Total other income	36,072	31,541

Other expenditure in the Non Profit Fund relates to:

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>£000</b>	<b>£000</b>
FPLP management charges	27,025	24,458
FPLAL management charges	102,380	98,508
Other	-	72
Total other expenditure	129,405	123,038



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### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

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

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

Investment income and expenses:

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

Expenses:

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

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

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

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

Taxation:

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

#### **\*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). Friends Provident Life and Pensions Limited (the Company) is a wholly owned subsidiary of Friends Provident 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**

##### Reassurance agreements with Friends Provident Life Assurance Limited (FPLAL)

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

#### **\*4012\* Total long term fund**

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

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

Assets within this form have been valued as follows:

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

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

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

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

At the end of 2010 the internal linked funds held rights of £259,171 and liabilities of £1,730,251 under derivative contracts.

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

Other income consists of

	<u>2010</u> £000	<u>2009</u> £000
Reinsurance with FPLAL	114,538	-
Total other expenditure	114,538	-

Other expenditure consists of

	<u>2010</u> £000	<u>2009</u> £000
Reinsurance with FPLAL	-	1,518,921
Interest on reinsurance	102,380	98,508
Investment related costs	727	810
Total other expenditure	103,107	1,618,239

Amounts in other expenditure include an amount of £102m relating to interest on the loan and a further £1m in relation to the purchase and sales of investments.

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

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

#### **\*4804\* Derivative yields**

Lines 28.1 and 25.2 for the With Profits Fund contain put options with a value of £95.7m. These combine with equity having a value of £974.8m with yield 5.87% to give a combined value of £1,070.5m with yield 3.46%.

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

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

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

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

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*5010\* Inter-Fund Reinsurance**

The figures given include any inter-fund reinsurance arrangements within FPLP. This has the effect of increasing the gross figures by the total amount reinsured. This is offset by the same total being added in the intra-company reinsurance section, thus giving the correct overall net position. The amounts reinsured within FPLP at the end of December 2010 were:

Form 52:		£
	UK Life	75.9m
	UK Pension	47.5m
	Overseas	78.5m
Form 53 - Linked:		£
	UK Life	1,246.2m
	Overseas	118.5m

#### **\*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.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Provident Life and Pensions Limited

Global business

Financial year ended 31 December 2010

#### **\*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	With Profit Fund		Non Profit Fund	
	Yield	Risk Adjusted Yield	Yield	Risk Adjusted Yield
UK F51 L&GA WP	3.96%	3.86%		
UK F51 L&GA NP	3.96%	3.86%	3.66%	3.66%
UK F51 L&GA NP			4.70%	4.63%
UK F51 L&GA NP			4.95%	4.41%
UK F52 L&GA	3.96%	3.86%	4.70%	4.63%
UK F53 L&GA NL	3.96%	3.86%	4.70%	4.63%
UK F51 Pensions WP	3.96%	3.86%		
UK F51 Pensions NP	3.96%	3.86%	3.66%	3.66%
UK F51 Pensions NP	5.73%	5.03%		
UK F52 Pensions	3.96%	3.86%	3.66%	3.66%
UK F53 Pensions NL	3.96%	3.86%	3.66%	3.66%
OS F51 NP	3.96%	3.86%	3.66%	3.66%
OS F52	3.96%	3.86%	3.66%	3.66%
OS F53 NL	3.96%	3.86%	3.66%	3.66%
Miscellaneous UK F51 L&GA WP	1.17%	1.17%		
Miscellaneous UK F51 L&GA NP	0.65%	0.65%	0.11%	0.11%
Miscellaneous UK F52 L&GA	1.17%	1.17%		
Miscellaneous UK F53 L&GA NL	0.65%	0.65%	0.11%	0.11%
Miscellaneous UK F51 Pensions WP	1.17%	1.17%		
Miscellaneous UK F51 Pensions NP	0.30%	0.30%	0.11%	0.11%
Miscellaneous UK F52 Pensions	1.17%	1.17%		
Miscellaneous F53 Pensions NL	0.65%	0.65%		
Miscellaneous OS F53 NL	0.65%	0.65%	3.66%	3.66%

**Additional information on derivative and quasi-derivative contracts  
(IPRU (INS) rule 9.29)  
Friends Provident Life and Pensions 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. All over the counter derivatives are collateralised to minimise counterparty default risk
- 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.  
The long-term fund held derivatives during the year, which at the time when acquired were not likely to be exercised. These were held for purpose of protecting the fund from falling equity markets & interest rate sensitivity.  
No other contracts were entered into 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 and Pensions 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 Limited;
- (ii) Friends Provident Group plc;
- (iii) Friends Provident Holdings (UK) plc;
- (iv) Resolution Holdings (Guernsey) Limited;
- (v) Resolution Holdco No1LP;
- (vi) Resolution Limited;
- (vii) 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 and Pensions 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 and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (iii) Resolution Holdings (Guernsey) Limited

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

- (iv) Friends Provident Holdings (UK) 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 and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (v) Friends Provident Group plc

As at 31 December 2010, Friends Provident Group plc owned 100% of the Shares of Friends Provident Limited, a company of which Friends Provident Life and Pensions Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (vi) Friends Provident Limited

As at 31 December 2010, Friends Provident Limited owned 100% of the Shares of Friends Provident Life and Pensions Limited and was able to exercise 100% of the voting power at any general meeting.

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

### **1. Introduction**

- (1) The investigation relates to 31<sup>st</sup> December 2010.
- (2) The previous investigation related to 31<sup>st</sup> December 2009.
- (3) Not applicable.

### **2. Product Range**

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

#### New products

No new products were launched in 2010.

#### Changes to existing products

The following products are all sold by FPLAL but are fully reinsured into FPLP:

##### 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.

#### Products Withdrawn

No products were withdrawn in 2010.

### 3. Discretionary Charges and Benefits

- (1) Market value reduction (MVR) factors have been removed from all classes of business with effect from 1 April 2010. Details of MVRs applied to certain policy years of entry, with the maximum rates are as follows:

#### Unitised With Profits - Pensions

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2010 to 31/3/2010	7%	Single Premium Policies Regular Premium Policies	1987 to 2001 (excluding 1991,1992 and 1995) and 2006 to 2007 inclusive
1/4/2010 to 31/12/2010	No MVR applying		

#### Unitised With Profits - Life

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2010 to 31/12/2010	No MVR applying		

#### Unitised With Profits - OLAB

Period	Max MVR	Type of Policies	Policy Years of Entry
1/1/2010 to 31/12/2010	No MVR applying		

- (2) There have been no changes to premiums on reviewable protection policies during the year.
- (3) Not applicable.
- (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:

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

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

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

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



(7) Unit pricing

(a) Description of methods

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

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

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

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

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

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

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

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

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

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

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

###### (b) General Principles

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

###### (c) Conservative Approximations

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

(d) Non Standard Methods

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

- The reserves for certain decreasing term assurances attaching to with-profit mortgage endowments have been set at 4.5 times the office premium. The reserves for certain other decreasing term assurances, family income benefits and risk premium reassurances accepted are taken as one year's office premium and for increasing family income benefits as 1.5 times the office premium. The reserves for risk premium reassurances ceded are taken as zero.
- For late retirements where the benefit is equal to the cash option at retirement plus interest, the reserves have been calculated by accumulating the cash option with interest at a rate not less than the average rate earned by existing policyholders.
- Friends Provident London and Manchester Assurance (FPLMA) individual income protection and waiver of premium reserves are taken as a proportion of total premiums paid. Reserves for FPLMA group income protection have been taken as one year's annual premium. Other annual premium income protection business is valued using a gross premium method. In all cases claims in payment are valued in addition to the above. Hospitalisation benefit claims are assumed to be 0.006% of the annual policy benefit, although, in practice, the amount of hospitalisation benefit is not related to policy benefit.
- For single premium income protection business, other than FPLMA, the liability in respect of benefits secured by premiums paid during the preceding three years is 90% of those premiums. Where claims are in course of payment after three years, they are valued individually as life annuities ceasing on the earlier of recovery, death or ceasing age. For FPLMA business the liability is equal to one year's premium plus the value of all claims in payment.
- Where an extra premium is payable on a life assurance policy to cover additional mortality risk, a reserve of three times the extra premium is held.

