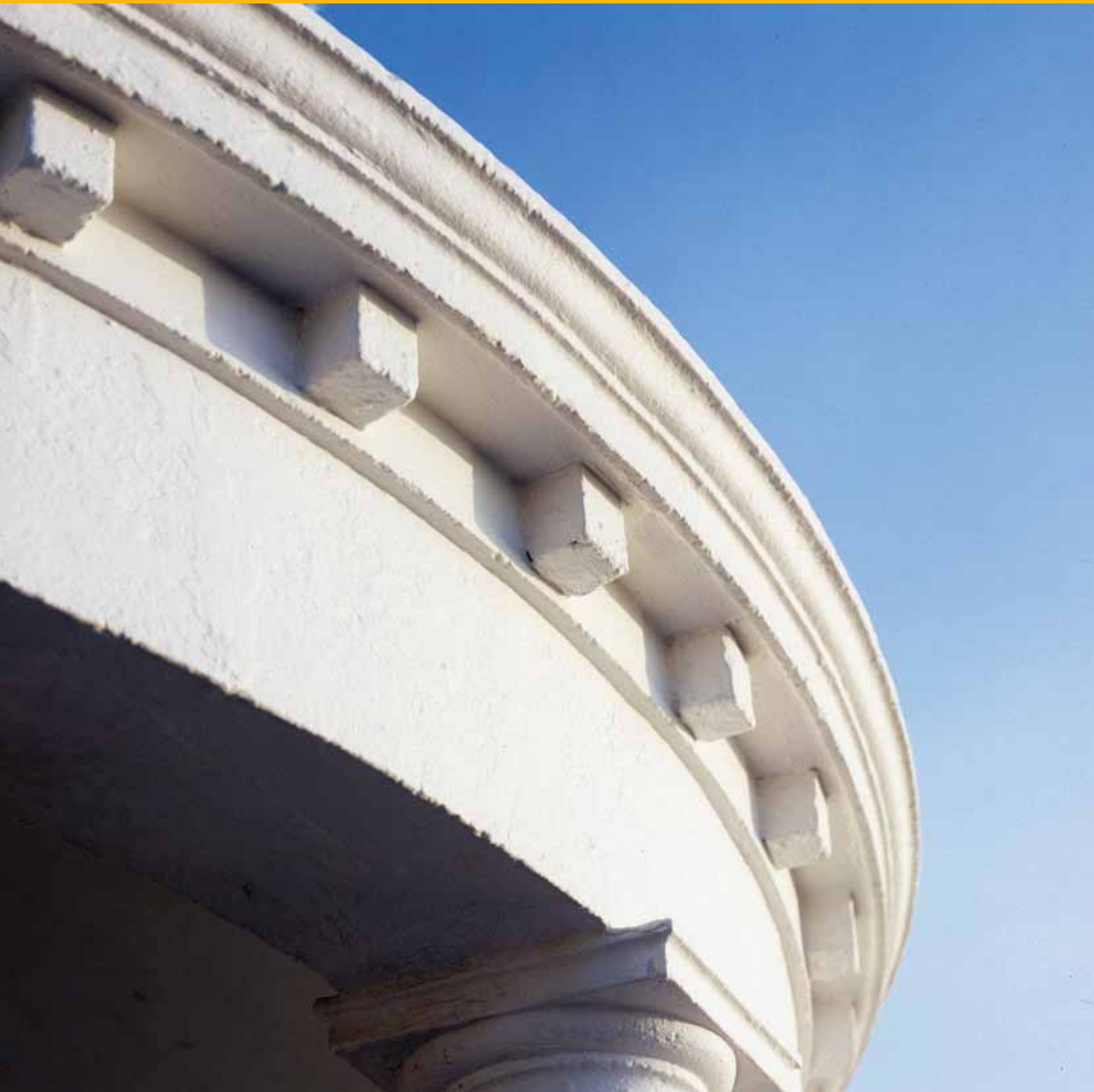


London Life

Unit-Linked and Unitised With-Profits Life Assurance Funds and Unit-Linked and With-Profits Pension Investment Funds

FUND REPORT AT 30 JUNE 2008



Introduction

This is the latest London Life Investment Report for unit-linked and unitised with-profits business for both life assurance and pension investment funds. It also covers conventional with-profits pension business.

