



Friends Provident Life Assurance Limited

Annual Return
as at
31st December 2009

Pursuant to the Interim Prudential Sourcebook and the
Integrated Prudential Sourcebook

Appendices 9.1, 9.3, 9.4 and 9.6

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

Friends Provident Life Assurance Limited

Year ended 31st December 2009

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

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	782698	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	208823	252380
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	125405	33751
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	334228	286131

Guarantee fund

Guarantee fund requirement	21	38654	35689
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	295574	250442

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	115961	107068
Resilience capital requirement	32	45000	40000
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	160961	147068
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	160961	147068
Excess (deficiency) of available capital resources to cover 50% of MCR	37	253748	212597
Excess (deficiency) of available capital resources to cover 75% of MCR	38	213507	175830

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	160961	147068

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	160961	147068
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	173267	139063

Contingent liabilities

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

Form 2

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

Global business

Financial year ended **31 December 2009**

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

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

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

23-Mar-10

Components of capital resourcesName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

Company registration number	GL/UK/CM	day	month	year	Units	
R3	782698	GL	31	12	2009	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
	1	2	3	4		

Core tier one capital

Permanent share capital	11		444000	444000	434000
Profit and loss account and other reserves	12		(28429)	(28429)	(100909)
Share premium account	13		12	12	12
Positive valuation differences	14		17757	17757	45145
Fund for future appropriations	15		75047	75047	67329
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		508387	508387	445577

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		508387	508387	445577
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		508387	508387	445577

Components of capital resourcesName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	782698	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

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

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

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

Components of capital resourcesName of insurer **Friends Provident Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	782698	GL	31	12	2009	£000
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72			508387	508387	445577
Inadmissible assets other than intangibles and own shares	73			174159	174159	159446
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79			334228	334228	286131

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81			334228	334228	286131
Available capital resources for 50% MCR requirement	82			334228	334228	286131
Available capital resources for 75% MCR requirement	83			334228	334228	286131

Financial engineering adjustments

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

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

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

Global business

 Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/UK/CM	day month year			Units	
		R11	782698	GL	31	12	2009	£000
				This financial year 1			Previous year 2	
Gross premiums written				11	45808			42958
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13	45808			42958
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15				
Sub-total A (13 + 1/2 14 - 2/3 15)				16	45808			42958
Gross premiums earned				21	45808			42958
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	45808			42958
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25				
Sub-total H (23 + 1/2 24 - 2/3 25)				26	45808			42958
Sub-total I (higher of sub-total A and sub-total H)				30	45808			42958
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure				31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18			32	8246			7732
	Excess (if any) over 57.5M EURO x 0.02			33				23
Sub-total J (32-33)				34	8246			7709
Claims paid in period of 3 financial years				41	84326			62310
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	32586			27703
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	9381			6588
Sub-total C (41+42+43-44-45)				46	107531			83424
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	72718			48318
Sub-total D (46-47)				48	34813			35106
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)				49	0.50			0.50
Premiums amount (Sub-total J x reinsurance ratio)				50	4123			3854
Provision for claims outstanding (before discounting and net of reinsurance)				51	23754			20198
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero				52				
Brought forward amount (See instruction 4)				53	6355			6355
Greater of lines 50 and 53				54	6355			6355

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

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	782698	GL	31	12	2009	£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	84326			62310
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	32586			27703
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	9381			6588
Claims incurred in reference period (21+22+23-24-25)				26	107531			83424
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	107531			83424
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	35844			27808
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	9319			7230
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	9319			7230
Claims amount Sub-total G x reinsurance ratio (11.49)				41	4660			3615
Higher of premiums amount and brought forward amount (11.54)				42	6355			6355
General insurance capital requirement (higher of lines 41 and 42)				43	6355			6355

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

Global business

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	782698	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	34714	4758	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	9293	6846
	Other	46	24588	16570
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	15872	9282
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	782698	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

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

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	45025	30
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	813	524
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets		87	
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	130413 38115

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

Global business

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

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	782698	GL	31	12	2009	£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	130413	38115
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(687)	(22)
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	129726	38093
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	782698	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11			75	60	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	3736	2617
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	90045	79404	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	42156	70330	
Rights under derivative contracts	44	363	568	
Fixed interest securities	Approved	45	439028	430920
	Other	46	251975	198855
Variable interest securities	Approved	47	11162	4283
	Other	48	39479	3212
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	39	79	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	22240	30581
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	6704	7069
	Property linked	59	3217856	1505809

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

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	782698	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	2276	1440
	Intermediaries	72	5027	11778
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	1	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	18103	20981
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4918	27711
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11168	9224
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4166351	2404921

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

Global business

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

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	782698	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4166351	2404921
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	68	68
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	174091	159378
Reinsurers' share of technical provisions excluded from line 89	100	1743822	1748055
Other asset adjustments (may be negative)	101	48159	27278
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	6132492	4339700
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Other Business Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	782698	GL	31	12	2009	£000	11
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	6307	30689	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	293752	273606
	Other	46	248372	194731
Variable interest securities	Approved	47	3812	2403
	Other	48	39479	3212
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	39	79	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1800	14503
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	6704	7069
	Property linked	59	3217856	1505809

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Other Business Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	782698	GL	31	12	2009	£000	11
					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	2257	1414
	Intermediaries	72	5027	11778
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	1	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	17842	20577
	due in more than 12 months	79	1549	6020

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4757	26813
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	9453	7232
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	3859007	2105935

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Other Business Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	782698	GL	31	12	2009	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3859007	2105935
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	174091	159378
Reinsurers' share of technical provisions excluded from line 89	100	1742688	1746979
Other asset adjustments (may be negative)	101	46736	22725
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	5822522	4035017
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Closed Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	782698	GL	31	12	2009	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			75	60

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	3736	2617
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	90045	79404	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	35849	39641	
Rights under derivative contracts	44	363	568	
Fixed interest securities	Approved	45	145276	157314
	Other	46	3603	4124
Variable interest securities	Approved	47	7350	1880
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	20440	16078
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Closed Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	782698	GL	31	12	2009	£000	12
					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	19	26
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	261	404
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	161	898
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1715	1992
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	308893	305006

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Closed Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	782698	GL	31	12	2009	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	308893	305006
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	68	68
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1134	1076
Other asset adjustments (may be negative)	101	(126)	(7912)
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	309969	298238
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	3932212	2103657	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	133787	188801	
Long term insurance business fund carried forward (11 to 13)	14	4065999	2292458	
Claims outstanding	Gross	15	21768	25990
	Reinsurers' share	16	17467	14239
	Net (15-16)	17	4301	11751
Provisions	Taxation	21		2002
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	3158	7586
	Reinsurance accepted	32		
	Reinsurance ceded	33	5548	5332
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	2051	6445
	Other	38	10259	15769
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	25317	48885	
Excess of the value of net admissible assets	51	75036	63579	
Total liabilities and margins	59	4166352	2404922	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	136	6302
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3217856	1505809

Total liabilities (11+12+49)	71	3957529	2152542
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1743822	1748055
Other adjustments to liabilities (may be negative)	74	65915	72422
Capital and reserves and fund for future appropriations	75	365226	366682
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	6132492	4339701

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Closed Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	227951	226053	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	(113)	(107)	
Long term insurance business fund carried forward (11 to 13)	14	227838	225946	
Claims outstanding	Gross	15	1061	1845
	Reinsurers' share	16		30
	Net (15-16)	17	1061	1815
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	10	105
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	3600	12465
	Other	38	1349	1097
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	6020	15482	
Excess of the value of net admissible assets	51	75036	63579	
Total liabilities and margins	59	308894	305007	

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

Total liabilities (11+12+49)	71	233971	241535
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1134	1076
Other adjustments to liabilities (may be negative)	74	(183)	(11702)
Capital and reserves and fund for future appropriations	75	75047	67329
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	309969	298238

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Other Business Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	3704261	1877604	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	133900	188908	
Long term insurance business fund carried forward (11 to 13)	14	3838161	2066512	
Claims outstanding	Gross	15	20707	24145
	Reinsurers' share	16	17467	14209
	Net (15-16)	17	3240	9936
Provisions	Taxation	21		2002
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	3148	7481
	Reinsurance accepted	32		
	Reinsurance ceded	33	5548	5332
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	8910	14672
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	20846	39423	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	3859007	2105935	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	136	5592
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3217856	1505809

Total liabilities (11+12+49)	71	3725107	1917027
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1742688	1746979
Other adjustments to liabilities (may be negative)	74	64549	71658
Capital and reserves and fund for future appropriations	75	290179	299353
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	5822523	4035017

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

Global business

Financial year ended **31 December 2009**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	782698	GL	31	12	2009	£000
				As at end of this financial year	As at end of the previous year	
				1	2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	4429	4342
	Foreseeable dividend	48		
	Other	49	579	22
Accruals and deferred income		51		
Total (19 to 51)		59	5008	4364
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	5008	4364

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(687)	(22)
Capital and reserves	84	125405	33751
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	129726	38093

Profit and loss account (non-technical account)

Name of insurer

Friends Provident Life Assurance Limited

Global business

Financial year ended

31 December 2009

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2009	£000
				This financial year			Previous year
				1			2
Transfer (to)/from the general insurance business technical account	From Form 20		11				
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13			80000	(50000)
Investment income	Income		14			1666	4811
	Value re-adjustments on investments		15			698	
	Gains on the realisation of investments		16			52	
Investment charges	Investment management charges, including interest		17			118	194
	Value re-adjustments on investments		18				206
	Loss on the realisation of investments		19				418
Allocated investment return transferred to the general insurance business technical account			20				
Other income and charges (particulars to be specified by way of supplementary note)			21				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			82298	(46007)
Tax on profit or loss on ordinary activities			31			644	1244
Profit or loss on ordinary activities after tax (29-31)			39			81654	(47251)
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				
Tax on extraordinary profit or loss			42				
Other taxes not shown under the preceding items			43				
Profit or loss for the financial year (39+41-(42+43))			49			81654	(47251)
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			81654	(47251)

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

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	782698	GL	31	12	2009	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets		Liabilities		Bought / Long		Sold / Short	
				1	2	3	4		
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16		200		328	9758	20448	
	Equity stock	17							
	Land	18							
	Currencies	19				5	599	24	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51		200		332	10357	20472	
Adjustment for variation margin		52		163		(456)			
Total (51 + 52)		53		363		(123)			

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

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

Global business

Financial year ended **31 December 2009**Category of assets **Total Long-term Business - Closed Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	782698	GL	31	12	2009	£000	12
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets		Liabilities		Bought / Long		Sold / Short	
				1	2	3		4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16		200		328		9758	20448
	Equity stock	17							
	Land	18							
	Currencies	19				5		599	24
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51		200		332		10357	20472
Adjustment for variation margin		52		163		(456)			
Total (51 + 52)		53		363		(123)			

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

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	2043176	606007
Investment income receivable before deduction of tax	12	116251	125300
Increase (decrease) in the value of non-linked assets brought into account	13	7773	52029
Increase (decrease) in the value of linked assets	14	174351	(560937)
Other income	15	114308	23693
Total income	19	2455859	246092

Expenditure

Claims incurred	21	508933	427630
Expenses payable	22	90294	213082
Interest payable before the deduction of tax	23	499	1392
Taxation	24	(2734)	16292
Other expenditure	25	5325	
Transfer to (from) non technical account	26	80000	(50000)
Total expenditure	29	682317	608396

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1773542	(362304)
Fund brought forward	49	2292457	2654762
Fund carried forward (39+49)	59	4065999	2292458

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	2039157	600624
Investment income receivable before deduction of tax	12	103000	108874
Increase (decrease) in the value of non-linked assets brought into account	13	(4073)	33406
Increase (decrease) in the value of linked assets	14	174351	(560937)
Other income	15	114180	23628
Total income	19	2426615	205595

Expenditure

Claims incurred	21	479758	376450
Expenses payable	22	89412	212006
Interest payable before the deduction of tax	23	478	1318
Taxation	24	(7)	16845
Other expenditure	25	5325	
Transfer to (from) non technical account	26	80000	(50000)
Total expenditure	29	654966	556619

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1771649	(351024)
Fund brought forward	49	2066512	2417536
Fund carried forward (39+49)	59	3838161	2066512

Long-term insurance business : Revenue account

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	4019	5383
Investment income receivable before deduction of tax	12	13251	16426
Increase (decrease) in the value of non-linked assets brought into account	13	11846	18623
Increase (decrease) in the value of linked assets	14		
Other income	15	128	65
Total income	19	29244	40497