(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 (Pre-July 2001)	2.80	4.46	4.81		3.00	4.28	5.21	
Annuities in possession (Post-July 2001)	2.80	4.46	4.46		3.00	4.28	4.33	
Other non-profit business	2.80	3.50	3.50	3.50	3.00	3.80	3.80	3.80
With-profits deferred annuities in deferment	2.80		3.50		3.30		4.20	
in possession	2.80		Variable*		3.30		Variable*	
Other conventional with-profits business	2.80		3.50		3.30		4.20	
Unitised with-profits	2.80	3.50	3.50		3.30	4.20	4.20	

\* In possession assumes a reinvestment rate. This is equal to 97.5% of the rates derived from the forward gilt yield curve.

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	2.30	3.00	3.00	3.00	2.50	3.30	3.30	3.30
High rate	5.00	5.00	5.00	5.00	5.40	5.40	5.40	5.40

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

(3) Adjustment of Yields for Risk

- (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
<b>All lives except as noted below</b>	120% AMC00	120% AFC00	120% AMC00	120% AFC00
<b>Linked Business</b>				
- Life (regular premium)	130% AMC00	130% AFC00	130% AMC00	130% AFC00
- Life (other)	110% AMC00	110% AFC00	110% AMC00	110% AFC00
<b>Regular Premium Income Protection</b>				
- Lives not claiming	60% AM80	60% AF80	60% AM80	60% AF80
- Lives claiming	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives
<b>Term assurances paying death benefits only</b>				
- Smokers	93% TMS00(5)	88% TFS00(5)	93% TMS00(5)	88% TFS00(5)
- Non-Smokers	93% TMN00(5)	86% TFN00(5)	93% TMN00(5)	86% TFN00(5)
- Non-Differentiated <sup>(1)</sup>	105% TMN00(5)	105% TFN00(5)	105% TMN00(5)	105% TFN00(5)

	31.12.2010		31.12.2009	
	Male	Female	Male	Female
<b>Deferred annuities</b>				
- in deferment	65% AMC00	55% AFC00	65% AMC00	55% AFC00
- non-profit pension annuity options on vesting (individual)	59-93% RMV00	61-93% RFV00	56-94% RMV00	58-94% RFV00
- other annuity options on vesting (group)	70-93% PCMA00	77-93% PCFA00	67-94% PCMA00	75-94% PCFA00
<b>Annuities in possession- individual contracts</b>				
- Life business	95% IM92 U2005	95% IF92 U2005	95% IM92 U2005	95% IF92 U2005
- Pension business (pre-July 2001)	84-93% RMV00	87-93% RFV00	83-94% RMV00	87-94% RFV00
- Pension business (post-July 2001)	59-93% RMV00	61-93% RFV00	56-94% RMV00	58-94% RFV00
<b>Annuities in possession - group contracts</b>				
- Pension business (pre-July 2001)	82-93% PCMA00	90-93% PCFA00	81-94% PCMA00	90-94% PCFA00
- Pension business (post-July 2001)	70-93% PCMA00	77-93% PCFA00	67-94% PCMA00	75-94% PCFA00
<b>With Profit Business – Annuity Fund</b>				
- Individual deferred annuity (in deferment)	65% AMC00	55% AFC00	65% AMC00	55% AFC00
- Individual deferred annuity (in possession)	95% IM92 C2025	95% IF92 C2025	95% IM92 C2025	95% IF92 C2025
<b>With Profit Business – Pension Fund</b>				
- Individual deferred annuity (in deferment)	65% AMC00	55% AFC00	65% AMC00	55% AFC00
- Individual deferred annuity (in possession)	59-93% RMV00	61-93% RFV00	56-94% RMV00	58-94% RFV00
- Scheme deferred annuity (in deferment)	65% AMC00	55% AFC00	65% AMC00	55% AFC00
- Scheme deferred annuity (in possession)	70-93% PCMA00	77-93% PCFA00	67-94% PCMA00	75-94% PCFA00
- Term assurance	105% TMN00 (5)	105% TFN00 (5)	105% TMN00 (5)	105% TFN00 (5)

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

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

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

Deferred annuities – individual contracts – pension business (Pre-July 2001):  
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

Deferred annuities – With-profits pensions annuity options on vesting (executive pensions):  
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 – individual contract - life business:  
Modified IM92/IF92 U2005 Ultimate for 2010, modified IM92/IF92 U2005 Ultimate for 2009.

Current Age	Expectation at Age	31.12.2010		31.12.2009	
		Male	Female	Male	Female
45	65	19.49	22.69	19.49	22.69
55	65	19.49	22.69	19.49	22.69
65	65	19.49	22.69	19.49	22.69
75	75	12.00	13.99	12.00	13.99

Annuities in possession - individual contracts - pension business (post-July 2001) and  
Deferred annuities - non-profit pension annuity options on vesting (individual) and  
Deferred annuities - with-profits pension annuity options on vesting (individual):  
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	30.46	31.59	27.90	29.18
55	65	28.21	29.83	26.56	28.16
65	65	26.09	28.16	25.22	27.13
75	75	16.07	17.77	15.71	17.22

Annuities in possession - group contracts - pension business (post-July 2001) and  
Deferred annuities - other annuity options on vesting (group) and  
With Profit Business - pension fund - individual deferred annuity (in possession):  
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	27.33	27.99
55	65	27.15	28.11	25.88	26.87
65	65	24.83	26.26	24.42	25.74
75	75	15.21	16.50	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
<b>Accelerated Critical Illness Mortality</b>				
- Smokers	89% CIBT02 (2) mort	111% CIBT02 (2) mort	89% CIBT02 (2) mort	111% CIBT02 (2) mort
- Non-Smokers	45% CIBT02 (2) mort	51% CIBT02 (2) mort	45% CIBT02 (2) mort	51% CIBT02 (2) mort
<b>Standalone Critical Illness Morbidity</b>				
- Smokers	87% CIBT02 (2)	89% CIBT02 (2)	87% CIBT02 (2)	89% CIBT02 (2)
- Non-Smokers	51% CIBT02 (2)	64% CIBT02 (2)	51% CIBT02 (2)	64% CIBT02 (2)

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

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

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

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

Term from Commencement of Disability to Retirement	31.12.2010			31.12.2009		
	Under 2	2-5	Over 5	Under 2	2-5	Over 5
Up to 10 years	7%	3%	1%	7%	3%	1%
Over 10 years	12%	5%	2%	12%	5%	2%

(6) Expense Bases

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

Tax relief in the life fund is assumed to be:

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

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



## With Profit Fund

With-Profit Fund		31.12.2010				31.12.2009			
Class		Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	26.31	0.125	0	N/a	25.17	0.122	0
	Otherwise	N/a	18.41	0.125	0	N/a	17.62	0.122	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	26.31	0.125	0	N/a	25.17	0.122	0
	Otherwise	N/a	18.41	0.125	0	N/a	17.62	0.122	0
CWP Pensions (155 / 165)	Premium Paying	N/a	31.57	0.125	0	N/a	30.21	0.122	0
	Otherwise	N/a	23.68	0.125	0	N/a	22.66	0.122	0
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
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	43.13	0.125	0	N/a	41.27	0.122	0
	Otherwise	N/a	34.50	0.125	0	N/a	33.02	0.122	0
UWP Single Premium Pension (525 / 545)	All	N/a	32.97	0.125	0	N/a	31.55	0.122	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	67.45	0.125	0	N/a	64.55	0.122	0
	Otherwise	N/a	53.33	0.125	0	N/a	51.03	0.122	0
UWP Group Single Premium Pension (535)	All	N/a	48.09	0.125	0	N/a	46.02	0.122	0
UL Bond (700)	All	N/a	25.10	0.132	0	N/a	23.28	0.129	0
UL Savings Endowment (715)	Premium Paying	N/a	34.79	0.132	0	N/a	32.26	0.129	0
	Otherwise	N/a	25.10	0.132	0	N/a	23.28	0.129	0
UL Target Cash Endowment (720)	Premium Paying	N/a	34.79	0.132	0	N/a	32.36	0.129	0
	Otherwise	N/a	25.10	0.132	0	N/a	23.28	0.129	0
UL Regular Premium Pension (725)	Premium Paying	N/a	39.61	0.132	0	N/a	36.73	0.129	0
	Otherwise	N/a	31.58	0.132	0	N/a	29.28	0.129	0
UL Single Premium Pension (725)	All	N/a	29.55	0.132	0	N/a	27.39	0.129	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	21.19	0.132	0	N/a	19.65	0.129	0
	Otherwise	N/a	15.84	0.132	0	N/a	14.69	0.129	0
UL Group Single Premium Pension (735)	All	N/a	14.45	0.132	0	N/a	13.40	0.129	0

## Non Profit Fund

Non-Profit Fund		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	15.1	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	15.1	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	43.13	0.125	0	N/a	41.27	0.122	0
	Otherwise	N/a	34.50	0.125	0	N/a	33.02	0.122	0
UWP Single Premium Pension (525 / 545)	All	N/a	32.97	0.125	0	N/a	31.55	0.122	0
UWP Group Regular Premium Pension (535)	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 Group Single Premium Pension (535)	All	N/a	17.15	0.125	0	N/a	16.41	0.122	0
UL Bond (700)	All	N/a	13.55	0.121	0	N/a	12.96	0.118	0
UL Savings Endowment (715)	Premium Paying	N/a	16.54	0.132	0	N/a	15.83	0.129	0
	Otherwise	N/a	13.55	0.132	0	N/a	12.96	0.129	0
UL Target Cash Endowment (720)	Premium Paying	N/a	16.54	0.132	0	N/a	15.83	0.129	0
	Otherwise	N/a	13.55	0.132	0	N/a	12.96	0.129	0
UL Regular Premium Pension (725)	Premium Paying	N/a	14.64	0.100	0	N/a	14.01	0.100	0
	Otherwise	N/a	10.29	0.100	0	N/a	9.85	0.100	0
UL Single Premium Pension (725)	All	N/a	8.25	0.100	0	N/a	7.90	0.100	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	14.64	0.100	0	N/a	14.01	0.100	0
	Otherwise	N/a	10.29	0.100	0	N/a	9.85	0.100	0
UL Group Single Premium Pension (735)	All	N/a	8.25	0.100	0	N/a	7.90	0.100	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:

	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 Ex- FPLMA	n/a	n/a	3.8	n/a	n/a	4.1
Conventional Non Profit Other	n/a	n/a	4.4	n/a	n/a	4.7
Conventional With Profit Ex- FPLMA	n/a	n/a	3.8	n/a	n/a	4.1
Conventional With Profit Other	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

- (8) 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.

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

#### Unitised With Profits Policies

Life		Pensions					
Series 1,21	Ex FPLMA Life	Series 1	Series 7,11,27	New Generation Pre-demut	New Generation Post -demut	Ex FPLMA Pensions	Ex UKP
% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
3.00	1.00	4.00	0.95	0.92	0.97	1.00	5.00

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

Product		Average lapse / surrender / paid-up rate for policy years			
		1-5	6-10	11-15	16-20
		% p.a.	% p.a.	% p.a.	% p.a.
Level term (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	16.1	7.3	5.2	5.2
UL bond	Surrender	n/a	n/a	n/a	n/a
UL bond	Partial Surrender	5.0	5.0	5.0	5.0
UL Individual Pension	PUP	16.1	7.3	5.2	5.2
UL Group Pension	PUP	21.3	15.6	15.6	15.6

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

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

(10) There are no other material assumptions.

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

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

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

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

## 5. Options and guarantees

### (1) Guaranteed Annuity Rate Options

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

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

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

Product Name (i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Rate (v)	Increments allowed (vi)	Annuity Form (vii)	Retirement Ages (viii)
Self Employed Deferred Annuities	1,064	Up to 20 years	607	FP: 11.6%	No	Single life, annual in arrears, no guarantee	FP: 60-70
UKP: 12.2%				UKP: 60 – 75			
Group Deferred Annuities (other than EBP and PTP below)				10.0%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Executive Benefit Plan (EBP) and Pension Transfer Plan (PTP)				10.0%	No	Single life, monthly in advance, guaranteed 5 years	Only applies at specified NRD
UKP Executive Pensions				11.1%	No	Single life, monthly in advance, guaranteed 5 years	Applies at specified NRD or on similar terms for early retirement
FPLMA Retirement Annuity Contracts				10.8%	No	Single life, annual in arrears, no guarantee	60-75

(2) Guaranteed Surrender and unit-linked maturity values

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

Product Name (i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Amount (v)	MVA Free Conditions (vi)	In-force Premiums (vii) £m	Increments (viii)
Friends Flexible Savings Plan	112	Up to 20 years	7	Scheduled proportion of the maturity benefit (including declared bonuses).	n/a	3	No
Multidowment and 10/25 Savings Plan		Up to 1 year		Scheduled proportion of the maturity benefit (including declared bonuses).	n/a		No
Planned Investment and Planned Investment Plus		Up to 1 year		Scheduled proportion of the maturity benefit (including declared bonuses).	n/a		No

(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

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

**Expense reserves**

- (1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £83.6m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below.

<b>Homogeneous Risk Group</b>	<b>Implicit Allowances £m</b>	<b>Explicit Allowance (investment) £m</b>	<b>Explicit Allowances (other) £m</b>	<b>Non-Attributable Expenses £m</b>	<b>Total £m</b>
Unitised Life (Post July 2001)			1.1	0.7	1.8
Unitised Overseas (Post July 2001)		0.3	0.4	0.3	1.0
Unitised Life (Pre July 2001)		1.5	3.2		4.7
Unitised Pensions (Pre July 2001)		5.0	9.4		14.4
All Expenses Attributable (All other business)	2.6	13.4	45.8		61.8
<b>Total</b>	<b>2.6</b>	<b>20.2</b>	<b>59.8</b>	<b>1.0</b>	<b>83.6</b>

- (2) The implicit expense allowance relates to Group Income Protection business where a proportion of premium is held for the first three years and claims reserves thereafter. The allowances are covered from margins in the reserving basis.
- (3) The maintenance expenses in line 14 of Form 43 are £65.0m.
- An additional £10m reserve is held for expenses. No credit has been taken for this reserve in allowances set out in 6(1) above.
- (4) The value of profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is required.
- (5) Actual expenses and commission have been estimated for 2011 if the Company ceased to transact new business on 1st January 2011. Estimated expenses in 2011, on this basis, are less than the loadings expected from in-force business in 2011 and therefore no additional reserve is required.
- (6) Non-attributable expenses have only been calculated for unit-linked products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation, the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

## 7. Mismatching reserves

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

Currency	Value of liabilities (£m)	Value of assets (£m)
Sterling	10,047	11,547
Euro		149
Australian Dollar		81
Dollar		74
Other		208
<b>Total</b>	<b>10,047</b>	<b>12,060</b>

The value of mathematical reserves (other than reserves for property-linked benefits) for the Non Profit Fund was £295m denominated entirely in sterling, and this was wholly matched by sterling-denominated assets.