If you have internet access, please visit our website www.london-life.com. As well as the latest fund prices, our website includes other reports, news items and a Frequently Asked Questions section you may find of interest.

Global Market Review for the six months to 30 June 2008 (this commentary is based on the views of our Investment Managers)

All returns are total returns in sterling terms unless otherwise stated

The global economy weakened throughout the review period as the risk of a recession in the US increased and the effects of the credit crisis deepened. The Federal Reserve (Fed) made a series of interest rate cuts down to 2% during the six months in an attempt to avert a recession. This was coupled with concerted central bank intervention in the markets and a rescue package for US investment bank, Bear Stearns. Equity markets were very volatile as investors sought the safe haven of government bonds and government bond yields fell (prices rose) over most of the review period. By April, investors were more confident that the worst of the credit crisis had passed. Consequently, equity markets rallied, government bonds weakened and bond yields rose during May. However, this proved to be a temporary respite as during June, equity markets weakened again as the continual rise in the oil price, and its potential effect on inflation, worried investors.

Together with higher food prices, the soaring oil price has lifted global inflation rates to their highest levels since 1999. May's inflation rate in the UK was 3.3%, necessitating an explanatory letter from the Governor of the Bank of England to the Chancellor for only the second time since the Bank was made responsible for setting interest rates in 1997. As higher energy costs feed through into consumer prices in coming months, inflation is likely to reach 4% in the UK, 4.5% in the Eurozone and 5% in the US. Central banks are worried that this could lead to higher wage settlements and a more general rise in prices. So far, core inflation rates, which exclude food and energy costs, have remained low and close to central banks' inflation targets or objectives.

Economic growth has weakened in recent months. In the UK and the US, consumer confidence has plunged as a result of high food and petrol prices and a large decline in house prices. Employment is also falling in the US. Both economies appear to be caught in a period of weak output growth. Meanwhile, strains within the financial system remain, as illustrated by continued wide spreads between interbank lending rates and the official interest rates set by central banks.

PERFORMANCE OF WORLDWIDE STOCK MARKETS FROM 01/01/2008 TO 30/06/2008

COUNTRY/REGION	INDEX	% TOTAL RETURN
UK	FTSE All Share	-11.2
UK	FTSE 100	-10.8
UK	FTSE 250	-12.7
UK	FTSE Small Cap	-14.9
US	S&P 500	-11.9
Japan	FTSE World Japan	-5.1
Europe	FTSE World Europe (Ex UK)	-12.3
Emerging Markets	MSCI Emerging Markets	-11.6

Bond markets outperformed equities over the six months with the JP Morgan Global Government Bond index returning 5.3%. UK gilts returned -2.2% and index-linked gilts were up 4.8%. With the financial markets dominated by fears of a global credit crunch, investors tended to adopt a safety-first approach and government bond markets were one of the main beneficiaries of this 'flight to quality' during the first half of the period. 10-year yields fell (prices rose) in all the major markets between January and April. However, the second half of the period was poor for government bond markets. Higher food and energy prices boosted inflation fears and yields rose (prices fell) sharply in all the major markets.

Between January and March, corporate bond markets fared less well than government bond markets and yield spreads widened. High yield bond spreads rose on fears that weaker global economic activity would lead to a rise in default rates, while investment grade bond spreads were pushed out by worries about the health of financial companies. This trend reversed during April to June: spreads narrowed in April on hopes that most of the bad news on losses related to sub-prime lending had been revealed though they widened again towards end-June on more general fears about the economic outlook.