Expenditure

Claims incurred	21	29175	51180
Expenses payable	22	882	1076
Interest payable before the deduction of tax	23	21	74
Taxation	24	(2727)	(553)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	27351	51777

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1893	(11280)
Fund brought forward	49	225945	237226
Fund carried forward (39+49)	59	227838	225946

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11	255414	7651	52410	315475	269207
Single premiums	12	1988982	10207	9173	2008362	498820

Reinsurance - external

Regular premiums	13	62006	46	350	62402	62943
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	102602	3	28781	131386	15186
Single premiums	16	82473	443	3957	86873	83891

Net of reinsurance

Regular premiums	17	90806	7602	23279	121687	191078
Single premiums	18	1906509	9764	5216	1921489	414929

Total

Gross	19	2244396	17858	61583	2323837	768027
Reinsurance	20	247081	492	33088	280661	162020
Net	21	1997315	17366	28495	2043176	606007

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11	253535	7392	52410	313337	266660
Single premiums	12	1988982	8321	9173	2006476	495978

Reinsurance - external

Regular premiums	13	62001	46	350	62397	62937
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	102602	3	28781	131386	15186
Single premiums	16	82473	443	3957	86873	83891

Net of reinsurance

Regular premiums	17	88932	7343	23279	119554	188537
Single premiums	18	1906509	7878	5216	1919603	412087

Total

Gross	19	2242517	15713	61583	2319813	762638
Reinsurance	20	247076	492	33088	280656	162014
Net	21	1995441	15221	28495	2039157	600624

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

Regular premiums	11	1879	259		2138	2547
Single premiums	12		1886		1886	2842

Reinsurance - external

Regular premiums	13	5			5	6
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	1874	259		2133	2541
Single premiums	18		1886		1886	2842

Total

Gross	19	1879	2145		4024	5389
Reinsurance	20	5			5	6
Net	21	1874	2145		4019	5383

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11	105378	1879	1904	109161	91121
Disability periodic payments	12	3227			3227	2821
Surrender or partial surrender	13	545398	61954	2730	610082	539338
Annuity payments	14	86	38459		38545	15795
Lump sums on maturity	15	49488	2323	(43)	51768	38602
Total	16	703577	104615	4591	812783	687677

Reinsurance - external

Death or disability lump sums	21	48188		158	48346	41688
Disability periodic payments	22	566			566	240
Surrender or partial surrender	23					83
Annuity payments	24					
Lump sums on maturity	25	6			6	
Total	26	48760		158	48918	42011

Reinsurance - intra-group

Death or disability lump sums	31	28932	24	55	29011	17866
Disability periodic payments	32					
Surrender or partial surrender	33	222611	1064	2190	225865	200123
Annuity payments	34					
Lump sums on maturity	35	56			56	47
Total	36	251599	1088	2245	254932	218036

Net of reinsurance

Death or disability lump sums	41	28258	1855	1691	31804	31567
Disability periodic payments	42	2661			2661	2581
Surrender or partial surrender	43	322787	60890	540	384217	339132
Annuity payments	44	86	38459		38545	15795
Lump sums on maturity	45	49426	2323	(43)	51706	38555
Total	46	403218	103527	2188	508933	427630

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11	104196	1716	1904	107816	87975
Disability periodic payments	12	3227			3227	2821
Surrender or partial surrender	13	541568	58786	2730	603084	526124
Annuity payments	14	31	35398		35429	12002
Lump sums on maturity	15	32773	1277	(43)	34007	7315
Total	16	681795	97177	4591	783563	636237

Reinsurance - external

Death or disability lump sums	21	48149		158	48307	41511
Disability periodic payments	22	566			566	240
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	48715		158	48873	41751

Reinsurance - intra-group

Death or disability lump sums	31	28932	24	55	29011	17866
Disability periodic payments	32					
Surrender or partial surrender	33	222611	1064	2190	225865	200123
Annuity payments	34					
Lump sums on maturity	35	56			56	47
Total	36	251599	1088	2245	254932	218036

Net of reinsurance

Death or disability lump sums	41	27115	1692	1691	30498	28598
Disability periodic payments	42	2661			2661	2581
Surrender or partial surrender	43	318957	57722	540	377219	326001
Annuity payments	44	31	35398		35429	12002
Lump sums on maturity	45	32717	1277	(43)	33951	7268
Total	46	381481	96089	2188	479758	376450

Long-term insurance business : Analysis of claims

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11	1182	163		1345	3146
Disability periodic payments	12					
Surrender or partial surrender	13	3830	3168		6998	13214
Annuity payments	14	55	3061		3116	3793
Lump sums on maturity	15	16715	1046		17761	31287
Total	16	21782	7438		29220	51440

Reinsurance - external

Death or disability lump sums	21	39			39	177
Disability periodic payments	22					
Surrender or partial surrender	23					83
Annuity payments	24					
Lump sums on maturity	25	6			6	
Total	26	45			45	260

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	1143	163		1306	2969
Disability periodic payments	42					
Surrender or partial surrender	43	3830	3168		6998	13131
Annuity payments	44	55	3061		3116	3793
Lump sums on maturity	45	16709	1046		17755	31287
Total	46	21737	7438		29175	51180

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11	57473	327	27339	85139	107778
Commission - other	12	5157	61	1632	6850	7694
Management - acquisition	13	53212		12630	65842	65184
Management - maintenance	14	19260	3487	3959	26706	26273
Management - other	15	8069	(103)	335	8301	6268
Total	16	143171	3772	45895	192838	213197

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	101	5	8	114	115
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	101	5	8	114	115

Reinsurance - intra-group

Commission - acquisition	31	44228			44228	
Commission - other	32					
Management - acquisition	33	41651			41651	
Management - maintenance	34	10879			10879	
Management - other	35	5672			5672	
Total	36	102430			102430	

Net of reinsurance

Commission - acquisition	41	13245	327	27339	40911	107778
Commission - other	42	5056	56	1624	6736	7579
Management - acquisition	43	11561		12630	24191	65184
Management - maintenance	44	8381	3487	3959	15827	26273
Management - other	45	2397	(103)	335	2629	6268
Total	46	40640	3767	45887	90294	213082

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11	57473	319	27339	85131	107763
Commission - other	12	5153	60	1632	6845	7688
Management - acquisition	13	53212		12630	65842	65184
Management - maintenance	14	18763	3115	3959	25837	25208
Management - other	15	8069	(103)	335	8301	6278
Total	16	142670	3391	45895	191956	212121

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	101	5	8	114	115
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	101	5	8	114	115

Reinsurance - intra-group

Commission - acquisition	31	44228			44228	
Commission - other	32					
Management - acquisition	33	41651			41651	
Management - maintenance	34	10879			10879	
Management - other	35	5672			5672	
Total	36	102430			102430	

Net of reinsurance

Commission - acquisition	41	13245	319	27339	40903	107763
Commission - other	42	5052	55	1624	6731	7573
Management - acquisition	43	11561		12630	24191	65184
Management - maintenance	44	7884	3115	3959	14958	25208
Management - other	45	2397	(103)	335	2629	6278
Total	46	40139	3386	45887	89412	212006

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11		8		8	15
Commission - other	12	4	1		5	6
Management - acquisition	13					
Management - maintenance	14	497	372		869	1065
Management - other	15					(10)
Total	16	501	381		882	1076

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41		8		8	15
Commission - other	42	4	1		5	6
Management - acquisition	43					
Management - maintenance	44	497	372		869	1065
Management - other	45					(10)
Total	46	501	381		882	1076

Long-term insurance business : Linked funds balance sheet

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

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	2521774	1050193
Directly held assets in collective investment schemes of connected companies	12	65625	460295
Directly held assets in other collective investment schemes	13	641546	4373
Total assets (excluding cross investment) (11+12+13)	14	3228945	1514861
Provision for tax on unrealised capital gains	15	1521	113
Secured and unsecured loans	16		
Other liabilities	17	9568	8939
Total net assets (14-15-16-17)	18	3217856	1505809

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	3217856	1505809
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	3217856	1505809

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

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

Financial year	Previous year
1	2

Income

Value of total creation of units	11	20995	31137
Investment income attributable to the funds before deduction of tax	12	75692	99068
Increase (decrease) in the value of investments in the financial year	13	174211	(560863)
Other income	14	1617429	182
Total income	19	1888327	(430476)

Expenditure

Value of total cancellation of units	21	161346	360165
Charges for management	22	9637	11238
Charges in respect of tax on investment income	23	891	1483
Taxation on realised capital gains	24	864	(10292)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	1408	(1133)
Other expenditure	26	2133	9837
Total expenditure	29	176279	371298

Increase (decrease) in funds in financial year (19-29)	39	1712048	(801774)
Internal linked fund brought forward	49	1505809	2307583
Internal linked funds carried forward (39+49)	59	3217857	1505809

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

Total business

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

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

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

Regular premium business	11	91528		16384	107912	132394
Single premium business	12	522		150	672	1418
Total	13	92050		16534	108584	133812

**Amount of new regular
premiums**

Direct insurance business	21	40986		20133	61119	67756
External reinsurance	22					
Intra-group reinsurance	23	26			26	
Total	24	41012		20133	61145	67756

**Amount of new single
premiums**

Direct insurance business	25	27289	7531	8786	43606	88375
External reinsurance	26					
Intra-group reinsurance	27	1570066			1570066	
Total	28	1597355	7531	8786	1613672	88375

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	18926	8555		
330	Decreasing term assurance	22928	7487		
340	Accelerated critical illness (guaranteed premiums)	25622	14091		
345	Accelerated critical illness (reviewable premiums)	4500	2619		
350	Stand-alone critical illness (guaranteed premiums)	1683	587		
355	Stand-alone critical illness (reviewable premiums)	800	458		
360	Income protection non-profit (guaranteed premiums)	15405	6576		
420	Group income protection	253	443		
500	Life UWP single premium				82
505	Life UWP whole life regular premium		6		
700	Life property linked single premium			522	27207
710	Life property linked whole life regular premium	26	17		
715	Life property linked endowment regular premium - savings	486	72		
720	Life property linked endowment regular premium – target cash	1			
910	Miscellaneous index linked	898	76		

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2009

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
510	Life UWP endowment regular premium - savings		10		
515	Life UWP endowment regular premium – target cash		2		
700	Life property linked single premium				437871
710	Life property linked whole life regular premium				3680
715	Life property linked endowment regular premium - savings		13		10521
720	Life property linked endowment regular premium – target cash				2179
795	Miscellaneous property linked				1115816

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
735	Group money purchase pensions property linked				7531

Long-term insurance business : Analysis of new business

Name of insurer

Friends Provident Life Assurance Limited

Total business

Financial year ended

31 December 2009

Units

£000

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	1868	1028		
350	Stand-alone critical illness (guaranteed premiums)	1461	385		
700	Life property linked single premium			141	8275
715	Life property linked endowment regular premium - savings	13055	18720	9	511

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

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

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

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

Land and buildings	11					
Approved fixed interest securities	12	319310	319310	14431	4.33	
Other fixed interest securities	13	254844	254844	15319	6.26	
Variable interest securities	14	43613	43613	2111	9.05	
UK listed equity shares	15	17955	18786	959		
Non-UK listed equity shares	16	966	7117	312		
Unlisted equity shares	17					
Other assets	18	46749	39767	70		
Total	19	683437	683437	33201	4.93	

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

Land and buildings	21	75	3325	272	8.17	26.10
Approved fixed interest securities	22	124467	124467	6167	3.34	(0.10)
Other fixed interest securities	23	3160	3160	225	7.57	13.80
Variable interest securities	24	7368	7368	85	4.66	
UK listed equity shares	25	68845	72056	3677	7.29	33.60
Non-UK listed equity shares	26	2279	27288	1197	0.32	20.30
Unlisted equity shares	27	3736				
Other assets	28	49972	22238	215	1.00	0.20
Total	29	259903	259903	11837	4.07	21.70

Overall return on with-profits assets

Post investment costs but pre-tax	31					21.50
Return allocated to non taxable 'asset shares'	32					21.50
Return allocated to taxable 'asset shares'	33					18.80

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

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **11 Total Long-term Business - Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	296903	296903	13320	4.40	
Other fixed interest securities	13	254303	254303	15280	6.25	
Variable interest securities	14	43613	43613	2111	9.05	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	39628	39628	69	1.05	
Total	19	634447	634447	30781	5.25	