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

## 8. Other special reserves

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

- (1) A provision of £31m to allow for the potential unwinding of a tax credit. The provision is the current value of the tax credit.
- (2) A reserve of £15m, held in the Non Profit Fund, in respect of the difference between the valuation maintenance expense assumptions in respect of With Profit Fund policies and that chargeable under the expense agreement between the two funds.
- (3) A reserve of £15m in respect of potential premium rate guarantees on certain unit-linked whole of life policies.
- (4) A reserve of £10m to cover investment expenses, amounting to c£1m p.a., that have not been attributed to policies.
- (5) A provision of £10m 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 below, except as detailed here.
  - (d) The name of the reinsurer is quoted in the table.
  - (e) The nature and extent of cover is quoted in the table.
  - (f) The premiums paid in 2010 are quoted in the table.
  - (g) A deposit back arrangement exists on the reinsurance of all unit linked life business within the Non-Profit Fund (excluding any units relating to the Property Fund) to Friends Provident Life Assurance Ltd, whereby the unit element is deposited back to Friends Provident Life & Pensions Ltd, immediately following the payment of the reinsurance premium.
  - (h) Availability to new business is quoted in the table.
  - (i) There are no undischarged obligations of the insurer.
  - (j) The mathematical reserves ceded under the treaty are quoted in the table. Apart from any reserves ceded internally, these have been reduced to allow for credit risk.
  - (k) Retentions on new business are quoted in the table.
  - (l) All reinsurers quoted in the table are authorised to carry on insurance business in the UK.
  - (m) Connections of any reinsurer to the Company are quoted in the table.
  - (n) Apart from any reserves ceded internally the mathematical reserves shown in the table have been reduced by £4.7m to allow for credit risk.
  - (o) No provision has been made for the Company's liability to refund reinsurance commission in the event of lapse or surrender of the contracts reinsured. This is because the premiums recoverable will exceed any commission refundable.
  - (p) None of the treaties are financing arrangements.

9. Reassurance Treaty Information (Sections a,b,c,g,i,l,n,o and p covered above)							
(d) Reinsurer	(e) Nature and extent of cover under the treaty	(f) Premiums payable £m	(h) New business	(j) Mathematical reserves £m	(k) Retention for new policies	(m) Connected Company	
Swiss Re Life & Health Ltd	2 <sup>nd</sup> surplus reinsurance for £1.5m for conventional life and pensions business and for all unitised business on risk premium or original terms.	1	Closed	2	N/A	Not connected	
	1 <sup>st</sup> surplus reinsurance for Individual Income Protection for £33,000 p.a.		Closed				
	1 <sup>st</sup> surplus reinsurance for Individual Income Protection for £300 p.w. up to a maximum sum assured of £40,000 p.a.		Closed				
	Quota share reinsurance for non-linked life business for 65% up to a maximum retention of £50,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect from July 2005 the percentage reassured changed from 65% to 75%.		Closed		N/A		
	1st surplus reinsurance for Group Income Protection in excess of the greater of £60,000 p.a. and the policy's free cover limit up to a limit of £300,000 p.a.	Closed	The greater of £60,000 p.a. and the				
	1 <sup>st</sup> surplus reinsurance for Individual Income Protection for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). Max retention £125,000 p.a. D4 included and benefit increased to £2,700 p.w. with effect 26/1/2007.	16	Closed	31	N/A		Not connected
	1 <sup>st</sup> surplus reinsurance for Executive Income Protection for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business). Max retention £125,000 p.a. plus £50,000 for NI and pension contributions.		Closed		N/A		
Quota share reinsurance for Term Assurance Life and Critical Illness and Stand Alone Critical Illness for 80% up to £625,000, 100% above £625,000 to a maximum of £1m. (With effect from 9 <sup>th</sup> December 2002, 75% up to £500,000, 100% above £500,000 to a maximum of £1m.) Original terms and risk premium.	Closed		N/A				
Friends Provident Pensions Ltd	All Main Series investment benefits under pension business internal linked funds. All investment benefits under specific pensions' plans; Peace and Quiet, Secure Growth Personal Retirement Plan, Blueprint and Individual Retirement Plans for the Self Made Man and Executive Director.	205	Closed	4,028	N/A	Wholly Owned Subsidiary	
	All pension business written in the Non-Profit Fund prior to 31 December 2001.	72	Closed	1,052	N/A		
	Deferred and in-payment annuities under Investment Trust Retirement Annuity plans on original terms.	Nil	Closed	29	N/A		

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
Friends Provident Life Assurance Ltd	All liabilities for benefits relating to the value of Property Fund units.	(44)	Open	251	Nil	Wholly Owned Subsidiary
	All unit linked life business within the Non Profit Fund (excluding any units related to the Property Fund).	94	Closed	1,606	N/A	
Munich Reinsurance Co	1 <sup>st</sup> surplus reinsurance for £2m for Individual Life (excluding commodity term assurance and Milestones Term Assurance) and Group Life. 1 <sup>st</sup> surplus reinsurance for £375,000 for critical illness and permanent disability benefits.	14	Closed	46	N/A	Not connected
	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £2m, 100% above £2m to a maximum sum reinsured of £2m.				N/A	
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.		Closed		N/A	
	1 <sup>st</sup> surplus reinsurance for Group Income Protection for £200,000 p.a.		Closed		N/A	

## 10. Reversionary bonus

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

Name of Bonus Series	Amount of Mathematical Reserves £m	Reversionary Bonus Rate for the		Guaranteed Bonus Rate for the Year %
		Current Year %	Preceding Year %	
<b><u>Main Series – Life policies</u></b>				
Conventional Life Fund Policies (All except Series 9)	1,787	Nil / 0.25	Nil / 0.25	0.00 / 0.00
Series 9		0.25 / 0.25	0.25 / 0.25	0.00 / 0.00
<b><u>Unitised With Profits Funds</u></b>				
Series 1,21	402	3.00	3.00	3.00
Series 2,3,4,6 and Inward Reinsurance	601	0.50	0.50	0.00
Series 9,10,11,12,22,23,24,26 and Inward Reinsurance	21	0.75	0.75	0.00
Series 5	5	0.25	0.25	0.00
Series 8, 25	6	0.25	0.25	0.00
Series 14	51	1.00	1.00	0.00
<b><u>Main series – Pension Fund</u></b>				
<b><u>Conventional Policies</u></b>				
Individual Plans	507	Nil/Nil	Nil/Nil	0.00
Group Cashable Annuities	425	3.50 / 3.50	2.00 / 2.00	0.00
Executive Benefit Scheme Cashable Annuities	225	Nil / Nil	Nil / Nil	0.00
<b><u>Unitised With Profits Funds</u></b>				
Series 1	1,408	4.00	4.00	4.00