London Life Unit-Linked and With-Profits Funds Details at 30 June 2008

Unit-Linked Funds

Equity Fund

High risk rating. High potential return over the longer term, although the volatile nature of underlying investments presents a substantial capital risk.

The aim of the Fund is to achieve medium-term to long-term growth through capital appreciation and income from dividends. The Fund is invested mainly in first-line ordinary stocks and shares of British companies but also includes smaller companies as suitable opportunities arise. Investment will be in a spread of companies in the various market sectors, with Fund Managers paying regard to the timing of sales and purchases, market trends and growth areas in the UK economy. The Manager's policy is to fully invest the Fund after allowing adequate cash to meet the needs of day-to-day business.

Life Fund size: £35.4m

Pension Fund size: £36.0m

Sector Distribution: Financials 24.2%; Consumer Services 18.1%; Oil & Gas 14.4%; Consumer Goods 9.1%; Telecommunications 8.4%; Basic Materials 7.4%; Utilities 6.4%; Industrials 6.1%; Health Care 5.8%; Cash 0.1%

Major Holdings: Vodafone 6.4%; Shell 6.3%; BP 5.7%; HSBC 4.4%; Royal Bank of Scotland 4.0%; Imperial Tobacco 3.9%; GlaxoSmithKline 3.9%; National Grid Transco 3.0%; Rio Tinto 2.9%; BG Group 2.8%

Indexed Stock Fund

Medium/Low risk rating. Unit values can fluctuate but aim to keep pace with inflation over the long term.

The Fund will be invested in index-linked stocks issued by the Government from time to time. Interest payments and redemption values are increased in-line with the Retail Prices Index (RPI), so the Fund should, in the long term, provide a hedge against inflation. However, as prices of the stocks are subject to market forces, the unit price cannot be guaranteed to match the RPI at all times. Full investment of the fund will depend upon availability of suitable stock.

Life Fund size: £1.4m

Pension Fund size: £1.9m

International Fund

High risk rating. High potential return over the longer term, although the volatile nature of underlying investments and currency presents a substantial capital risk.

The aim of the Fund is to achieve medium-term to long-term growth through capital appreciation and income growth. The Fund is invested mainly in equity shares of overseas companies, although the fund may invest in overseas fixed interest securities from time to time. The holdings of the fund will display a broad and well-balanced spread of investments. The largest world stock markets are likely to feature strongly. Other collective funds (e.g. investment trusts) may be used to provide exposure to smaller markets. The Fund Managers may use foreign currency borrowing and other means to give flexibility to the mix of currencies held.

Life Fund size: £5.4m

Life Fund Geographic distribution: North America 42.7%; Europe 29.6%; Pacific 11.0%; Japan 8.8%; Emerging Markets 7.9%

Pension Fund size: £6.3m

Pension Fund geographic distribution: North America 37.1%; Europe 32.0%; Pacific 12.6%; Japan 12.1%; Emerging Markets 6.2%

Deposit Fund

Low risk rating. Very secure

The aim of the Fund is to maintain capital security and maximise interest income by choosing suitable investments in deposits with leading banks and other major borrowers, the money markets and short-term fixed interest securities. The price of units in this fund is not expected to fall.

Deposit (Property) Fund

Until November 1998 this was the London Life Property Fund, originally investing in offices, shops and industrial properties. The aim and risk rating of the fund are now the same as for the Deposit Fund. This Fund is not open to new policies.

Life Fund size: £4.8m [Total of both Deposit and Deposit (Property) funds]

Pension Fund size: £6.9m [Total of both Deposit and Deposit (Property) funds]

Fixed Interest Fund

Medium risk rating. Potential for reasonable long-term returns, with some capital risk.

The Fund is invested in all types of quoted fixed interest securities but chiefly in UK gilts, with the aim of maximising returns through income and capital gains. The Fund Managers will actively buy and sell gilts to take advantage of favourable price differences and anticipated interest rate changes. Therefore, the Fund may at times include shorter-term assets for these purposes.