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

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

Overall return on with-profits assets

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

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

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **12 Total Long-term Business - Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	22407	22407	1110	3.36	
Other fixed interest securities	13	541	541	39	7.87	
Variable interest securities	14					
UK listed equity shares	15	17955	18786	959	7.30	
Non-UK listed equity shares	16	966	7117	312	0.32	
Unlisted equity shares	17					
Other assets	18	7121	139	1		
Total	19	48990	48990	2421	4.47	

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

Land and buildings	21	75	3325	272	7.13	26.10
Approved fixed interest securities	22	124467	124467	6167	3.34	(0.10)
Other fixed interest securities	23	3160	3160	225	7.57	13.80
Variable interest securities	24	7368	7368	85	4.66	
UK listed equity shares	25	68845	72056	3677	7.29	33.60
Non-UK listed equity shares	26	2279	27288	1197	0.32	20.30
Unlisted equity shares	27	3736				
Other assets	28	49972	22238	215	1.00	0.20
Total	29	259903	259903	11837	4.06	21.70

Overall return on with-profits assets

Post investment costs but pre-tax	31					21.50
Return allocated to non taxable 'asset shares'	32					21.50
Return allocated to taxable 'asset shares'	33					18.80

Long-term insurance business : Fixed and variable interest assets

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

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	388945	10.93	3.96	3.96
Other approved fixed interest securities	21	54832	10.92	4.69	4.69
Other fixed interest securities					
AAA/Aaa	31	40820	8.68	4.73	4.53
AA/Aa	32	40795	8.74	5.17	4.57
A/A	33	144179	9.28	6.35	5.15
BBB/Baa	34	12846	8.57	7.32	5.34
BB/Ba	35	2397	3.58	18.92	5.35
B/B	36	621	1.40	77.38	4.60
CCC/Caa	37	390	8.28	9.86	5.43
Other (including unrated)	38	15956	7.64	6.74	5.28
Total other fixed interest securities	39	258004	8.89	6.27	4.98
Approved variable interest securities	41	11239	8.44	4.54	4.54
Other variable interest securities	51	39742	13.31	9.51	8.45
Total (11+21+39+41+51)	61	752763	10.32	5.11	4.61

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **11 Total Long-term Business - Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	243038	13.68	4.34	4.34

Other approved fixed interest securities	21	53865	10.89	4.69	4.69
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Other fixed interest securities

AAA/Aaa	31	40820	8.68	4.73	4.53
AA/Aa	32	40483	8.76	5.16	4.57
A/A	33	141760	9.31	6.35	5.16
BBB/Baa	34	12012	8.79	7.13	5.19
BB/Ba	35	2279	3.39	19.10	5.43
B/B	36	603	1.31	78.70	4.60
CCC/Caa	37	390	8.28	9.86	5.43
Other (including unrated)	38	15956	7.64	6.74	5.28
Total other fixed interest securities	39	254303	8.92	6.25	4.97

Approved variable interest securities	41	3871	7.18	4.32	4.32
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Other variable interest securities	51	39742	13.31	9.51	8.45
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Total (11+21+39+41+51)	61	594819	11.33	5.53	4.91
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Provident Life Assurance Limited**
 Category of assets **12 Total Long-term Business - Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	145907	6.35	3.34	3.34

Other approved fixed interest securities	21	967	12.23	4.49	4.49
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Other fixed interest securities

AAA/Aaa	31				
AA/Aa	32	312	6.20	6.15	5.10
A/A	33	2419	7.62	6.39	4.96
BBB/Baa	34	834	5.49	10.07	7.48
BB/Ba	35	118	7.20	15.55	3.82
B/B	36	18	4.44	31.65	4.60
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	3701	6.99	7.61	5.51

Approved variable interest securities	41	7368	9.11	4.66	4.66
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	157944	6.53	3.51	3.46
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life Assurance Limited**Total business / subfund **Summary**Financial year ended **31 December 2009**

Units

£000

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

Gross

Form 51 - with-profits	11	109734	71717		181451	181919
Form 51 - non-profit	12	192	564296	(17007)	547482	518251
Form 52	13	4327	13494		17820	18483
Form 53 - linked	14	3699239	1115049	77602	4891890	3134401
Form 53 - non-linked	15	(9266)	9165	4190	4089	(15728)
Form 54 - linked	16	(1288)	8029		6741	7076
Form 54 - non-linked	17					
Total	18	3802938	1781751	64785	5649474	3844402

Reinsurance - external

Form 51 - with-profits	21	1068			1068	1013
Form 51 - non-profit	22	131444			131443	93147
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	44			44	6
Form 54 - linked	26	37			37	7
Form 54 - non-linked	27					
Total	28	132593			132592	94173

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	(106666)			(106666)	
Form 52	33	4223	13494		17717	18477
Form 53 - linked	34	1599388	4943	69703	1674034	1628592
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	1496944	18437	69703	1585085	1647069

Net of reinsurance

Form 51 - with-profits	41	108665	71717		180383	180906
Form 51 - non-profit	42	(24585)	564297	(17007)	522705	425104
Form 52	43	103			103	5
Form 53 - linked	44	2099851	1110106	7899	3217856	1505809
Form 53 - non-linked	45	(9310)	9165	4190	4045	(15734)
Form 54 - linked	46	(1325)	8029		6704	7069
Form 54 - non-linked	47					
Total	48	2173401	1763314	(4918)	3931797	2103160

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life Assurance Limited**Total business / subfund **Other Business Fund**Financial year ended **31 December 2009**

Units

£000

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

Gross

Form 51 - with-profits	11					
Form 51 - non-profit	12	(1840)	519167	(17007)	500320	473592
Form 52	13	4327	13494		17820	18483
Form 53 - linked	14	3699239	1115049	77602	4891890	3134401
Form 53 - non-linked	15	(9266)	9165	4190	4089	(15728)
Form 54 - linked	16	(1288)	8029		6741	7076
Form 54 - non-linked	17					
Total	18	3691172	1664904	64785	5420861	3617824

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	131436	(1)		131435	93138
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	44			44	6
Form 54 - linked	26	37			37	7
Form 54 - non-linked	27					
Total	28	131517	(1)		131515	93151

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	(106666)			(106666)	
Form 52	33	4223	13494		17717	18477
Form 53 - linked	34	1599388	4943	69703	1674034	1628592
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	1496944	18437	69703	1585085	1647069

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	(26609)	519168	(17007)	475552	380454
Form 52	43	103			103	5
Form 53 - linked	44	2099851	1110106	7899	3217856	1505809
Form 53 - non-linked	45	(9310)	9165	4190	4045	(15734)
Form 54 - linked	46	(1325)	8029		6704	7069
Form 54 - non-linked	47					
Total	48	2062711	1646468	(4918)	3704261	1877604

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Provident Life Assurance Limited**Total business / subfund **Closed Fund**Financial year ended **31 December 2009**

Units

£000

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

Gross

Form 51 - with-profits	11	109734	71717		181451	181919
Form 51 - non-profit	12	2032	45130		47161	44658
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	111766	116847		228612	226578

Reinsurance - external

Form 51 - with-profits	21	1068			1068	1013
Form 51 - non-profit	22	7	1		9	9
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	1076	1		1077	1022

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41	108665	71717		180383	180906
Form 51 - non-profit	42	2024	45128		47153	44650
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	110690	116846		227535	225556

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 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	954	3524	101				1660
325	Level term assurance	142818	18517670	45313				84059
330	Decreasing term assurance	135950	15269225	38308				(22683)
340	Accelerated critical illness (guaranteed premiums)	130822	10815402	58056				(43458)
345	Accelerated critical illness (reviewable premiums)	33467	3254484	17574				5876
350	Stand-alone critical illness (guaranteed premiums)	7847	453459	2496				(4403)
355	Stand-alone critical illness (reviewable premiums)	6685	473376	3021				(1620)
360	Income protection non-profit (guaranteed premiums)	86514	1270052	37146				(50709)
385	Income protection claims in payment	221	3057					30874
395	Annuity non-profit (PLA)	3	28					201
420	Group income protection	1703	64232	2367				(3379)
425	Group income protection claims in payment	5	215					1712
435	Miscellaneous non-profit							28

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		202	2				106
325	Level term assurance		14696521	30374				106115
330	Decreasing term assurance		9630418	19666				10104
340	Accelerated critical illness (guaranteed premiums)		8095976	4477				(10080)
345	Accelerated critical illness (reviewable premiums)		2443265					10962
350	Stand-alone critical illness (guaranteed premiums)		324436	1176				(885)
355	Stand-alone critical illness (reviewable premiums)		355332					566
360	Income protection non-profit (guaranteed premiums)		380916	290				5823
385	Income protection claims in payment		609					7859
420	Group income protection		37572	52				(107)
425	Group income protection claims in payment		127					973

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		851	71				63
325	Level term assurance		3794649	14844				(27763)
330	Decreasing term assurance		5638807	18641				(33651)
340	Accelerated critical illness (guaranteed premiums)		2719426	53579				(33842)
345	Accelerated critical illness (reviewable premiums)		811219	17574				(5703)
350	Stand-alone critical illness (guaranteed premiums)		129023	1320				(3519)
355	Stand-alone critical illness (reviewable premiums)		118043	3021				(2249)

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	249	17972	92				17
390	Deferred annuity non-profit	295	480					7284
400	Annuity non-profit (CPA)	30721	35162					509341
435	Miscellaneous non-profit							2525

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		6151	18				(1)

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 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	6168	91862	614				46040
120	Conventional endowment with-profits OB savings	7799	73786	1043				63693
125	Conventional endowment with-profits OB target cash							
300	Regular premium non-profit WL/EA OB	737	3049	34				1482
325	Level term assurance	2716	17781	66				224
330	Decreasing term assurance	36	207	1				1
390	Deferred annuity non-profit	20						21
395	Annuity non-profit (PLA)	112	54					304

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 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		2403	4				982
120	Conventional endowment with-profits OB savings		236					87
300	Regular premium non-profit WL/EA OB		11					7

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	45	523					473
165	Conventional deferred annuity with-profits	3522	58062	220				62663
175	Group conventional deferred annuity with-profits	531	7610	19				8482
205	Miscellaneous conventional with-profits	254	3073	1				100
300	Regular premium non-profit WL/EA OB							
325	Level term assurance	275	3650	13				59
390	Deferred annuity non-profit	109	1132					1518
400	Annuity non-profit (CPA)	2272	3156					43553

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		59					1

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 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	61	2797		2152	2152	54	2206
505	Life UWP whole life regular premium	21	74206	175	308	307	5	312
510	Life UWP endowment regular premium - savings	139	5244	281	952	952	19	971
515	Life UWP endowment regular premium - target cash	291	23990	253	827	824	13	837

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
574	UWP investment only reinsurance		4238	17	4238	4236	(12)	4223

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	1111	13434	46	13434	13406		13406
535	Group money purchase pensions UWP	8	93		93	88		88

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
574	UWP investment only reinsurance		13527	46	13527	13494		13494

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 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	45440	2142991		2113434	2113434	(19103)	2094331
710	Life property linked whole life regular premium	7219	457544	4726	43171	42592	2702	45293
715	Life property linked endowment regular premium - savings	9674	147729	8872	85502	85470	531	86002
720	Life property linked endowment regular premium - target cash	3263	113535	2731	38370	38033	392	38424
790	Miscellaneous protection rider	666	7958	25			458	458
794	Property linked investment only reinsurance		191624		191624	191624		191624
795	Miscellaneous property linked		1227528		1228087	1228087		1228087
800	Additional reserves property linked						5755	5755

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
790	Miscellaneous protection rider		9				44	44

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		1599388		1599388	1599388		1599388

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	45305	645902	6411	622396	613581	9493	623074
735	Group money purchase pensions property linked	4384	110050	547	110050	106028	(555)	105473
794	Property linked investment only reinsurance		395440		395440	395440		395440
795	Miscellaneous property linked						27	27
800	Additional reserves property linked						200	200

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
794	Property linked investment only reinsurance		4943		4943	4943		4943

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 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	532	19472		18459	18459	(474)	17985
715	Life property linked endowment regular premium - savings	36639	97947	51904	51245	51245	(3336)	47908
794	Property linked investment only reinsurance		7899		7899	7899		7899
800	Additional reserves property linked						8000	8000

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	14	33		177	177		177
910	Miscellaneous index linked	1089	21257	618	(1465)	(1465)		(1465)