Name of Bonus Series	Amount of Mathematical Reserves £m	Reversionary Bonus Rate for the		Guaranteed Bonus Rate for the Year %
		Current Year %	Preceding Year %	
Series 2,4	384	1.00	1.00	0.00
Series 9,10,22,24	44	1.25	1.00	0.00
Series 21	206	1.25	1.00	0.00
Series C	13	0.00	0.00	0.00
Demutualisation Terminal Bonus	49	2.00	1.75	0.00
Pre-Demutualisation New Generation	263	2.00	1.75	Not less than AMC
Post-Demutualisation New Generation		2.00	1.75	Not less than AMC
<b><u>Main Series - OLAB Policies</u></b>				
<u>Unitised With Profits Funds</u>				
Series 1,2	172	1.00	1.00	0.00
Series 3,4,21,22	1	1.25	1.00	0.00
Series 5	6	1.75	1.75	0.00
<b><u>UKP Series – Life and General Annuity Policies</u></b>				
All Conventional Policies	128	0.10 / 0.10	0.10 / 0.10	0.00
<b><u>UKP Series – Individual and Group Deferred Annuities</u></b>				
Conventional With Profits Policies	579	Nil / Nil	Nil / Nil	0.00
<b><u>Ex-FPLMA Policies – Life Assurance Policies</u></b>				
All Conventional Policies	24	0.50 / 0.50	0.50 / 0.50	0.00
Unitised With Profits Funds	63	1.25	1.25	0.00
<b><u>Ex-FPLMA Policies – Individual and Group Deferred Annuities</u></b>				
Unitised With Profits Funds	242	1.75	1.75	0.00

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

**Introduction**

1. The history of Friends Provident Life and Pensions Limited (FPLP) is described in the introduction to the abstract of the Valuation Report prepared under Appendix 9.4. The With Profits Fund comprises business written in the Main Series and the UKP Series of Friends Provident Life Office (FPLO) together with business written in Friends Provident London and Manchester Assurance (FPLMA) prior to its transfer in 2000. It also includes asset shares in respect of all the reassured with-profits business of Friends Provident Pensions Limited (FPP) and the reassured UWP business of Friends Provident Life Assurance Limited (FPLAL).
  - (1) The investigation relates to 31 December 2010.
  - (2) The previous investigation related to 31 December 2009.
  - (3) An interim valuation was carried out at 30 June 2010.

**Assets**

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

	31 December 2010 (% pa)	31 December 2009 (% pa)
Risk Discount Rate	4.0	4.4
Investment returns before tax (all assets)	4.0	4.4
Future expense inflation	4.4	4.7
Corporation tax rate	27	28

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

### With-Profits Benefits Reserve Liabilities

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

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

Product Type	With-Profits Benefits Reserve		Future Policy Related Liabilities £m
	Prospective £m	Retrospective £m	
Conventional Whole of Life Pre-demutualisation	168	4	5
Conventional Savings Pre-demutualisation	113	2,198	69
Conventional Pension Pre-demutualisation	231	799	618
UWP Savings Pre-demutualisation	0	797	31
UWP Bonds Pre-demutualisation	0	708	18
UWP Pensions Pre-demutualisation	0	2,458	159
UWP Bonds Post-demutualisation	0	144	0
UWP Savings Post-demutualisation	0	41	2
UWP Pensions Post-demutualisation	0	218	2
<b>Total</b>	<b>513</b>	<b>7,369</b>	<b>905</b>

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

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

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

Description	Amount (£m)
Total Future Policy Related Liabilities from 3 (1) (b)	905
Enhancement to WPBR not yet allocated to specific policies	269
Future costs of smoothing	38
Financing cost of contingent loan	62
Operational risk provision	20
Additional tax provision	6
Other	18
<b>Total Future Policy Related Liabilities</b>	<b>1,318</b>
Line 49 of Form 19: Total Future Policy Related Liabilities	1,318

## With-Profits Benefits Reserve – Retrospective Method

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

Retrospective Reserves	Proportion of With-Profits Benefits Reserve
Individual Basis	87.8%
Grouped Basis	5.9%

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

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

(ii) 479 model points were used to represent 6,142 policies for the first method and 105 model points were used to represent 1,169 schemes for second method.

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

### (2) (a) No changes in the method during 2010.

(b) N/a

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

The Scheme charges to the fund were reviewed at the end of 2009 and as a result were increased by 1.8%, reflecting increases in the cost of regulation. Charges continue to be linked to inflation as described below. At the same time the charge to with-profits benefit reserves was brought into line with the charge to the With Profits Fund, increasing the charge to with-profits benefit reserves by 5.6% in total. The Scheme charges will next be reviewed at the end of 2014.

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

The Scheme also sets out a similar approach for calculating total charges to with-profits benefits reserves. In apportioning these costs between individual policies:

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



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

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

Type of Policies	Maintenance Expenses in 2010 (£m)
Pre-demutualisation	23.7
Post-demutualisation	4.2

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

For pre-demutualisation business, there was previously a deduction from the with-profits benefits reserve in order to achieve a fair distribution of the fund's assets over the remaining lifetime of policies. A deduction at a rate of 0.45%pa was applied until 1<sup>st</sup> April 2010, reducing to 0% thereafter. This charge allowed for the cost of guarantees.

Type of Policies	2010 Guarantee Charge	2009 Guarantee Charge
Pre-demutualisation	£8.7 million	£30.8 million
Post-demutualisation	£0.1 million	£0.3 million

- (5) There were no charges deducted from the fund for non-insurance risk.
- (6) The table below shows the ratio of claims paid out on with-profits insurance contracts to the with-profits benefits reserve held for those claims:

	2010	2009	2008
Ratio of Claims to Reserves	96%	102%	107%

- (7) The investment return allocated to the with-profits benefits reserve for the period 1 January to 31 December 2010 was 12.9% before deduction of tax and expenses. The same return was allocated to all with profits contracts.

There were adjustments to ex-UKP policies of -0.25% pa, which reflect the terms of the transfer of this company under the scheme of transfer to FPLO.

#### **With-Profits Benefits Reserve – Prospective Method**

5. (1) A bonus reserve valuation is used for conventional whole life policies and conventional policies that have been made paid-up or have altered since inception.
- (a) For life business a risk discount rate of 3.6% pa is used, for pensions business a risk discount rate of 4.0% pa is used. These are the earned rates derived from the economic assumptions in (b).
- (b) The gross investment return is assumed to be 4.0% pa for all asset categories.
- (c) Expense inflation is assumed to be 4.4% pa.

(d) Assumed conventional annual bonuses are shown in the table below. Final bonuses were assumed to be a proportion of current final bonuses that are consistent with the rate that would be paid on a similar premium paying policy. Samples of current final bonus rates are shown in the following table:

	Rates applying to attaching bonuses (Rates applying to attaching bonuses and sum assured marked with *)					
	Annual Bonus (% pa)	Final Bonus by Term (%)				
		15	20	25	30	35+
UKP Life Series	0.1*	0	0	55	47.5	110
UKP Pension Series	0	0	0	0	0	37
Main Series endowments	0.25	155	85	55	22.5	80
Main Series low cost endowments - 03/12/90 - 20/02/91	0.25	0	58	0	0	0
Main Series regular premium SEDA	0	0	34	14	10	12.5
Main Series low cost endowments - 21/02/91 - 31/12/91	0.25	0	38	0	0	0
Main Series single premium SEDA	0	70	60	27	42	110
Main Series low cost endowments - 31/12/91 onwards	0.25	25	25	0	0	0
Main Series life with guaranteed surrender basis	0.25	150	100	80	80	80
Main series low cost endowment increments	0.25	0	0	0	0	0
LMA Life Series	0.5*	27*	37*	48*	74*	112*
FPLP Group Employer's Retirement Schemes	3.5*	0	0	0	0	0
FPLP Executive Benefit Schemes Single premium	0	55	55	55	55	55
FPLP Executive Benefit Schemes Regular premium	0	13	13	13	13	13

(e) The Scheme of Demutualisation set out the expenses that should be charged to the with-profits benefits reserve from 9 July 2001 to 31 December 2009. During 2010, charges were reviewed and subsequently increased by 1.8%, reflecting increases in the cost of regulation. The charge to with-profits benefit reserves was also brought into line with the charge to the With Profits Fund, increasing by 5.6% in total. The Scheme charges will next be reviewed at the end of 2014. These expenses are also used within the retrospective with-profits benefits reserve calculation.