Life Fund size: £5.4m

Pension Fund size: £2.9m

Holdings – Fixed Interest Fund

	Corporate Bonds	UK Gilts
Life Fund	7.3%	92.7%
Pension Fund	9.6%	90.4%

Mixed (Managed) Fund

Medium/High risk rating. Spread across the other unit-linked assets, seeks to achieve lower capital risk through greater diversification.

The Mixed Fund is designed to provide investors with a diverse portfolio of investments, with the aim of long-term growth. The Fund invests in a mix of assets in proportions chosen by the Fund Managers. The largest holdings are expected to be in the Equity and International Funds, as the Fund Managers' view is that these continue to provide the greatest potential for growth over the long term. Holdings in the other funds will be used to provide a balanced approach and to take advantage of opportunities in their respective markets.

Life Fund size: £77.8m

Life Fund Distribution: UK Equity 45.2%; International Equity 30.1%; Fixed Interest 17.6%; Cash 7.1%

Pension Fund size: £49.4m

Pension Fund Distribution: UK Equity 40.9%; International Equity 38.2%; Fixed Interest 12.8%; Cash 8.1%

Unitised With-Profits Fund

Medium/High risk rating. The Fund seeks to provide good potential returns over the longer term, with lower capital risk by diversification in a wide range of assets. Smoothing of investment returns provides some stability of payouts. Guarantees are limited to death and, for pensions, normal retirement or at age 75, and generally are set at lower levels than for conventional with-profits benefits.

The fund is invested in a wide range of assets including Equities, Properties and Fixed Interest Securities. The intention is to invest for long-term growth, coupled with a degree of stability.

For policies issued since 1998, at least 90% of investment returns, adjusted for smoothing, in excess of those needed to provide basic benefits and meet expenses, are allocated to policyholders in the form of bonuses. For earlier policies, the full smoothed return is allocated to policyholders. Bonuses take two forms:

- **Annual Bonus** – extra bonus units added each year to policy.
- **Final Bonus** – might be paid when units are encashed.

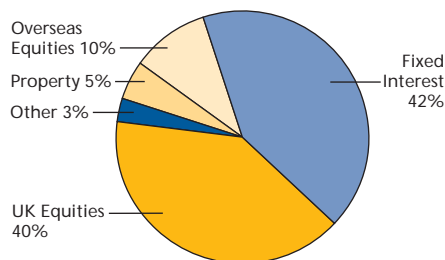
The amount paid out when a claim is made is consistent with the accumulation of premiums in-line with the appropriate smoothed return, with allowance for other factors such as mortality, expenses and taxation. The actual investment return is smoothed, to even out peaks and troughs in the stock market and provide some stability of payouts. Therefore, claim values will broadly reflect investment performance over the full term of the policy, and will not

necessarily respond immediately to large fluctuations in the market.

The value of investments in the Unitised With-Profits Fund may be subject to Market Value Reductions (MVRs) when they are encashed or switched. For pensions, an MVR may also be applied at the Nominated Retirement Date if this has been changed in the 12 months prior to the revised retirement date. MVRs apply when the full value of policies invested in the unitised with-profits fund is significantly higher than the value of the underlying assets and we need to limit overpayments to protect the interests of all policyholders. Possible situations when we might apply MVRs would include occasions where there has been a sharp fall in equity values, or a significant but less pronounced downward drift in market values.

MVRs do not apply on death or, for pensions, at the nominated retirement date or at age 75. The times we can, and cannot, apply an MVR to your policy depend on the type of policy you have, and are set out in your policy document.

Target Distribution at 30 June 2008



Future rates of bonus are not guaranteed.