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

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	255	327		8029	8029		8029

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Aegon Ethical Corporate Bond ISA	01 - life - stock market managed fund	50	FP Accumulation 0.00%	0.00%	0.8667	1.0101	16.54
Aegon Ethical Equity ISA	05 - life - UK equity	34	FP Accumulation 0.00%	0.00%	0.7742	0.9546	23.30
Aegon Sterling Corporate Bond ISA	01 - life - stock market managed fund	28	FP Accumulation 0.00%	0.00%	0.8267	1.0056	21.64
Artemis Capital ISA	05 - life - UK equity	31	FP Accumulation 0.00%	0.00%	0.6965	0.8557	22.86
Artemis European ISA	06 - life - overseas equity	98	FP Accumulation 0.00%	0.00%	0.7708	0.8852	14.85
Artemis Global Growth ISA	06 - life - overseas equity	25	FP Accumulation 0.00%	0.00%	0.8507	0.9377	10.23
Artemis Income ISA	05 - life - UK equity	132	FP Accumulation 0.00%	0.00%	0.9264	1.1399	23.04
Artemis UK Growth ISA	05 - life - UK equity	6	FP Accumulation 0.00%	0.00%	0.7230	0.9213	27.42
Artemis UK Special Situations ISA	05 - life - UK equity	84	FP Accumulation 0.00%	0.00%	0.8441	1.0770	27.59
Cazenove Growth & Income ISA	05 - life - UK equity	5	FP Accumulation 0.00%	0.00%	0.8523	1.0851	27.32
Cazenove UK Dynamic ISA	05 - life - UK equity	15	FP Accumulation 0.00%	0.00%	0.7823	1.2329	57.60
Credit Suisse Multi Manager Cautious ISA	03 - life - defensive managed fund	10	FP Accumulation 0.00%	0.00%	0.8672	1.0646	22.76
Credit Suisse Multi Manager Constellation ISA	06 - life - overseas equity	10	Cross Holdings	0.00%	0.8503	1.0584	24.46
Credit Suisse Multi Manager Ethical Portfolio ISA	01 - life - stock market managed fund	10	Cross Holdings	0.00%	0.8377	1.0410	24.27
European ISA	06 - life - overseas equity	91	FP Accumulation 0.00%	0.00%	1.0441	1.3141	25.85
F&C Stewardship Income ISA	05 - life - UK equity	469	FP Accumulation 0.00%	0.00%	0.7683	0.9360	21.83
F&C Stewardship International ISA	06 - life - overseas equity	32	FP Accumulation 0.00%	0.00%	0.8366	1.0675	27.61
F&C Stewardship Managed ISA	02 - life - balanced managed fund	248	FP Accumulation 0.00%	0.00%	0.8317	1.0090	21.32

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
F&C Strategic Bond ISA	01 - life - stock market managed fund	223	FP Accumulation 0.00%	0.00%	0.8290	1.1539	39.19
Fidelity European ISA	06 - life - overseas equity	131	FP Accumulation 0.00%	0.00%	1.0131	1.1110	9.66
Fidelity Moneybuilder ISA	01 - life - stock market managed fund	81	FP Accumulation 0.00%	0.00%	0.9789	1.1473	17.19
Fidelity Multi Manager Special Situations ISA	05 - life - UK equity	19	FP Accumulation 0.00%	0.00%	0.6859	0.8708	26.96
Fidelity Portfolio ISA	02 - life - balanced managed fund	17	FP Accumulation 0.00%	0.00%	0.9029	1.1075	22.66
Fidelity Wealthbuilder ISA	06 - life - overseas equity	14	FP Accumulation 0.00%	0.00%	0.8599	1.0672	24.11
First State Asia Pacific Leaders ISA	06 - life - overseas equity	70	FP Accumulation 0.00%	0.00%	1.3586	1.8464	35.90
First State Emerging Markets ISA	06 - life - overseas equity	36	FP Accumulation 0.00%	0.00%	1.1547	1.7411	50.78
Fixed Interest ISA	01 - life - stock market managed fund	188	FP Accumulation 0.00%	0.00%	1.1286	1.1901	5.45
Index Linked ISA	01 - life - stock market managed fund	112	FP Accumulation 0.00%	0.00%	1.1899	1.2734	7.02
FP UK Special Situations ISA	05 - life - UK equity	11	FP Accumulation 0.00%	0.00%	0.8275	1.1160	34.86
Gartmore Cautious Managed ISA	03 - life - defensive managed fund	289	FP Accumulation 0.00%	0.00%	0.9904	1.1330	14.39
Gartmore Emerging Markets ISA	06 - life - overseas equity	53	FP Accumulation 0.00%	0.00%	0.9164	1.3670	49.18
Invesco Perpetual Asian ISA	06 - life - overseas equity	43	FP Accumulation 0.00%	0.00%	1.0408	1.6417	57.73
Invesco Perpetual Corporate Bond ISA	01 - life - stock market managed fund	279	FP Accumulation 0.00%	0.00%	0.9861	1.2348	25.23
Invesco Perpetual Distribution ISA	03 - life - defensive managed fund	84	FP Accumulation 0.00%	0.00%	0.9314	1.2460	33.78
Invesco Perpetual Global Bond ISA	01 - life - stock market managed fund	42	FP Accumulation 0.00%	0.00%	1.2741	1.3529	6.19
Invesco Perpetual High Income ISA	05 - life - UK equity	740	FP Accumulation 0.00%	0.00%	1.0958	1.2234	11.64

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Invesco Perpetual Japan ISA	06 - life - overseas equity	5	FP Accumulation 0.00%	0.00%	1.0064	1.2711	26.30
Invesco Perpetual Monthly Income Plus ISA	01 - life - stock market managed fund	77	FP Accumulation 0.00%	0.00%	0.8129	1.1848	45.75
Investec American ISA	06 - life - overseas equity	13	FP Accumulation 0.00%	0.00%	0.8596	1.1322	31.72
Investec Cautious Managed ISA	03 - life - defensive managed fund	259	FP Accumulation 0.00%	0.00%	0.9528	1.1995	25.89
Investec Managed Distribution ISA	01 - life - stock market managed fund	17	FP Accumulation 0.00%	0.00%	0.9960	1.1698	17.45
Investec Sterling Bond ISA	01 - life - stock market managed fund	44	FP Accumulation 0.00%	0.00%	0.9896	1.1914	20.40
Investec UK Blue Chip ISA	05 - life - UK equity	2	Cross Holdings	0.00%	0.8307	1.0495	26.34
Investec UK Smaller Companies ISA	05 - life - UK equity	15	FP Accumulation 0.00%	0.00%	0.7106	1.2318	73.35
JPM Cautious Total Return ISA	03 - life - defensive managed fund	96	FP Accumulation 0.00%	0.00%	1.0875	1.1705	7.63
JPM Natural Resources ISA	06 - life - overseas equity	56	FP Accumulation 0.00%	0.00%	0.7276	1.4453	98.64
Lazard European Alpha ISA	06 - life - overseas equity	4	FP Accumulation 0.00%	0.00%	1.0259	1.2066	17.62
Lazard UK Alpha ISA	05 - life - UK equity	22	FP Accumulation 0.00%	0.00%	0.7778	1.0057	29.31
Lazard UK Income ISA	05 - life - UK equity	6	FP Accumulation 0.00%	0.00%	0.7365	0.9600	30.34
Life- American	06 - life - overseas equity	2253	Accumulation 4	1.00%	6.4112	7.3996	15.42
Life- Asian Growth	06 - life - overseas equity	3502	Accumulation 4	1.00%	4.9048	6.7131	36.87
Life- Commercial Property	07 - life - property	271875	Accumulation SY	0.00%	3.7054	4.1880	13.03
Life- Conscience	05 - life - UK equity	1480	Accumulation 4	1.00%	2.4501	3.0125	22.95
Life- Deposit	03 - life - defensive managed fund	4043	Accumulation 4	1.00%	5.7923	5.7871	(0.09)

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life- European	06 - life - overseas equity	12826	Accumulation 4	1.00%	13.8571	16.6843	20.40
Life- Extra Income Distribution	01 - life - stock market managed fund	2952	Accumulation 4	1.00%	0.9597	1.0953	14.13
Life- Far Eastern Growth	06 - life - overseas equity	4019	Accumulation 4	1.00%	4.5732	5.8906	28.81
Life- Fixed Interest	01 - life - stock market managed fund	16110	Accumulation SY	0.00%	3.7177	3.8950	4.77
Life- Income Accumulation	05 - life - UK equity	12991	Accumulation 4	1.00%	15.2224	18.3176	20.33
Life- Income Distribution	01 - life - stock market managed fund	5572	Accumulation 4	1.00%	4.9114	5.6307	14.65
Life- International	06 - life - overseas equity	7908	Accumulation 4	1.00%	4.1190	4.9935	21.23
Life- Managed	04 - life - other managed fund	58379	Accumulation 4	1.00%	12.3550	14.7781	19.61
Life- Mixed	04 - life - other managed fund	62724	Accumulation 4	1.00%	11.9205	14.3198	20.13
Life- Tokyo Unit Trust	06 - life - overseas equity	2407	Accumulation 4	1.00%	5.7228	5.4088	(5.49)
Life- UK Equity	05 - life - UK equity	23159	Accumulation 4	1.00%	9.4782	12.3506	30.31
M&G Global Basics ISA	06 - life - overseas equity	73	FP Accumulation 0.00%	0.00%	0.9859	1.3501	36.94
M&G Property Portfolio ISA	07 - life - property	345	FP Accumulation 0.00%	0.00%	0.7874	0.8712	10.65
M&G Recovery ISA	05 - life - UK equity	53	FP Accumulation 0.00%	0.00%	0.8642	1.2363	43.05
M&G UK Select Growth ISA	05 - life - UK equity	10	Cross Holdings	0.00%	0.9130	1.1204	22.72
Managed ISA	04 - life - other managed fund	308	FP Accumulation 0.00%	0.00%	0.9777	1.1978	22.51
Blackrock American ISA	06 - life - overseas equity	8	FP Accumulation 0.00%	0.00%	0.8451	0.9749	15.37
Blackrock Special Situations ISA	05 - life - UK equity	6	FP Accumulation 0.00%	0.00%	0.7588	1.0322	36.04

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Blackrock UK Dynamic ISA	05 - life - UK equity	46	FP Accumulation 0.00%	0.00%	0.8016	1.0962	36.74
Blackrock UK Income ISA	05 - life - UK equity	21	FP Accumulation 0.00%	0.00%	0.8137	1.1434	40.52
Multi Manager Balanced ISA	02 - life - balanced managed fund	428	FP Accumulation 0.00%	0.00%	1.0147	1.2054	18.79
Multi Manager Cautious ISA	03 - life - defensive managed fund	468	FP Accumulation 0.00%	0.00%	0.9918	1.1677	17.74
Multi Manager Distribution ISA	01 - life - stock market managed fund	623	FP Accumulation 0.00%	0.00%	0.8325	1.0190	22.39
Multi Manager Growth ISA	01 - life - stock market managed fund	190	FP Accumulation 0.00%	0.00%	1.0488	1.2636	20.48
New Star High Yield Bond ISA	01 - life - stock market managed fund	39	FP Accumulation 0.00%	0.00%	0.7201	1.1084	53.92
New Star Higher Income ISA	05 - life - UK equity	12	FP Accumulation 0.00%	0.00%	0.5814	0.7112	22.33
New Star Managed ISA	03 - life - defensive managed fund	33	FP Accumulation 0.00%	0.00%	0.6717	0.9760	45.29
New Star Property ISA	07 - life - property	459	FP Accumulation 0.00%	0.00%	0.7608	0.8363	9.93
New Star Tri-Star Retail Income ISA	03 - life - defensive managed fund	8	Cross Holdings	0.00%	0.7444	0.8504	14.25
North American ISA	06 - life - overseas equity	15	FP Accumulation 0.00%	0.00%	0.9734	1.1585	19.02
Norwich Property Trust ISA	07 - life - property	105	FP Accumulation 0.00%	0.00%	0.6758	0.6864	1.56
Norwich Sustainable Futures European ISA	06 - life - overseas equity	18	FP Accumulation 0.00%	0.00%	0.9765	1.1296	15.69
Pension- American	16 - individual pension - overseas equity	3763	Accumulation C	1.00%	7.5659	8.8800	17.37
Pension- Asian Growth	16 - individual pension - overseas equity	12317	Accumulation C	1.00%	6.4851	9.2386	42.46
Pension- Commercial Property	17 - individual pension - property	679173	Accumulation SY	0.00%	4.8355	5.4653	13.03
Pension- Conscience	15 - individual pension - UK equity	10294	Accumulation C	1.00%	2.8545	3.5099	22.96