2010 Expenses	Regular Premium	Paid-Up
Life	£24.20	£16.94
Pension (Individual)	£29.05	£21.78

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

(2) Not applicable.

## Cost of guarantees, options and smoothing

6. (1) Not applicable.
- (2) The cost of options and guarantees are valued using a Monte Carlo simulation approach using Barrie & Hibbert as the stochastic asset model. The outputs from this asset model are input into a dynamic financial analysis model (Prophet ALS) to calculate the value of options and guarantees.
- (a) All products are valued using the Monte Carlo method although there are some adjustments made outside the model.
- (b) (i) Not applicable.
- (b) (ii) All costs have been valued on a grouped basis.
- (b) (iii) Grouping of Data: A set of rules is used to group policies with similar characteristics while aiming to preserve the intrinsic value of the guarantees. The rules used to group policies in 2010 were unchanged from 2009. The table below shows the level of grouping split by product group.

		Policies before grouping	Policies after grouping	Compression
Conventional Life (Pre Demut)	WOL	21,370	275	1.29%
	Savings	167,811	1,112	0.66%
Conventional Pensions (Pre Demut)		26,232	147	0.56%
Unit Linked Life (Pre Demut)	Bonds	67,978	226	0.33%
	Savings	79,280	644	0.81%
Unit Linked Pensions (Pre Demut)		376,426	2,071	0.55%
Unit Linked Life (Post Demut)	Bonds	3,776	79	2.09%
	Savings	9,139	220	2.41%
Unit Linked Pensions (Post Demut)		28,625	486	1.70%
<b>Total</b>		<b>817,697</b>	<b>5,719</b>	<b>0.70%</b>

### Impact of grouping on embedded maturity guarantees

Onerous policy groups are identified by comparing the grouped cost of maturity guarantees and the compression ratios. The effect of grouping data on embedded maturity guarantee liabilities is examined by calculating the liabilities for these onerous policy groups on an individual policy level. This is then compared against the liability calculated using grouped data. An additional reserve of £15.1m is held to cover the difference between the two approaches.

### Impact of grouping on financial options

An implicit adjustment within the stochastic model, which is proportionate to the grouped liabilities for financial options is held. An additional reserve of £3.0m is held to cover lost value.

### Impact of grouping on other liabilities

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

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

- Number of maturities and maturity payments;
- Number of surrenders and surrender payments;
- Number of deaths and death payments;
- With-profits benefits reserve in-force;
- Number of policies in-force; and
- Expenses, investment income and in force premium income.

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

(3) No changes were made to modelling of financial options and guarantees during 2010.

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

<b>Split of maturity guarantees</b>		<b>Total (£m)</b>
Conventional Pension	Intrinsic	81
	Time	61
Conventional Life	Intrinsic	0
	Time	31
Unitised With-Profits Pension	Intrinsic	3
	Time	110
Unitised With-Profits Life	Intrinsic	5
	Time	19
<b>Total</b>	Intrinsic	<b>90</b>
	Time	<b>222</b>
	<b>Total</b>	<b>311</b>

<b>Split of financial options</b>		<b>Total (£m)</b>
Conventional Pension	Intrinsic	475
	Time	0
<b>Total</b>	<b>Intrinsic</b>	<b>475</b>
	<b>Time</b>	<b>0</b>
	<b>Total</b>	<b>475</b>

(ii) The asset model used is Barrie & Hibbert. This is a macro-economic scenario generator that describes how the economy may evolve over time, using a combination of historic statistical information, current market prices, implied volatilities and fundamental economic principles.

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

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

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

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

Exchange rates are assumed to have an initial volatility of 11% pa.

Correlations between 6-year bonds, equities and the RPI are calibrated to historical data. Sample average correlations over the first 15 years from the asset model output are shown below:

	<b>6 Year Bond Return Index</b>	<b>Equity Total Return</b>	<b>RPI</b>	<b>Property Total Return</b>	<b>15 Year Corporate Bond Return Index</b>
<b>6 Year Bond Return Index</b>	1.00	0.11	(0.01)	0.10	0.49
<b>Equity Total Return</b>	0.11	1.00	0.04	0.28	0.57
<b>RPI</b>	(0.01)	0.04	1.00	0.18	(0.10)
<b>Property Total Return</b>	0.10	0.28	0.18	1.00	0.38
<b>15 Year Corporate Bond Return Index</b>	0.49	0.57	(0.10)	0.38	1.00

Risk-free rates are calibrated to the UK Government gilt yield curve, extrapolated to tend to a long term assumption of 3.6% pa at terms greater than 35 years.

K n	Asset type (all UK assets)	(£)	1				2				3				4			
			0.75				1.0				1.5							
			5	15	25	35	5	15	25	35	5	15	25	35	5	15	25	35

Strikes																									
p	1.0																								
	0.8	844,437	1,400,801	2,258,851	3,370,479	1,125,916	1,867,735	3,011,802	4,493,972	1,688,874	2,801,602	4,517,703	6,740,958	824,828	1,238,825	1,818,850	2,508,349	1,099,771	1,651,766	2,425,133	3,344,466	1,649,656	2,477,650	3,637,700	5,016,699
r	Annualised compound equivalent of the risk free rate assumed for the period	2.40%	4.25%	4.51%	4.39%	2.40%	4.25%	4.51%	4.39%	2.40%	4.25%	4.51%	4.39%												
1	Risk-free zero coupon bond	888,166	535,408	332,027	222,520	*	*	*	*	*	*	*	*												
2	FTSE All Share Index (p=1)	95,187	224,279	319,760	386,349	227,218	389,135	498,280	574,378	604,716	774,308	889,918	982,878												
3	FTSE All Share Index (p=0.8)	88,125	174,933	225,061	253,264	212,865	309,344	357,817	382,179	575,299	634,443	655,806	666,048												
4	Property (p=1)	30,726	101,138	170,466	228,741	132,281	234,501	323,419	396,299	522,228	611,544	707,343	788,099												
5	Property (p=0.8)	26,607	67,597	100,424	125,192	119,480	166,368	200,759	225,246	490,570	469,300	474,509	482,165												
6	15 year risk-free ZCBs (p=1)	11,780	11,936	9,487	20,197	72,810	63,742	77,220	119,981	482,615	451,927	460,589	500,763												
7	15 year risk-free ZCBs (p=0.8)	9,988	5,927	2,549	1,655	63,152	30,967	16,236	18,928	447,805	285,812	210,424	193,357												
8	15 year corporate bonds (p=1)	18,098	41,162	69,029	105,254	100,705	139,587	182,727	233,386	497,019	502,551	538,457	593,699												
9	15 year corporate bonds (p=0.8)	15,447	22,062	29,536	40,191	89,153	85,976	89,293	102,786	463,836	358,403	313,964	306,659												
10	Portfolio of 65% equity and 35% property (p=1)	52,605	148,779	228,850	293,326	169,330	295,331	392,308	467,341	552,115	670,181	772,449	858,190												
11	Portfolio of 65% equity and 35% property (p=0.8)	47,130	107,925	147,890	176,588	155,794	222,893	262,372	289,539	521,512	530,950	543,760	553,987												
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)	41,437	115,169	185,764	243,863	150,610	250,897	336,332	405,744	536,216	623,603	706,636	783,934												
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)	36,606	79,389	112,846	138,635	137,328	182,515	216,475	240,420	505,255	484,279	482,287	488,283												
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)	23,221	73,971	129,269	181,979	118,773	195,350	266,527	331,363	513,631	563,914	632,220	700,375												
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)	19,755	45,445	70,080	91,259	106,095	132,750	156,021	178,902	481,418	422,842	408,356	410,524												

L		15				20				25			
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16	Receiver swaptions	3.68%	5.95%	5.56%		4.62%	7.37%			5.77%	8.58%		
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(4)(a) (iii) Within line 16 of the previous table swaption data is limited to L+n <=40, as there is limited liability arising from financial options above these terms.

