

# **Phoenix Life Assurance Ltd**

**Annual FSA Insurance Returns for the year ended**

**31 December 2007**

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

# Phoenix Life Assurance Ltd

FSA Insurance Returns for the Financial Year ended 31<sup>st</sup> December 2007

<u>Form</u>	<u>Short Title</u>	<u>Pages</u>
<b>Appendix 9.1</b>		<b>1-21</b>
2	Statement of solvency – long-term insurance business	1
	Covering sheet to Form 2	2
3	Components of capital resources	3
11	Calculation of long-term insurance capital requirement – premiums amount brought forward amount	6
12	Calculation of long-term insurance capital requirement – claims amount and result	7
13	Analysis of admissible assets	8
14	Long term insurance business liabilities and margins	14
15	Liabilities (other than long term insurance business)	15
16	Profit and loss account (non-technical account)	16
17	Analysis of derivative contracts	17
18	With-profits insurance capital component for the fund	19
19	Realistic balance sheet	20
<b>Appendix 9.3 (Long term insurance business)</b>		<b>22-53</b>
40	Revenue account	22
41	Analysis of premiums	23
42	Analysis of claims	24
43	Analysis of expenses	25
44	Linked funds balance sheet	26
45	Revenue account for internal linked funds	27
46	Summary of new business	28
47	Analysis of new business	29
48	Non-linked assets	31
50	Summary of mathematical reserves	32
51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	33
52	Valuation summary of accumulating with-profits contracts	38
53	Valuation summary of property linked contracts	42
54	Valuation summary of index linked contracts	46
55	Unit prices for internal linked funds	47
56	Index linked business	48
57	Analysis of valuation interest rates	49
58	Distribution of surplus	50
59A	With-profits payouts on maturity (normal retirement)	51
59B	With-profits payouts on surrender	52
60	Long term insurance capital requirement	53
<b>Appendix 9.4 (Long term insurance business)</b>		<b>54-69</b>
	Abstract of Valuation Report – Rule 9.31	54
<b>Appendix 9.6</b>		<b>70-84</b>
	Supplementary Notes to the Returns	70
	Additional information on Derivative Contracts: Rule 9.29	76
	Additional information on Controllers: Rule 9.30	78
	Directors' Certificate: Rule 9.34(1)	81
	Auditors' Report: Rule 9.35	83

**Statement of solvency - long-term insurance business**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Solo solvency calculation

	Company registration number	GL/UK/CM	day	month	year	Units	
	<b>R2</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
				<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	158217	125724
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	54725	123958
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	212942	249682

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	26882	26306
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	186060	223377

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	80646	78919
Resilience capital requirement	<b>32</b>	1238	7593
Base capital resources requirement	<b>33</b>	2231	2139
Individual minimum capital requirement	<b>34</b>	81884	86512
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	81884	86512
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	172000	206427
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	151529	184799

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	81884	86512

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	81884	86512
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	131058	163170

**Contingent liabilities**

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

**Form 2**

Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

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**G Singleton**      **Managing Director**

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**K Luscombe**      **Director**

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**S McGee**      **Director**

**27 March 2008**

**Components of capital resources**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	134205	GL	31	12	2007	£000
		General insurance business  1	Long-term insurance business  2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

**Core tier one capital**

Permanent share capital	11		149062	149062	149062
Profit and loss account and other reserves	12		252537	252537	299348
Share premium account	13				
Positive valuation differences	14		10189	10189	5700
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		411788	411788	454110

**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				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		411788	411788	454110
Investments in own shares	32				
Intangible assets	33		16963	16963	19000
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		16963	16963	19000
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		394825	394825	435110

**Components of capital resources**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		394825	394825	435110
Inadmissible assets other than intangibles and own shares	<b>73</b>		36	36	214
Assets in excess of market risk and counterparty limits	<b>74</b>		181847	181847	185213
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		212942	212942	249683

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

Available capital resources for guarantee fund requirement	<b>81</b>		212942	212942	249683
Available capital resources for 50% MCR requirement	<b>82</b>		212942	212942	249683
Available capital resources for 75% MCR requirement	<b>83</b>		212942	212942	249683