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

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

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Pension- Deposit	13 - individual pension - defensive managed fund	21308	Accumulation C	1.00%	5.4211	5.4231	0.04
Pension- European	16 - individual pension - overseas equity	33592	Accumulation C	1.00%	10.8769	13.4554	23.71
Pension- Far Eastern Growth	16 - individual pension - overseas equity	15607	Accumulation C	1.00%	5.6973	7.6293	33.91
Pension- Fixed Interest	11 - individual pension - stock market managed fund	64580	Accumulation SY	0.00%	5.6066	5.8831	4.93
Pension- Greig Middleton	16 - individual pension - overseas equity	3994	Accumulation C	1.00%	4.4916	5.4075	20.39
Pension- Income Accumulation	15 - individual pension - UK equity	25205	Accumulation C	1.00%	8.2578	9.9345	20.31
Pension- International	16 - individual pension - overseas equity	2409	Accumulation C	1.00%	3.1236	3.7784	20.96
Pension- Managed	14 - individual pension - other managed fund	286738	Accumulation C	1.00%	37.8471	45.9463	21.40
Pension- Managed Balanced Exempt	12 - individual pension - balanced managed fund	3615	Accumulation C	1.00%	3.5034	4.5611	30.19
Pension- Mixed	14 - individual pension - other managed fund	263338	Accumulation C	1.00%	6.2782	7.5577	20.38
Pension- Tokyo	16 - individual pension - overseas equity	8818	Accumulation C	1.00%	5.8276	5.5178	(5.32)
Pension- UK Equity	15 - individual pension - UK equity	22151	Accumulation C	1.00%	5.9744	7.7999	30.56
Schroder Alpha Plus ISA	05 - life - UK equity	30	FP Accumulation 0.00%	0.00%	0.7886	1.1994	52.08
Schroder Gilt and Fixed Interest ISA	01 - life - stock market managed fund	65	FP Accumulation 0.00%	0.00%	1.1581	1.1531	(0.44)
Schroder Income ISA	05 - life - UK equity	25	FP Accumulation 0.00%	0.00%	0.8903	1.2282	37.96
Schroder S&P Managed Distribution Portfolio ISA	03 - life - defensive managed fund	16	FP Accumulation 0.00%	0.00%	0.8225	1.0493	27.57
Schroder UK Mid 250 ISA	05 - life - UK equity	338	FP Accumulation 0.00%	0.00%	0.6879	0.9708	41.12
Schroder UK Smaller Companies ISA	05 - life - UK equity	8	Cross Holdings	0.00%	0.6082	0.8928	46.79

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

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Stewardship ISA	05 - life - UK equity	780	FP Accumulation 0.00%	0.00%	0.8634	1.0739	24.37
Threadneedle Equity and Bond ISA	03 - life - defensive managed fund	39	FP Accumulation 0.00%	0.00%	1.0799	1.2242	13.36
Threadneedle Global Select ISA	06 - life - overseas equity	11	Cross Holdings	0.00%	0.9662	1.1653	20.60
Threadneedle UK Corporate Bond ISA	01 - life - stock market managed fund	42	FP Accumulation 0.00%	0.00%	0.9032	1.0681	18.25
UK Equity ISA	05 - life - UK equity	56	FP Accumulation 0.00%	0.00%	0.9425	1.2435	31.94
Morley Global Balanced Income 'LIFE ISA' Fund	02 - life - balanced managed fund	9	Cross Holdings	0.00%	0.6190	0.9522	53.83
Morley Global Cautious Income 'LIFE ISA' Fund	03 - life - defensive managed fund	10	Cross Holdings	0.00%	0.8187	1.0534	28.67

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Provident Life Assurance Limited**Subfund **Other Business Fund**Financial year ended **31 December 2009**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	9412	3.00%	3.75%	4.59%
UK F51 L&GA NP	(36049)	3.80%	3.80%	3.97%
UK F52 L&GA	90	3.30%	4.13%	4.59%
UK F53 L&GA NL	(16418)	3.00%	3.75%	3.97%
UK F51 Pensions NP	73501	3.80%	3.80%	4.59%
UK F51 Pensions NP	435859	4.93%	4.93%	5.20%
UK F53 Pensions NL	1728	3.80%	3.80%	4.59%
OS F51 NP	(17007)	3.80%	3.80%	3.97%
OS F53 NL	(8513)	3.80%	3.80%	3.97%
OS F53 NL	4703	4.40%	4.40%	4.54%
Miscellaneous UK F51 L&GA NP	28	n/a	n/a	4.20%
Miscellaneous UK F52 L&GA	13	n/a	n/a	4.59%
Miscellaneous UK F53 L&GA NL	7109	n/a	n/a	4.20%
Miscellaneous UK F51 Pensions NP	9809	n/a	n/a	4.20%
Miscellaneous UK F53 Pensions NL	7438	n/a	n/a	4.20%
Miscellaneous OS F53 NL	8000	n/a	n/a	4.54%
Total	479701			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Provident Life Assurance Limited**Subfund **Closed Fund**Financial year ended **31 December 2009**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA WP	108355	2.80%	3.16%	4.62%
UK F51 L&GA NP	2024	3.00%	3.39%	4.62%
UK F51 Pensions WP	41420	3.60%	3.60%	4.62%
UK F51 Pensions WP	28999	3.80%	3.80%	4.62%
UK F51 Pensions NP	45128	3.80%	3.80%	4.62%
Miscellaneous UK F51 L&GA WP	311	n/a	n/a	4.62%
Miscellaneous UK F51 Pensions WP	1298	n/a	n/a	4.62%
Total	227535			

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	4065999	2292458
Bonus payments in anticipation of a surplus	12	6306	13324
Transfer to non-technical account	13	80000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4152305	2305782
Mathematical reserves	21	3931797	2103160
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	220508	202622

Composition of surplus

Balance brought forward	31	188801	155544
Transfer from non-technical account	32		50000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	31707	(2922)
Total	39	220508	202622

Distribution of surplus

Bonus paid in anticipation of a surplus	41	6306	13324
Cash bonuses	42		
Reversionary bonuses	43	416	497
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	6721	13821
Net transfer out of fund / part of fund	47	80000	
Total distributed surplus (46+47)	48	86721	13821
Surplus carried forward	49	133787	188801
Total (48+49)	59	220508	202622

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Other Business Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	3838161	2066512
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	80000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3918161	2066512
Mathematical reserves	21	3704261	1877604
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	213900	188908

Composition of surplus

Balance brought forward	31	188908	156137
Transfer from non-technical account	32		50000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	24992	(17229)
Total	39	213900	188908

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	80000	
Total distributed surplus (46+47)	48	80000	
Surplus carried forward	49	133900	188908
Total (48+49)	59	213900	188908

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Provident Life Assurance Limited**
 Total business / subfund **Closed Fund**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	227838	225946
Bonus payments in anticipation of a surplus	12	6306	13324
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	234144	239270
Mathematical reserves	21	227535	225556
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6608	13714

Composition of surplus

Balance brought forward	31	(108)	(593)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6716	14307
Total	39	6608	13714

Distribution of surplus

Bonus paid in anticipation of a surplus	41	6306	13324
Cash bonuses	42		
Reversionary bonuses	43	416	497
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	6721	13821
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	6721	13821
Surplus carried forward	49	(113)	(108)
Total (48+49)	59	6608	13714

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer **Friends Provident Life Assurance Limited**
 Original insurer **National Mutual**
 Date of maturity value / open market option **01 March 2010**

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	29540	11637		CWP	N	29540
Endowment assurance	25	45995	13718		CWP	N	45995
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	133224	41345		CWP	N	133224
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	N/A	N/A	N/A	N/A	N/A	N/A

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

Name of insurer **Friends Provident Life Assurance Limited**
Original insurer **National Mutual**
Date of surrender value **01 March 2010**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	28114			CWP	N	38078
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

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

Global business

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

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%			0.50		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	49419162	1603942		74129	71267
Classes III, VII and VIII	15	0.3%	690720	690762	1.00	2072	1752
Total	16		50109881	2294704		76201	73019

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					6355	6355
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	799107	764004	0.96	7640	6777
Classes III, VII and VIII (investment risk)	33	1%	54804	54804	1.00	548	256
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	76527	76527	1.00	765	706
Classes III, VII and VIII (other)	35	25%				1514	1151
Class IV (other)	36	1%	(32173)	(40664)	1.26	(407)	(574)
Class V	37	1%					
Class VI	38	1%					
Total	39					10061	8316

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	799107	764004	0.96	22920	20330
Classes III, VII and VIII (investment risk)	43	3%	54804	54804	1.00	1644	769
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	76527	76527			
Classes III, VII and VIII (other)	45	0%	4751625	3077541			
Class IV (other)	46	3%	(32173)	(40664)	1.26	(1220)	(1723)
Class V	47	0%					
Class VI	48	3%					
Total	49		5649889	3932212		23344	19377

Long term insurance capital requirement	51					115961	107068
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Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009

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

	2009	2008
	£000	£000
Admissible assets (long term)	4,166,352	2,405,868
Admissible assets (other than long term)	130,413	38,115
Less:		
Mathematical Reserves after distribution of surplus	(3,932,212)	(2,103,657)
Other Insurance & non-insurance liabilities	(25,317)	(49,831)
Liabilities other than long-term business	(5,008)	(4,364)
Net Admissible Assets	334,228	286,131
Form 3 Line 79 Capital resources after deductions	334,228	286,131
Difference	0	0

***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>2009</u>	<u>2008</u>
	£000	£000
Reduction in liabilities arising from reinsurance agreement with Munich Re	3,920	9,244
Liability at amortised cost	43,785	52,657
Deferred front end fee	32,015	15,310
	<u>79,720</u>	<u>77,211</u>

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

Removal of reinsurers' credit risk adjustment	8,674	6,812
Actuarial reserve for strategic review costs	5,000	11,000
Deferred tax	48,289	14,254
	<u>61,963</u>	<u>32,066</u>
Total equalling Form 3 Line 14	17,757	45,145

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

Profit and loss account reserves b/fwd	£000
	(100,909)
Profit and loss account reserves c/fwd	(28,429)
Movement	72,480
Transfer of assets from long term fund to shareholder fund	80,000
Surplus arising on the long-term business technical account	(70,825)
Rounding	(1)
Total equalling Form 16 line 59	81,654

**Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009**

***1111* Change to previous year figures**

The amounts shown in Column 2 differ from the corresponding amount shown in the previous year's return due to the implementation of an internal reinsurance treaty.

***1211* Change to previous year figures**

The amounts shown in Column 2 differ from the corresponding amount shown in the previous year's return due to the implementation of an internal reinsurance treaty.

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

- i) The company held unlisted equity, fixed & variable interest securities valued at £1m.
- ii) Lines 46 & 48 include assets to the value of £2.9m where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were no units or beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interests or remainders in property other than land or buildings.

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

The Company held hybrid securities valued at £24m in the long-term fund and £1m 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 Committee and Appointed Actuary of the Company. The Company's principal fund manager, F&C Asset Management plc (F&C), maintains a list of approved counterparties with limits based on the degree of risk inherent in each counterparty. F&C monitors regularly that actual exposures fall within approved limits. These restrictions apply equally to counterparties other than approved counterparties.

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

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

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

At 31 December 2009 the Company had no counterparty exposures exceeding the upper limit based on the base capital resources requirement and the long-term insurance business liabilities.

**Supplementary notes to the Return
 Friends Provident Life Assurance Limited
 Global Business
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***1318* Other asset adjustments**

	<u>2009</u> <u>£000</u>	<u>2008</u> <u>£000</u>
Closed fund		
Interfund	(169)	(159)
Variation margin	456	946
Taxation	-	(8,730)
Intercompany	(409)	-
Policy related control	(4)	-
	<hr/>	<hr/>
	(126)	(7,943)
Other business fund		
Deferred taxation	48,289	8,516
Valuation difference on assets	(4)	-
Tax creditor	(1,549)	-
	<hr/>	<hr/>
	(46,736)	8,516
Shareholders		
Interfund	(579)	(22)
Intercompany	(108)	-
	<hr/>	<hr/>
	(687)	(22)

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

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

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

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

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

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

**Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009**

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

- i) No charge has been made on the assets of the Company (other than liabilities under an insurance contract).
- ii) Provision has been made for the total potential liability of £1.5m (2008: £0.1m) relating to taxation on unrealised capital gains arising in linked funds. There are no further contingent liabilities relating to unrealised capital gains tax.
- iii) In accordance with guidance issued by the Financial Services Authority and the Personal Investment Authority, the Company has reviewed the appropriateness of advice given to policyholders who effected personal pensions contracts after 1988.