Fund size: £23.3m (Life & Pensions)

Pension Conventional With-Profits Fund (including Secure Pension Plus)

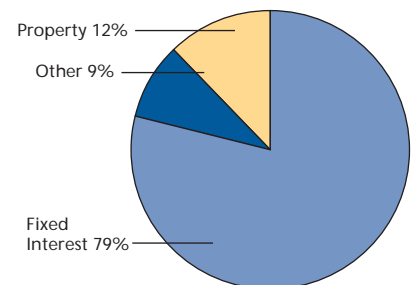
Medium risk rating. The current investment objective is to secure payment of guaranteed contractual benefits including annual bonuses already added to policies.

The fund is currently invested predominantly in Fixed Interest Securities with some Property holdings. It is unlikely that the fund will be able to invest in Equities in the future.

Future investment returns will largely reflect the yields currently available on fixed interest investments, averaging around 4% to 6% per annum before tax and charges, but may vary from year to year.

This return will first be used to fund the growth rate needed to provide contractual benefits, including annual bonuses already added to policies. Any balance is more likely to be used to pay a final bonus, rather than annual bonuses.

Target Distribution at 30 June 2008



Fund size: £1,102.0m (Life & Pensions)

Performance Life Funds

UNIT-LINKED FUND PERFORMANCE AT 30 JUNE 2008 (Average annual compound growth)

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Equity	-17.6%	4.2%	8.5%	1.1%
Index Linked	12.0%	4.6%	5.3%	5.0%
International	-8.0%	5.9%	8.4%	1.8%
Deposit	4.1%	3.5%	3.7%	3.6%
Deposit (Property)	4.1%	3.5%	3.3%	3.8%
Fixed Interest	3.6%	1.0%	2.0%	3.7%
Mixed	-10.9%	4.6%	7.6%	1.5%
UK Retail Prices Index	4.6%	4.1%	3.6%	2.9%

The original (Old) series of funds were launched on 6.4.79 except Indexed Stock (1.4.82) and International (1.4.83), have single price units and an annual management charge (AMC) of 0.6%. Series 'A' funds were launched on 16.6.86, have single priced units and an AMC of 0.75%. Series 'B' funds were launched on 1.10.94 have dual priced units with a bid/offer spread of 5% and an AMC of 0.75%. Performance statistics shown are for the 'Old' Series; Series 'A' & 'B' performance is slightly less.

Life assurance funds are liable to tax on investment income and realised capital gains, equivalent to the basic rate of income tax. Higher rate income tax may be payable when an investment is encashed in part or full. All unit-linked funds are managed by Henderson Global Investors. For latest fund prices, please visit our website at www.london-life.com.

Pension Funds

UNIT-LINKED FUND PERFORMANCE AT 30 JUNE 2008 (Average annual compound growth)

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Equity	-17.9%	3.9%	7.8%	1.6%
Index Linked	15.6%	5.8%	6.3%	5.8%
International	-9.1%	5.5%	7.6%	2.3%
Deposit	5.0%	4.2%	3.8%	4.2%
Deposit (Property)	5.0%	4.2%	4.1%	3.9%
Fixed Interest	4.3%	1.1%	2.5%	4.2%
Mixed	-10.9%	4.9%	7.6%	2.0%
UK Retail Prices Index	4.6%	4.1%	3.6%	2.9%

Series 'P' results are shown. Series 'P' commenced 1.10.81 except international 'P' which commenced on 1.8.83. Series 'P' have single price units and annual management charge (AMC) of 0.9%. New funds, Series 'S' and 'T', with an AMC of 0.75%, were launched on 1.7.88 and 1.2.93 respectively and had dual priced units with a bid/offer spread of 5% until converted to single price units on 1.1.01. Series 'S' and 'T' results are slightly different from those shown.

Pension funds are free of Capital Gains Tax and partially free of taxation of income. All unit-linked funds are managed by Henderson Global Investors. For the latest fund prices, please visit our website at www.london-life.com Pension benefits are not available until retirement.

The value of investments can go down as well as up and cannot be guaranteed. Exchange rate changes can also impact returns on overseas securities. Therefore, past performance is not necessarily a guide to future returns and you may not get back the full amount invested.

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