**Financial engineering adjustments**

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

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

Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	134205	GL	31	12	2007	£000
	This financial year					Previous year	
	1					2	
Gross premiums written			11			28961	32026
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			28961	32026
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			24896	27617
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			12364	13615
Gross premiums earned			21			27465	30018
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			27465	30018
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			23527	25740
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			11781	12858
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			12364	13615
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			2225	2451
	Excess (if any) over 53.1M EURO x 0.02		33				
<b>Sub-total J (32-33)</b>			34			2225	2451
Claims paid in period of 3 financial years			41			47957	45248
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			2875	2457
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			2066	45
<b>Sub-total C (41+42+43-44-45)</b>			46			48766	47660
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			32914	34728
<b>Sub-total D (46-47)</b>			48			15852	12932
<b>Reinsurance Ratio (Sub-total D / sub-total C or, if more, 0.5 or, if less, 1.00)</b>			49			0.50	0.50
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			1113	1225
Provision for claims outstanding (before discounting and net of reinsurance)			51			1733	1091
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero.			52				
<b>Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)</b>			53			1353	1353
Greater of lines 50 and 53			54			1353	1353



**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	134205	GL	31	12	2007	£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	47957			45248
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	2875			2457
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	2066			45
Claims incurred in reference period (21+22+23-24-25)				26	48766			47660
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	46583			43602
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29	17711			18591
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31	5904			6197
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	1535			1611
	Excess (if any) over 37.2M EURO x 0.03			33				
<b>Sub-total G (32-33)</b>				39	1535			1611
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41	767			806
Higher of premiums amount and brought forward amount (11.53)				42	1353			1353
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	1353			1353

**Analysis of admissible assets**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**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	134205	GL	31	12	2007	£000	1
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	18472	111415
Rights under derivative contracts	<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>	9984	10216
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	

**Analysis of admissible assets**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

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

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	29198	1987
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	721	400
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	58375	124018
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**Analysis of admissible assets**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	58375	124018
Admissible assets in excess of market and counterparty limits	<b>92</b>	100016	101758
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related insurance undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>		(60)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	158391	225716
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	134205	GL	31	12	2007	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	692237	591395
Rights under derivative contracts	<b>44</b>	319	(11820)
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>	8169	10601
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	86769 81338
	Property linked	<b>59</b>	1854818 1903540

**Analysis of admissible assets**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	2339	6463
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	15592	8220
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	3854	21496
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	16109	
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	23418	2440
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	2703624	2613674
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**Analysis of admissible assets**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2703624	2613674
Admissible assets in excess of market and counterparty limits	<b>92</b>	81831	83455
Inadmissible assets directly held	<b>93</b>	36	
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related insurance undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	16963	19000
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	967327	1042373
Other asset adjustments (may be negative)	<b>101</b>	(86769)	(74777)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	3683012	3683726
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Total business/Sub fund **10 Long Term 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	<b>11</b>	2391734	2271500	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	52865	20373	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2444599	2291874	
Claims outstanding	Gross	<b>15</b>	26332	23569
	Reinsurers' share	<b>16</b>		9903
	Net (15-16)	<b>17</b>	26332	13666
Provisions	Taxation	<b>21</b>	19049	48784
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	3692	2920
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	2805	2864
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	86769	81338	
Creditors	Taxation	<b>37</b>	6265	
	Other	<b>38</b>	8762	61419
Accruals and deferred income	<b>39</b>		5458	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	153674	216448	
Excess of the value of net admissible assets	<b>51</b>	105352	105352	
Total liabilities and margins	<b>59</b>	2703625	2613674	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	5846	597
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1827236	1891496

Total liabilities (11+12+49)	<b>71</b>	2545408	2487949
Increase to liabilities - DAC related	<b>72</b>	4663	5700
Reinsurers' share of technical provisions	<b>73</b>	967327	1042373
Other adjustments to liabilities (may be negative)	<b>74</b>	(81244)	(74990)
Capital and reserves and fund for future appropriations	<b>75</b>	246858	222694
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	3683012	3683726



**Liabilities (other than long term insurance business)**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

R15	Company registration number 134205	GL/UK/CM GL	day month year			Units £000
			31	12	2007	
			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	3549	60
	Foreseeable dividend	48		
	Other	49	100	
Accruals and deferred income		51		
Total (19 to 51)		59	3649	60
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	3649	60

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		(60)
Capital and reserves	84	154742	225716
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	158391	225716