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

- iv) Friends Provident Life Assurance Limited has given an undertaking to LAUTRO (subsequently transferred to the PIA and now to the FSA under the Financial Services and Markets Act 2000) that it will assume responsibility for all liabilities (including complaints) and any other matters which may arise in connection with the business conducted on its behalf by FP Financial Management Limited, formerly NM Financial Management Limited. At the balance sheet date, no claims have been paid or are pending.
- v) Liabilities in relation to endowment complaints are being provided for and settled by Friends Provident Life and Pensions Limited, of which the Company is a subsidiary.
- vi) The Company is not aware of any fundamental uncertainties.

***1405* Other adjustments to liabilities**

	2009	2008
	£000	£000
Closed fund		
Interfund	(169)	(159)
Variation margin	456	946
Taxation	-	(12,465)
Companies Act accounts fair value adjustment to liabilities	(57)	(54)
Intercompany	(409)	-
Policy related control	(4)	-
	<hr/>	<hr/>
	(183)	(11,732)
Other business fund		
Reduction in liabilities arising from reinsurance agreement with Munich Re	3,920	9,244
Deferred tax on deferred acquisition costs	-	(2,002)
Companies Act accounts fair value adjustment to liabilities	30,163	34,898
Deferred front end fees	32,015	15,310
Tax creditor	(1,549)	-
	<hr/>	<hr/>
	64,459	57,450

***1507* Other adjustments**

	2009	2008
	£000	£000
Other than long-term insurance business		
Interfund	(579)	(22)
Intercompany	(108)	-
	<hr/>	<hr/>
	(687)	(22)

**Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009**

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

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

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

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

***1701* Variation margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £nil. Variation margin of £163k has been included in Form 13 line 44.

***1702* Quasi-derivatives**

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

***4002* Other income and expenditure**

Other income comprises of:

	2009	2008
	£000	£000
Closed fund		
Policy loan income	128	65
	<hr/> 128	<hr/> 65
Other business fund		
Interest received from FPLP	98,508	-
Munich Re loan	-	9,244
FPLP management charges	15,672	14,164
	<hr/> 114,180	<hr/> 23,408

Other expenditure comprises of:

	2009	2008
	£000	£000
Other business fund		
Munich Re loan interest paid	5,325	-

***4004* Transfer from Long-term Insurance Business Fund to Shareholder Fund**

Assets transferred from long term insurance business fund to shareholder fund totalled £124m; this is reflected in Form 13 Line 43, Form 13 Line 54 and Form 13 Line 81.

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

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

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

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

**Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009**

***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) Limited.

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

***4009* Material connected party transactions**

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

During the period 1 January 2009 to 31 December 2009 the Company (paid)/received amounts as follows with respect to the property-linked funds reinsurance agreement between the Company and both FPLP and FPP:

FPLP	(£73.3m)
FPP	£1.4m

Other reinsurance agreements with FPLP

Non profit life, non-linked term assurance and critical illness policies written by the company from 1 January 2004 during 2009 has been reinsured to the Company under an agreement dated 28 October 2009. Under this agreement FPLP reassured 100% of the liabilities relating to this business with the Company receiving 100% of the premiums but accepting liability for 100% of the expenses associated with the business. The aggregate amount reassured in 2009 was £93.6m.

The unit liabilities on unit linked life & savings business written by the Company since 1 April 2004 are reinsured back to FPLP. The aggregate amount reassured in 2009 was (£172m).

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 2009 was (£1,808m).

FPLP is the immediate parent undertaking of FPLAL and FPP.

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

Assets within this form have been valued as follows:

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

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

At the end of 2009 the internal linked funds held rights of £519k and liabilities of £661k under derivative contracts.

***4403* Liability to repay variation margin**

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

**Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009**

***4502* Other income and expenditure**

Other income and expenditure consists of

	2009	2008
	£000	£000
Other income		
Reassurance with FPLP	1,518,921	-
Interest on reinsurance	98,508	-
Investment related income	-	182
Total other income	<u>1,617,429</u>	<u>182</u>
Other expenditure		
Investment related expenditure	2,505	2,982
Administrative expenses	(4)	4
Index linked	(368)	6,851
Total other expenditure	<u>2,133</u>	<u>9,837</u>

Amounts in other income include reinsurance of unit-linked liabilities of £1,519m from FPLP, the assets backing these liabilities have been immediately deposited back by way of loan. Also included is an amount of £99m relating to interest on the loan.

***4802* Interest in default**

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

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

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

***4901* Rating agencies**

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

***5600* Index-linked assets**

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

***5701* Negative reserves**

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

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

**Supplementary notes to the Return
Friends Provident Life Assurance Limited
Global Business
Financial year ended 31 December 2009**

***5702* Risk adjusted yield**

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

Product Group	Other Business Fund		Closed Fund	
	Yield	Risk Adjusted Yield	Yield	Risk Adjusted Yield
UK F51 L&GA WP			4.64%	4.62%
UK F51 L&GA NP	4.73%	4.59%	4.64%	4.62%
UK F51 L&GA NP	3.97%	3.97%		
UK F52 L&GA	4.73%	4.59%		
UK F53 L&GA NL	3.97%	3.97%		
UK F51 Pensions WP			4.64%	4.62%
UK F51 Pensions WP			4.64%	4.62%
UK F51 Pensions NP	4.73%	4.59%	4.64%	4.62%
UK F51 Pensions NP	5.73%	5.20%		
UK F53 Pensions NL	4.73%	4.59%		
OS F51 NP	3.97%	3.97%		
OS F53 NL	3.97%	3.97%		
OS F53 NL	4.54%	4.54%		
Miscellaneous UK F51 L&GA WP			4.64%	4.62%
Miscellaneous UK F51 L&GA NP	4.20%	4.20%		
Miscellaneous UK F52 L&GA	4.73%	4.59%		
Miscellaneous UK F53 L&GA NL	4.20%	4.20%		
Miscellaneous UK F51 Pensions WP			4.64%	4.62%
Miscellaneous UK F51 Pensions NP	4.20%	4.20%		
Miscellaneous UK F53 Pensions NL	4.20%	4.20%		
Miscellaneous OS F53 NL	4.54%	4.54%		

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

Derivative Contracts

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

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

Returns under the Interim Prudential Sourcebook for Insurers
Statement of additional information on controllers required by IPRU (INS) 9.30
Friends Provident Life Assurance Limited
Financial year ended 31 December 2009

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

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

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

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

- (i) Resolution Limited

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

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

- (ii) Resolution Holdco No1LP

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

- (iii) Resolution Holdings (Guernsey) Limited

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

- (iv) Friends Provident Holdings (UK) Limited

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

- (v) Friends Provident Group plc

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

- (vi) Friends Provident Limited

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

- (vii) Friends Provident Life and Pensions Limited

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

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

1. Introduction

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

2. Product Range

New products

The following products were introduced in 2009:

1. Tesco Life Insurance Products

A range of Tesco Life Insurance and Critical Illness products designed for personal, family or mortgage protection, were launched through Friends Provident on 4th December 2009. The three product cover options available are:

- **Tesco Life Insurance**, a regular premium, term assurance product which is designed to provide a lump sum on death within the specified policy term.
- **Tesco Life Insurance with Critical Illness Cover**, a regular premium product, designed to provide a lump sum on death or diagnosis of a specified critical illness in accordance with Friends Provident's critical illness definitions, within the policy term.
- **Tesco Critical Illness Cover**, a regular premium product, designed to provide a lump sum on diagnosis of a specified critical illness or disability in accordance with Friends Provident's critical illness definitions, within the policy term.

All products can be set up to provide cover on a level or a decreasing basis and are available on a single life or joint life, first-death basis. A terminal illness benefit is included with the two Life Insurance products above.

Premiums are guaranteed for the Tesco Life Insurance product, but are reviewable on the 5th and each subsequent policy anniversary for the other two products.

An optional Waiver of Premium benefit is available on all products at the application stage only. Subject to underwriting, further options may also be included to extend or take out additional cover. These options are available on the occurrence of specified events, or on the increase/extension of a mortgage held by the life or lives assured and can only be included at the application stage.

2. Tesco Over 50s Plan

The Tesco's Over 50's plan was launched through Friends Provident on 4th December 2009. This is a whole of life product, which provides a guaranteed cover amount on the death of the life assured. Cover is available on a single life basis only.

The product is available to permanent UK residents aged between 50 and 75 and offers guaranteed acceptance for all eligible applicants. There is no underwriting involved, and there is no requirement for applicants to undergo any form of medical examinations or tests during the application process. Consequently, there is a two year moratorium period, during which the chosen cover amount is only payable if the death is the result of an accident. In all other instances, a return of premiums is payable.

The product offers pure protection only and as such no surrender value exists. Once taken out, no amendments can be made to a policy.

3. Virgin Money Life Cover

The Virgin Life Cover plan was launched on 14th September 2009. This is a standard Friends Provident term assurance product, but with Virgin branding. The product is designed to provide a lump sum on death within a specified policy term and can be used for family or mortgage protection.

The product can be set up to provide cover on a level or a decreasing basis and is available on a single life or joint life, first-death basis. A terminal illness benefit is included in all contracts.

Premiums are payable monthly only and are guaranteed for the duration of the policy.

An optional Waiver of Premium benefit is available at the application stage only. Subject to underwriting, further options may also be included to extend or take out additional cover. These options are available on the occurrence of specified events, or on the increase/extension of a mortgage held by the life or lives assured and can only be included at the application stage.

4. Friends Planpensionvalue

This unit-linked pension insurance plan is an addition to the Friends Plan product range and was launched on 1st July 2009. The product is only sold to German residents, is governed by German Law and is compliant with the VVG regulations in force from 1/1/08. It is designed to provide a regular lifetime annuity at the selected retirement date, but also includes a capitalisation option enabling the policyholder to receive some, or all, of the benefits in regular withdrawals or as a lump sum. Should the policyholder die before the selected retirement date then a death benefit is payable. For policies in force for more than three years this is equal to the greater of the unit holding value and the sum assured, whilst for others it is the maximum of the unit holding value and premiums paid to date.

Regular premium contributions can be increased subject to the minimum contribution increase in place at the time. They can also be decreased subject to tax considerations and a minimum contribution threshold. A premium holiday can only be requested in cases considered tax-safe by the financial authorities. An optional Return of Premium guarantee is available for all policies with a term of at least 12 years.

A number of charges apply to the product, namely:

- Guaranteed return of premium charge – taken as a deduction from each regular premium contribution.
- Plan fee – a fixed amount is deducted from each regular premium contribution.
- Reduced allocation – there is a reduced allocation period of 60 months for all regular premium contributions. The reduction depends upon the term of the contract and is calculated after the two deductions above.
- Annual charge – each premium received after 24 months is reduced. Again, this deduction is made after the first two deductions mentioned above.
- Plan administration charge – units are deducted monthly from the policyholder's unit fund.
- Sum assured charge – for as long as the sum assured exceeds the unit value, there is a monthly cancellation of units to pay for the death benefits provided.
- Specific charges – charges for extra services provided e.g. extra fund switches, returned bank debits etc. are made by cancelling units from the unit fund.
- Fund charges – each fund has an annual charge paid from cash assets held by that fund. This charge is reflected in the price used to allocate units.

The first 12 fund switches each year are free, all subsequent switches will be charged as part of the specific charges mentioned above.

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

5. Friends Planinvest

This single premium contribution plan is another addition to the Friends Plan product range and is based on the existing Friends Plan*private* and Friends Plan*basic* products. It was launched on 1st October 2009 to German residents, is governed by German Law and is compliant with the VVG regulations in force from 1/1/08. The policy is written to a selected retirement date, chosen at outset, subject to a minimum age of 60. The policy includes a guaranteed annuity rate from the selected retirement date allowing the policyholder to convert their proceeds into an annuity. The product includes a capitalisation option, which enables the policyholder to receive some, or all, of the benefits in regular withdrawals or as a lump sum at retirement. The policyholder also has the option to defer taking the proceeds up until their 85th birthday.