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

Initial UK equity yield	= 3.05% pa
Initial property rental yield	= 4.30% pa
Initial EUR equity yield	= 3.89% pa

(v)

Asset type (EUR assets)

K  
n

1	2	3	4
1			
5	15	25	35

Strikes

p	1.0		1,293,991	2,033,734	2,995,747	4,266,420
	0.8		1,230,274	1,769,259	2,414,696	3,207,177
r	Annualised compound equivalent of the risk free rate assumed for the period		2.40%	4.25%	4.51%	4.39%
1	Risk-free zero coupon bond		*	*	*	*
2	FTSE EUR Index (p=1)		303,386	453,698	548,351	631,980
3	FTSE EUR Index (p=0.8)		268,683	357,841	401,925	434,514

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

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

Split of guarantees by outstanding term	Years	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	Total (£m)
		(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	
Conventional Pension	Intrinsic	42	28	8	2					81
	Time	16	22	15	6	2	1			61
Conventional Life	Intrinsic									
	Time	13	14	2					1	31
Unitised With-Profits Pension	Intrinsic	1	1		1					3
	Time	18	30	28	19	14	3			110
Unitised With-Profits Life	Intrinsic			1	1	1			1	5
	Time	5	11	2	1					19
<b>Total</b>	Intrinsic	43	29	9	3	2	1		1	90
	Time	52	76	46	26	16	4		1	222
	<b>Total</b>	<b>95</b>	<b>105</b>	<b>56</b>	<b>29</b>	<b>18</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>311</b>

Split of financial options by outstanding term	Years	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	Total (£m)
		(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	
Conventional Pension	Intrinsic	245	133	65	23	8	2			475
	Time									0
<b>Total</b>	Intrinsic	245	133	65	23	8	2			475
	Time									
	<b>Total</b>	<b>245</b>	<b>133</b>	<b>65</b>	<b>23</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>475</b>

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

(viii) The liabilities are calculated using 2000 simulations. The Barrie & Hibbert file has undergone variance reduction by pairing simulations. This ensures the statistical means correspond closely to their theoretical values and minimises the number of simulations required to achieve statistical accuracy. An analysis of statistical error shows that the standard error for liabilities converges at 2000 simulations.

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

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

(5) (a) Dynamic decision rules

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

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

The dynamic bonus rule is summarised below.

Dynamic bonus decision rule

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

A rule has been built into the model that aims to pay a percentage of the final maturity benefit as final bonus. The final bonus as a percentage of sum assured and regular bonus at maturity is targeted to be equal to 2% \* policy term. For example, a 25 year policy targets final bonus of 50% of sum assured and regular bonus (and therefore targets final bonus as being one third of the maturity payout).

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

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

- At the start of the first projection year, the initial bonus rates reflect the actual rates.
- Rates are subject to a minimum change of 0.25% pa
- Increases or decreases to rates are limited to 1.5% pa
- Regular bonus rates will not fall below the minimum contractual rates for each bonus series, as this rule overrides the others.

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

(b) Future equity backing ratio assumptions

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

<b>Asset Type</b>	<b>At valuation date</b>	<b>Long Term</b>
UK Equity	27.7%	27.3%
Overseas Equity	12.8%	12.7%
Property	8.5%	8.0%
<b>Total</b>	<b>49.0%</b>	<b>48.0%</b>

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



Best estimates of future compound annual bonus rates for UWP business are:

<b>Without adjustment to yield curve</b>			
Product	As at 31 December 2010	As at 31 December 2015	As at 31 December 2020
Pensions Regular Premium - Series 1	4.00%	4.02%	4.13%
Pensions Regular Premium - Other	1.00%	1.34%	2.09%
Pensions Single Premium - Series 1	4.00%	4.07%	4.24%
Pensions Single Premium - Other	1.00%	1.87%	2.65%
OLAB Single Premium	1.00%	2.02%	2.71%
Life Regular Premium - Series 1	3.00%	3.02%	3.06%
Life Regular premium - Other	0.50%	0.78%	1.53%
Life Single Premium	0.50%	1.21%	2.11%
<b>Increase in yield curve of 17.5% of the annualised 15 year gilt yield</b>			
Product	As at 31 December 2010	As at 31 December 2015	As at 31 December 2020
Pensions Regular Premium - Series 1	4.00%	4.03%	4.21%
Pensions Regular Premium - Other	1.00%	1.77%	2.60%
Pensions Single Premium - Series 1	4.00%	4.10%	4.36%
Pensions Single Premium - Other	1.00%	2.22%	3.11%
OLAB Single Premium	1.00%	2.54%	3.22%
Life Regular Premium - Series 1	3.00%	3.03%	3.10%
Life Regular premium - Other	0.50%	1.01%	1.86%
Life Single Premium	0.50%	1.53%	2.48%
<b>Decrease in yield curve of 17.5% of the annualised 15 year gilt yield</b>			
Product	As at 31 December 2010	As at 31 December 2015	As at 31 December 2020
Pensions Regular Premium - Series 1	4.00%	4.01%	4.08%
Pensions Regular Premium - Other	1.00%	0.99%	1.64%
Pensions Single Premium - Series 1	4.00%	4.05%	4.15%
Pensions Single Premium - Other	1.00%	1.55%	2.23%
OLAB Single Premium	1.00%	1.55%	2.23%
Life Regular Premium - Series 1	3.00%	3.01%	3.04%
Life Regular premium - Other	0.50%	0.59%	1.25%
Life Single Premium	0.50%	0.94%	1.76%

- (6) The assumed rates of mortality, morbidity, lapse<sup>1</sup>, surrender, conversion to paid-up, early retirement and the proportion of guaranteed annuities that are sacrificed in order to receive tax-free cash, which are reviewed annually, have been derived from analyses of the Group's recent operating experience and industry studies.

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

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

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

Product		Average surrender/paid-up rate for the policy years (% pa)			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	7.1	5.8	3.0	3.0
CWP target cash endowment	surrender	8.7	9.0	5.0	5.0
UWP savings endowment	surrender	13.7	9.6	7.5	7.5
UWP target cash endowment	surrender	12.1	13.2	10.0	10.0
UWP bond	surrender	2.9	19.0	15.0	15.0
UWP bond	automatic withdrawals	2.6	2.6	2.6	2.6
CWP pension regular premium	PUP <sup>2</sup>	0.0	0.0	0.0	0.0
CWP pension regular premium	surrender	1.0	1.2	2.0	5.0
CWP pension single premium	surrender	1.5	1.5	1.5	2.8
UWP individual pension regular premium	PUP	0.0	0.0	0.0	0.0
UWP individual pension regular premium	surrender	2.4	2.5	2.6	7.0
UWP individual pension single premium	surrender	2.6	4.2	5.0	7.7

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

<sup>1</sup> No allowance is made for partial withdrawals in the model

<sup>2</sup> PUP rates are set to zero as the model does not allow for conversions to paid-up. Instead an out of the model adjustment is made to the cost of guarantees for conversions to paid-up.