The product is available in two contract types, Private and Basic, which have a different tax treatments and options available at retirement.

Additional single premiums can be paid at any time, subject to a minimum investment. The guaranteed annuity rate applicable on these incremental premiums will be that in force at the time of the investment.

An optional Return of Premium guarantee is available at outset for all policies with a term of at least 12 years. Policies without this option must have a term of at least 5 years.

A number of charges apply to the product, namely:

- Guaranteed return of premium charge – taken as a deduction from each premium contribution.
- Reduced allocation – the minimum amount of premiums allocated depends on the commission accepted by the IFA.
- Annual charge – a monthly charge is deducted from the unit fund.
- Annual management charge – taken as a percentage of the unit fund.
- Service charges – a charge is taken six monthly from the unit fund. This charge is determined at outset based on services provided by the IFA and once established can not be altered.
- Switch charges – the first 40 switches are free, after which a charge per switch is to be deducted from the unit fund.

No bid/offer spread exists on this product.

The plan can be surrendered at any time, with no surrender penalty for policies in force for more than 5 years. For surrenders within the first 5 years there is a fixed charge.

Regular and ad-hoc withdrawals can be made at any time, subject to a minimum amount. Should the fund value fall below a minimum value for any reason other than fund charges the policy is automatically surrendered.

Products Withdrawn

No products were withdrawn during 2009.

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

3. **Discretionary Charges and Benefits**

(1) No Market value reduction (MVR) factors were applied during 2009.

(2) The following products had a change to premium in 2009:

- Level accelerated critical illness cover – reduction in premium of 6.2%
- Level standalone critical illness cover – reduction in premium of 2.5%
- Decreasing accelerated critical illness cover – reduction in premium of 5.3%
- Decreasing standalone critical illness cover – reduction in premium of 5.3%

- (3) There are no non-profit deposit administration contracts.
- (4) Policy fees for certain products are linked to the RPI; the charges in 2009 were 4.2% greater than in 2008. The relevant business is:

- Optimum Life Plan
- Income Replacement Plan

Policy fees for certain products are linked to the National Average Earnings index; the charges in 2009 were 3.2% greater than in 2008. The relevant business is:

- Personal Pension Scheme

Policy fees for the Universal Pension Account are subject to discretionary increases; the charges in 2009 were 4.2% greater than in 2008.

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

(7) Unit Pricing

(a) Description of Methods

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

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

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

- (iii) The net asset value of units is determined at valuations of the appropriate funds, required to be made at least once each calendar month but normally made daily at midnight. The use of a 'creation', 'steady state' or 'cancellation' basis depends on whether or not the Company considers that a fund is growing, steady or declining. For the 'creation' basis, asset valuations will be based on the prices at which the funds can buy assets in the market. For the 'cancellation' basis, asset valuations will be based on the prices at which funds can sell assets in the market. For the 'steady state' basis, asset valuations will be based on a mid market value.
- (iv) Regular premiums are allocated at the current day's price, based on the previous midnight pricing valuation point. Single premiums are allocated in accordance with policy conditions, which vary by product, and are generally based on previous day or current day's price. Switches are generally dealt with as follows:
- If the request is received by post, the current day's price is used.
 - If the request is received online, by fax, or by email, the next day's price is used.
- (b) There is no variation between the pricing bases used for different policies other than through the use of different initial and annual management charges.
- (c) For collective investment schemes, the processes are similar to those for internal linked funds.

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

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

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

During 2009 the percentage was applied in order to achieve tax provisions on gains as follows:

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

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

4. Valuation Basis (Other Than for Special Reserves)

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

(1) Valuation Methods Used

(a) General Method

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

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

(b) General Principles

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

(c) Non Standard Methods

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

- Where an extra premium is payable on a life assurance policy to cover additional mortality risk, a reserve of three times the extra premium is held. For income protection business, where an extra premium is payable the assumed inception rates are increased by a proportion equal to twice the extra premium divided by the total premium.
- A reserve equal to a multiple of premium is held for some minor ancillary benefits.
- The amount held as a reserve against the payment of extra benefits in the event of accidental death and against the payment of benefits or the waiver of premiums in the event of total disablement was three times the additional annual premium payable for this benefit.

- For single premium income protection business the liability in respect of benefits secured by premiums paid during the preceding three years is 90% of those premiums. Where claims are in course of payment after three years, they are valued individually as life annuities ceasing on the earlier of recovery, death or ceasing age.

(2) Valuation Interest Rates

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

	31.12.2009				31.12.2008			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Annuities in possession	3.0		3.8		2.7		3.4	
Other non-profit business and unit linked	3.0		3.8	3.8	2.7		3.4	3.4
Unitised With Profits	3.3				3.0			
With-profits deferred annuities:								
in deferment	2.8		3.6		2.5		3.2	
in possession	2.8		3.8		2.5		3.9	
Other with-profit business	2.8		3.6		2.5		3.2	
Pension annuities written between 01/01/2007 and 30/06/2008, reinsured from Friends Provident Pensions Limited.			4.93				4.18	

Interest rates assumed for policies where negative reserves are permitted:

	31.12.2009				31.12.2008			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Low rate	2.5	3.3	N/A	3.3	2.2	2.9	N/A	2.9
High rate	5.4	5.4	N/A	N/A	4.7	4.7	N/A	4.7

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

(3) Adjustment of Yields for Risk

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

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

Credit Rating	Long Term Default Deduction (bps)	Short Term Default Deduction (bps)	Total (bps)
AAA	20	3	23
AA	37	27	64
A	38	49	87
BBB	95	88	183
Lower Ratings	266	221	487
Unrated	48	57	105

In aggregate, this resulted in an average deduction of 85 bps from the overall yield on the corporate bond portfolio as at 31 December 2009.

- (c) In compliance with INSPRU 3.1.37R, the running yield on equities is calculated as the greater of the dividend yield and the average of the dividend yield and the earnings yield. This yield and the yield on property have been adjusted by 10% for the risk of reduced dividend yield, earnings yield and rental yield and further capped at the long-term gilt yield plus 2% p.a.
- (4) The mortality tables used in the valuation are as follows (ultimate mortality except where stated):

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
Regular Premium Income Protection				
Lives not claiming	60% AM80	60% AF80	60% AM80	60% AF80
Lives claiming	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives
Term Assurances Paying Death Benefits Only				
Smokers	93% TMS00 (Select) (5)	88% TFS00 (Select) (5)	93% TMS00 (Select) (5)	88% TFS00 (Select) (5)
Non-Smokers	93% TMN00 (Select) (5)	86% TFN00 (Select) (5)	93% TMN00 (Select) (5)	86% TFN00 (Select) (5)
Non-Differentiated ⁽¹⁾	105% TMN00 (Select) (5)	105% TFN00 (Select) (5)	105% TMN00 (Select) (5)	105% TFN00 (Select) (5)
With Profit Term Assurance	70% TM92(Ult)	70% TF92(Ult)	70% TM92(Ult)	70% TF92(Ult)
Term Assurances - Endowments				
With Profit Endowments	80% AM80 (Ult)	80% AF80 (Ult)	80% AM80 (Ult)	80% AF80 (Ult)
Unit Linked Business				
Pre-2003 Business	80% A67/70	80% A67/70	80% A67/70	80% A67/70
Post-2003 business – Regular premium - Life	130% AMC00(Ult)	130% AFC00(Ult)	130% AMC00(Ult)	130% AFC00(Ult)

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
Post-2003 business – Other	110% AMC00(Ult)	110% AFC00(Ult)	110% AMC00(Ult)	110% AFC00(Ult)
Deferred Annuities				
- in deferment	65% AMC00ult	55% AFC00ult	65% AMC00ult	55% AFC00ult
- Annuity Options on Vesting – Individual Contracts				
Pension business	56-94% RMV00	58-94% RFV00	56-94% RMV00	58-94% RFV00
- Options on Vesting – Executive Pensions				
Pension business	67-94% PCMA00	75-94% PCFA00	67-94% PCMA00	75-94% PCFA00
Annuities in Possession – Individual Contracts				
Pension business (Pre 2003)	83-94% RMV00	87-94% RFV00	83-94% RMV00	87-94% RFV00
Pension business (2007 - 2008)	56-94% RMV00	58-94% RFV00	56-94% RMV00	58-94% RFV00
Annuities in Possession – Group Contracts				
Pension business (Pre 2003)	81-94% PCMA00	90-94% PCFA00	81-94% PCMA00	90-94% PCFA00
Pension business (2007 - 2008)	67-94% PCMA00	75-94% PCFA00	67-94% PCMA00	75-94% PCFA00

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

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

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

Annuity options on vesting – individual contracts
RMV92/RFV92 C2025

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	22.86	25.41	22.86	25.41
55	65	22.86	25.41	22.86	25.41
65	65	22.86	25.41	22.86	25.41
75	75	14.82	16.70	14.82	16.70

Options on vesting – executive pensions
PMA92/PFA92 C2025

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	20.58	23.55	20.58	23.55
55	65	20.58	23.55	20.58	23.55
65	65	20.58	23.55	20.58	23.55
75	75	12.44	15.15	12.44	15.15

Annuities in possession - individual contracts - pension business (Pre 2003)
Modified RMV00/RFV00 for 2009, Modified RMV00/RFV00 for 2008

Current Age	Expectation at Age	31.12.2009		31.12.2008	
		Male	Female	Male	Female
45	65	26.82	28.40	26.72	28.30
55	65	25.44	27.33	25.30	27.22
65	65	24.00	26.24	23.86	26.14
75	75	15.09	16.71	14.96	16.61

Annuities in possession - group contracts - pension business (Pre 2003)
Modified PCMA00/PCFA00 for 2009, Modified PCMA00/PCFA00 for 2008

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

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

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

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

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

- (a) For regular premium 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:

	31.12.2009	31.12.2008
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	31.12.2009	31.12.2008
1	32%	32%
2	59%	59%
3-5	68%	68%
6+	41%	41%

- (b) The valuation of single premium Income Protection claims in payment (both in 2009 and 2008 valuations) are assumed to have 40% of the ultimate recovery rates and 40% of the mortality rates for sick lives, published in CMI Report No. 12.

- (c) The mortality and morbidity tables for critical illness used in the 2009 valuation are as follows:

	31.12.2009		31.12.2008	
	Male	Female	Male	Female
Accelerated Critical Illness Mortality				
- Smokers	89% CIBT02 mort	111% CIBT02 mort	89% CIBT02 mort	111% CIBT02 mort
- Non-Smokers	45% CIBT02 mort	51% CIBT02 mort	45% CIBT02 mort	51% CIBT02 mort
Standalone Critical Illness Morbidity				
- Smokers	87% CIBT02	89% CIBT02	87% CIBT02	89% CIBT02
- Non-Smokers	51% CIBT02	64% CIBT02	51% CIBT02	64% CIBT02

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

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

Per Annum Deterioration Factors (No Maximum Values)	
Males	1.25%
Females	1.50%

(6) Expense Bases

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

Tax relief in the life fund is assumed to be:

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

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

Closed Fund

All classes of business in the Closed Fund have been valued on a net premium valuation basis, with no Zillmer adjustments applied. The same method was used for 2008.

Other Business Fund

Class		31.12.2009				31.12.2008			
		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	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise	N/a	15.10	0.122	0	N/a	15.32	0.122	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	21.72	0.122	0	N/a	20.43	0.122	0
	Otherwise	N/a	15.10	0.122	0	N/a	15.32	0.122	0
Income Protection (360 / 365)	All	N/a	27.32	0.122	0	N/a	25.54	0.122	0
Income Protection Claims in Payment(385)	All	N/a	N/a	N/a	8% of claims	N/a	N/a	N/a	8% of claims
Annuity (400)	All	N/a	17.66	0.059	0	N/a	20.43	0.059	0
UWP Bond (500)	All	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Savings Endowment (510)	Premium Paying	N/a	32.80	0.122	0	N/a	33.28	0.118	0
	Otherwise	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Target Cash Endowment (515)	Premium Paying	N/a	32.80	0.122	0	N/a	33.28	0.118	0
	Otherwise	N/a	28.52	0.122	0	N/a	27.22	0.118	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	29.13	0.122	0	N/a	26.34	0.118	0
	Otherwise	N/a	19.92	0.122	0	N/a	33.49	0.118	0
UWP Single Premium Pension (525 / 545)	All	N/a	16.41	0.122	0	N/a	32.01	0.118	0
UL Bond (700)	All	N/a	12.68	0.353	0	N/a	12.62	0.353	0
UL Savings Endowment (715)	Premium Paying	N/a	76.09	0.353	0	N/a	75.73	0.353	0
	Otherwise	N/a	12.68	0.353	0	N/a	12.62	0.353	0
UL Target Cash Endowment (720)	Premium Paying	N/a	76.09	0.353	0	N/a	75.73	0.353	0
	Otherwise	N/a	12.68	0.353	0	N/a	12.62	0.353	0
UL Regular Premium Pension (725)	Premium Paying	N/a	101.45	0.353	0	N/a	100.97	0.353	0
	Otherwise	N/a	12.68	0.353	0	N/a	12.62	0.353	0

Class		31.12.2009				31.12.2008			
		Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zilmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
UL Single Premium Pension (725)	All	N/a	12.68	0.353	0	N/a	12.62	0.353	0
UL Group Single Premium Pension	All	N/a	12.68	0.353	0	N/a	12.62	0.353	0

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

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

For policies with explicit policy charges, these charges increase in line with the RPI or National Average Earnings Index Future RPI is assumed to be 3.7% p.a., and future NAEI is assumed to be 1% higher at 4.7% p.a.

- (8) The liabilities for accumulating with-profit policies are fully reassured to FPLP. The future bonus rates used in valuing these contracts are zero.

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

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

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

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

(10) There are no other material assumptions.

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

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

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

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

5. Options and Guarantees

(1) Guaranteed Annuity Rate Options

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

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

Product Name	Basic Reserve	Outstanding Durations	Guarantee Reserve	Guaranteed Rate	Increments allowed	Annuity Form	Retirement Ages
(i)	(ii) £m	(iii)	(iv) £m	(v)	(vi)	(vii)	(viii)
Conventional Deferred Annuities	42.2	Up to 16 years	30	10%	No	Single Life; monthly in advance, guaranteed 5 years	60-70
Personal Pension (pre Series D)	26.5	Up to 16 years	7	9.5%	No	Single life, monthly in advance, guaranteed 5 years	60-75

(2) Guaranteed Surrender and Unit-Linked Maturity Values

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

(3) Guaranteed Insurability Options

(a) No additional reserve is held in respect of Guaranteed Insurability Options (GIO). The total sum insured on these contracts falls below £1bn.

(4) Other Guarantees and Options

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

6. Expense Reserves

- (1) The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £27.0m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below:

Homogeneous Risk Group	Implicit allowances £m	Explicit allowance (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Post April 2004 Unit Linked	0.0	3.5	4.2	1.1	8.7
All Expenses Attributable (All other business)	0.0	2.9	15.4	0.0	18.3
Total	0.0	6.4	19.6	1.1	27.0

- (2) Where a net premium method has been used, the implicit allowance for expenses is the difference between the value of the future net premiums and the value of the future gross premiums. Otherwise, there is no implicit allowance for expenses.
- (3) The maintenance expenses in line 14 of Form 43 are £32.4m. Line 14 includes £0.6m in respect of expenses related to the purchase of investments in linked funds. These expenses are charged directly to those funds and therefore offset by equal reductions in the unit liability; hence no additional reserves are held. The remaining difference from allowances arises from margins for adverse deviation.
- (4) The value of future profits in respect of expected new business exceeds the expenses incurred. Therefore no additional reserve is held.
- (5) The cost of closure to new business has been estimated, allowing in particular for redundancy costs and the cost of vacating properties. This was less than margins expected to emerge from in-force business on a prudent basis. Hence no additional reserve was required.
- (6) Non-attributable expenses have only been calculated for unit-linked products. For each homogeneous risk group where the non-attributable expenses have been excluded from the sterling reserves calculation, the resulting sterling reserve has been compared with a sterling reserve calculation combining the cashflows of all the policies in the homogeneous risk group and including the non-attributable expenses. As the sterling reserve based on the grouped cashflows is less than the sterling reserve calculated at policy level without non-attributable costs, no additional reserve is held for the non-attributable expenses.

7. Mismatching Reserves

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

Currency	Value of liabilities (£m)	Value of assets (£m)
Sterling	709	1,043
Total	709	1,043

- (2) As noted above, Friends Provident Life Assurance Limited has no liabilities denominated in currencies other than sterling.
- (3) Sterling liabilities are wholly matched by sterling assets, consequently no reserve for currency mismatching is considered necessary.
- (4) The most onerous of the scenarios specified by INSPRU 3.1.16R was:
- A fall in the market value of equities of 20.3%;
 - A fall in real estate values of 20%; and
 - A fall in yields on all fixed interest securities of 0.89% p.a.
- (5) There is no territory outside the United Kingdom in which the market value of the assets held exceeds 2.5% of the long term insurance assets (excluding those held to cover index-linked or property-linked liabilities). Accordingly, the same scenario as in (4) above has been used.
- (6) Resilience
- (a) The amount of the resilience capital requirement is £45m.
 - (b) The long-term insurance liabilities increased by £72.2m.
 - (c) The value of the assets allocated to match these liabilities increased by £33.7m from their value as shown in Form 13.
- (7) The nature and term of the assets matching liabilities is regularly reviewed to ensure continued appropriateness and no additional provision was required at the valuation date to ensure that the company could meet its obligations as they arise.

8. Other Special Reserves

Other special reserves in excess of 0.1% of the mathematical reserves (£3.9m) have been held as follows:

- (1) Provision of £13m for the potential uncertainty surrounding the long-term level of maintenance expenses.

9. Reinsurance

- (1) No premiums for reinsurance ceded on a facultative basis were paid during 2009 to reinsurers who are not authorised to carry on insurance business in the United Kingdom.
- (2) (a), (b) & (c) The reinsurance treaties meeting the stated conditions are described in the table below, except as detailed here.
 - (d) The name of the reinsurer is quoted in the table.
 - (e) The nature and extent of cover is quoted in the table.
 - (f) The premiums paid in 2009 are quoted in the table.
 - (g) There were no deposit back arrangements.
 - (h) Availability to new business is quoted in the table.
 - (i) There are no undischarged obligations of the insurer.
 - (j) The mathematical reserves ceded under the treaty are quoted in the table.
 - (k) Retentions on new business are quoted in the table.
 - (l) All reinsurers quoted in the table are authorised to carry on insurance business in the UK.
 - (m) Connections of any reinsurer to the Company are quoted in the table.
 - (n) Apart from any reserves ceded internally the mathematical reserves shown in the table have been reduced by £8.7m 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) Munich Re Financing Treaty
 - (i) Each month cashflows will be paid into a deficit account that after deducting interest at EURIBOR + 1.75% will reduce the amount outstanding to the Reinsurer. The initial amount of the deficit account was 16m euros as at 31st December 2007. Cashflows are made up of Premium margins and Clawback margins in respect of the unit linked savings plans (Friends Plan Basic, Friends Plan Private and Friends Plan Business) sold in Germany between 1st September 2006 and 31st December 2007. Premium margins represent that portion of each premium paid not allocated to policyholder units less cost of renewal commission. Clawback margins represent clawback of initial commission in respect of lapses, surrenders and paid up policies in each month.
 - (ii) The sterling reserve calculation takes into account the cashflows due to the Reinsurer. There is no overall affect on the sterling reserves as the sterling reserve is limited by the surrender penalty on the contract, both before and after taking the reinsurance premiums into account. The net impact is the regulatory excess capital at 31st December 2009 is increased by £3.9m, the outstanding value of the loan from Munich Re at 31st December 2009, which is not treated as a liability in Form 14.

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

(d) Reinsurer	(e) Nature and extent of cover under the treaty	(f) Premiums payable £m	(h) New business	(j) Mathematical reserves £m	(k) Retention for new policies	(m) Connected Company
Munich Reinsurance Company	Unit Linked business financing treaty providing 16m euros of finance subject to repayments as set out above in section p.	0	Closed	0	N/A	No
Swiss Re Life & Health Ltd	1 st surplus reinsurance for Group Life in excess of £1m up to £3m.	5	Open	4	£1m	No
	1st surplus reinsurance for Individual IP for excess over £15,600 p.a. initial benefit up to £156,000 p.a.				£15,600 p.a. for IP	No
	Quota share reinsurance for non-linked life for 65% up to a maximum retention of £500,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect July 2005 percentage changed from 65% to 75%. With effect August 2006 percentage for decreasing term assurance (life cover only) decreased from 75% to 50%. With effect August 2007 level and decreasing life cover no longer reinsured.				25%	No
	1 st surplus reinsurance for Individual Income Protection for £2,000 p.w initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). With effect from January 2007 benefit increased to £2,700 p.w. plus NI and pension fund contributions.				£300pw	No
	1 st surplus reinsurance for Executive Income Protection for £2,000 p.w initial benefit and over in some cases (except nil for D4 business). With effect from January 2007 benefit increased to £2,700 p.w plus NI and pension fund contributions.				£300pw	
Quota share reinsurance for Term Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium. Quota share reinsurance for Term Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium (with effect from Nov-2008 level reviewable premium Critical Illness closed to new business).	25%					
Munich Reinsurance Co	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £500,000 per life, and 100% thereafter to a maximum sum assured of £10m per life.	28	Open	100	15%	
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.		Closed		N/A	
	1 st surplus reinsurance for Group Income Protection for £200,000 per annum Closed to new business with effect from November 2007.		Closed		N/A	
Friends Provident Life & Pensions Limited	Unitised With Profit Fund. All investment benefits under Unitised With Profit Funds.	218	Open	18	nil	Yes – Parent Company
	Linked Life Business		Open	1,669	nil	
	100% Quota share for post demutualisation individual non-profit business together with new non-profit life business written up until 31 December 2010 (Excluding PHI and OLAB business).		Open	(107)	nil	

10. Reversionary Bonus

- (1) The Bonus series meeting the stated conditions are shown in the table below.
- (2) Not applicable.
- (3) Super compound bonuses have been shown in the table as “rate applying to basic benefit” / “rate applying to bonus already declared”.
- (4) As required by the Scheme, regular bonus rates for former With Profits Fund policyholders are 80% of the corresponding regular bonus rates for the original Closed Fund with-profits policyholders.

Name of Bonus Series	Amount of Mathematical Reserves £m	Reversionary Bonus Rate for the		Guaranteed Bonus Rate for the Year %
		Current Year %	Preceding Year %	
Closed Fund (ex-National Mutual Policies)				
Conventional Pension Fund policies	70.3	0.25 / 0.25	0.25 / 0.25	0.00
Conventional Life Fund policies	106.6	0.25 / 0.25	0.25 / 0.25	0.00

RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS
Information on With Profits Actuary as required by IPRU (INS) 9.36.
Friends Provident Life Assurance Limited
Financial year ended 31 December 2009

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 2009 have been furnished pursuant to that request.

- (a) At 31st December 2009, the actuary had a direct interest in 3,941 ordinary shares of no nominal value in Resolution plc and 10,301 shares in the Share Incentive Plan. A further 8,255 ordinary shares in Resolution plc were held by the actuary's spouse.

Share options held and shares to be acquired under savings-related share schemes, Executive Share Option Schemes and Long Term Incentive Plans are:

	Held at 31/12/09	Exercised in 2009
Sharesave Scheme 2008	0	4,021
Executive Share Option Scheme 2002	0	0
Executive Share Option Scheme 2004	0	0

- (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 one policy on his life administered by Friends Provident Pensions Limited (FPP). No premiums were paid during the year and the policy value at the end of the year was £24,400.
- (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) with annual premiums amounting to £916 and sum assured £37,492.
- (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 £4,100.
- (d) The aggregate amount of remuneration and value of other benefits receivable by the With Profits Actuary (excluding pension contributions) was £136,807.
- (e) He is a member of the Friends Provident Pension Scheme, a UK defined benefit pension plan which during 2009 was a contributory scheme.
- (f) His other pecuniary benefits receivable are provided under the standard terms and conditions of the Group's permanent health insurance scheme.

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

We certify:

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

T.J.MATTHEWS
Director

D.MONGER
Secretary

E.B.BOURKE
Director

23 March 2010

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

Friends Provident Life Assurance Limited

Global business

Financial year ended 31 December 2009

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

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

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

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

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

Respective responsibilities of the insurer and its auditors

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

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

Basis of opinion

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

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

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

Opinion

In our opinion:

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

Ernst & Young LLP

Registered Auditor

London

23 March 2010