The assumed take-up rates for guaranteed annuity options are as follows:

<u>Product</u>	<u>GAR take up rate</u>
UKP Executive Conventional Pensions	73%
FP and UKP Individual Conventional Pensions	75%
FP Executive Conventional Pensions	82%
Group Conventional Money Purchase	78%

The annuitant mortality assumptions used in the calculation of the value of financial options are reflected in the table of life expectancies below:

Current Age	Expectation at age	31 December 2010	
		Male	Female
45	65	27.2	28.7
55	65	25.8	27.6
65	65	24.4	26.6
75	75	15.1	16.7

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

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

## Financing Costs

### 7. Contingent loan

- Under the scheme of Demutualisation, capital support is provided to the With Profits Fund by the Non Profit Fund. The minimum amount of capital support that the Non Profit Fund must provide, if required (the 'Capital Support Account'), is currently £81m. This minimum reduces to nil by 2031<sup>3</sup>.
- Capital support is provided by means of contingent loans where repayment is contingent on the With Profits Fund having sufficient assets to meet regulatory solvency needs and the reasonable expectations of policyholders.
- The Demutualisation Scheme requires that £50m is automatically advanced each year up to 2008 (reducing to nil over a 22 year period) and repaid with interest at the end of each year. The accumulated amount with interest at the end of 2010 was £61.5m. A further contingent loan of £19.5m is available if required.
- A waiver in respect of the contingent loan was granted with effect from 31 July 2008. The waiver permits the inclusion on Form 19 Line 27 of the £19.5m of Capital Support Account assets that have not been advanced at the valuation date, but which are available if necessary.
- This arrangement provides the With Profits Fund with up to £81m of assets in the event that it is required to meet guarantees and discretionary benefits of policyholders, if necessary. In addition the investment policy of the fund assumes that the advanced contingent loan forms part of the fund. However, the fund is otherwise managed with the intention that the contingent loan will be repaid.

<sup>3</sup> The capital support reduces by 10% at the end of each year from 2009 to 2030 (£100m in 2008, £90m in 2009, £81m in 2010...) and finally to zero in 2031.

## Other Long-Term Insurance Liabilities

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

Line 47 Any other long-term insurance liabilities	Base
	£m
CWP provision	70
UWP provision	114
Other	52
<b>Total</b>	<b>236</b>

CWP provision: This shows the prospective value of the future transfers to shareholders in respect of 1/9th of the cost of future bonuses.

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

'Other' includes:

- Mortgage endowment provision (£7m); this represents an actuarial provision in respect of future claims.
- An operational risk provision (£20m).
- A provision for tax on the assets backing the cost of guarantee and working capital (£6m).
- A provision for additional statutory liabilities backing with-profits contracts (£11m).
- Various other small provisions (£8m).

## Realistic Current Liabilities

9. The following table shows the details:

Line 51 Realistic current liabilities	Base
	£m
Current liabilities	409
Provisions for Shareholder Tax	47
<b>Total</b>	<b>456</b>

Provisions for Shareholder Tax: this represents the tax that will be payable on future transfers to the Non Profit Fund and the Shareholder Fund.

## Risk Capital Margin

10. (a) The risk capital margin for the fund is £146m. The most adverse scenario is:
- (i) A decrease of 12.5% in property holdings and a decrease of 20% in equity holdings.
  - (ii) Yields fall by 17.5%, equivalent to the 15 year gilt yield falling from 3.99%pa to 3.29%pa
  - (iii) The weighted average change in spread on corporate bonds backing the with-profits business is 91 basis points which reduces the market value of these bonds by 6.70%. For non-profit business in the With Profits Fund the equivalent change in spreads was 114 basis points leading to a reduction in the market value of corporate bonds of 8.15%. A similar level of credit stress is applied to debts, reinsurance and derivative positions. There are no non-reinsurance financing arrangements.
  - (iv) Lapse and early retirement rates reduce from current levels by 32.5%, thus assuming a greater number of guarantees and options are exercised. The realistic liability increased by 1.22% under this stress.
  - (v) Not applicable
- (b) No additional management actions have been assumed.
- (c) (i) No shareholder support, other than the contingent loans, is required at 31 December 2010. The fund is fully covering the risk capital margin without the need for additional shareholder support. The RCM is assumed to be backed by approved fixed interest securities within the fund.
- (ii) Not applicable

## Tax

11. (i) The modelling applies future tax to the with-profit benefits reserve in accordance with the Scheme, with life business taxed on an 'I-E' basis and pensions business taxed on profits. For life business an estimate for tax on assets backing the future costs of contractual guarantees (line 41), and any additional tax on the working capital, is calculated using an approximate method.
- (ii) Shareholder tax is chargeable on the surplus emerging within the With Profits Fund.
- (iii) Realistic current liabilities allow for any current tax liability of the fund.

## Derivatives

12. The With Profits Fund has the following major derivative positions:
- Long futures backing asset shares of £490m notional at a level of 5893 in FTSE 100
  - Overseas long futures of £159m notional. The majority of these futures are Eurostoxx, S&P and Topix positions with levels of 2794, 1253 and 896 respectively.
  - A long FTSE 100 futures position of £157m notional and overseas sold positions of £25m notional to match the equity component of maturity guarantees.
  - FTSE 100 put options with a market value of £96m held to match the strike and term of the equity component of maturity guarantees. The fund currently holds 166,000 equity capital return put options with strikes ranging from 3,988 to 6,647 and 29,000 equity total return put options with strikes ranging from 2,000 to 8,000.
  - Swaptions held to match financial options with a market value of £7m. These swaptions have a nominal value of £1.1bn and strikes ranging from 7.8% to 11.1%.

- Interest rate swaps held to match financial options with a market value of £38m. This is split into receiver swaps (£70m) and payer swaps (-£31m). Receiver swaps have a nominal value of £435m and strikes ranging from 4.74% to 5.00%. Payer swaps have a nominal value of £230m and strikes ranging from 4.82% to 5.10%.

### Analysis of Working Capital

13. The following shows an approximate analysis of working capital between 31 December 2009 and 31 December 2010.

	£m
<b>Opening position at start of year</b>	<b>195</b>
Modelling changes and opening adjustments	19
Expected Investment return on opening working capital	1
Mismatch profits or losses on assets backing future policy related liabilities	137
Assumption changes	
Economic	(155)
Non-economic	(40)
Other variances	
Economic	(22)
Non-economic	(1)
Changes in other liabilities of lines 47 and 51 of Form 19	32
Other	(11)
<b>Closing position at end of year</b>	<b>155</b>
Reduction in planned enhancements to future payouts	30
Reduction in available contingent loan	(19)
<b>Closing position at end of year as per line 68 of Form 19</b>	<b>166</b>

### Optional Disclosure

14. None.

**RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**  
**Information on With Profits Actuary as required by IPRU (INS) 9.36.**  
**Friends Provident Life and Pensions Limited**  
**Financial year ended 31 December 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 and Pensions 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 12 December 2008, 10 June 2009, 13 August 2009 and 16 December 2010 issued under section 148 of the Financial Services and Markets Act 2000, details of which are contained in notes 1323, 1324, 5702 and 0201 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 and Pensions 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 19, 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 reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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 reports) 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 1323, 1324, 1811, 1911 and 5702. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports 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 reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports 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 reports 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 reports. 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 reports.

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 reports 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 reports 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 reports 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 reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP

Statutory Auditor

London

22 March 2011