**Profit and loss account (non-technical account)**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>					
	Equalisation provisions		<b>12</b>					
Transfer from the long term insurance business revenue account			<b>13</b>			23500	65000	
Investment income	Income		<b>14</b>			8516	37000	
	Value re-adjustments on investments		<b>15</b>					
	Gains on the realisation of investments		<b>16</b>					
Investment charges	Investment management charges, including interest		<b>17</b>					
	Value re-adjustments on investments		<b>18</b>					
	Loss on the realisation of investments		<b>19</b>					
Allocated investment return transferred to the general insurance business technical account			<b>20</b>					
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>			(100)		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			31916	102000	
Tax on profit or loss on ordinary activities			<b>31</b>			2891	1767	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			29025	100234	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>					
Tax on extraordinary profit or loss			<b>42</b>					
Other taxes not shown under the preceding items			<b>43</b>					
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			29025	100234	
Dividends (paid or foreseeable)			<b>51</b>			100000	51807	
Profit or loss retained for the financial year (49-51)			<b>59</b>			(70975)	48426	

**Analysis of derivative contracts**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>1</b>
		As at the end of this financial year			As at the end of the previous year				
		Assets		Liabilities		Assets		Liabilities	
		<b>1</b>		<b>2</b>		<b>3</b>		<b>4</b>	
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	<b>11</b>							
	Equity shares	<b>12</b>							
	Land	<b>13</b>							
	Currencies	<b>14</b>							
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>							
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>							
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>							
Adjustment for variation margin		<b>41</b>							
Total (11 to 41)		<b>49</b>							

**Analysis of derivative contracts**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>134205</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>10</b>
		As at the end of this financial year			As at the end of the previous year				
		Assets		Liabilities		Assets		Liabilities	
		<b>1</b>		<b>2</b>		<b>3</b>		<b>4</b>	
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	<b>11</b>							
	Equity shares	<b>12</b>	482853				264613		
	Land	<b>13</b>							
	Currencies	<b>14</b>							
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>							
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>							
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>							
Adjustment for variation margin		<b>41</b>	(482534)				(276433)		
Total (11 to 41)		<b>49</b>	319				(11820)		

**With-profits insurance capital component for the fund**

Name of insurer **Phoenix Life Assurance Ltd**  
 With-profits fund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>		
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>		
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>		
	Regulatory current liabilities of the fund	<b>22</b>		
	Total (21+22)	<b>29</b>		
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>		
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>		
Regulatory excess capital (19-39)		<b>49</b>		

**Realistic excess capital**

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

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

**Realistic balance sheet**Name of insurer **Phoenix Life Assurance Ltd**With-profits fund **10 Long Term Fund**Financial year ends **31 December 2007**Units **£000**

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

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

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>		
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	
	Future costs of smoothing (possibly negative)	<b>44</b>	
	Financing costs	<b>45</b>	
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	
Realistic current liabilities of the fund	<b>51</b>		
Realistic value of liabilities of fund (31+49+51)	<b>59</b>		

**Realistic balance sheet**Name of insurer **Phoenix Life Assurance Ltd**With-profits fund **10 Long Term Fund**Financial year ends **31 December 2007**Units **£000**

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

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

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

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

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	348144	517806
Investment income receivable before deduction of tax	12	111211	99442
Increase (decrease) in the value of non-linked assets brought into account	13	20590	(26346)
Increase (decrease) in the value of linked assets	14	41218	106201
Other income	15	100	5
<b>Total income</b>	<b>19</b>	<b>521263</b>	<b>697108</b>

**Expenditure**

Claims incurred	21	284739	283631
Expenses payable	22	49393	80145
Interest payable before the deduction of tax	23	27564	10577
Taxation	24	(16658)	24176
Other expenditure	25		
Transfer to (from) non technical account	26	23500	65000
<b>Total expenditure</b>	<b>29</b>	<b>368538</b>	<b>463529</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	152725	233579
Fund brought forward	49	2291874	2058295
Fund carried forward (39+49)	59	2444599	2291874



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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

Regular premiums	11	141510	76636		218146	218235
Single premiums	12	228020	19879		247899	329888

**Reinsurance - external**

Regular premiums	13	34838	22		34860	30317
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16		83041		83041	

**Net of reinsurance**

Regular premiums	17	106672	76614		183286	187918
Single premiums	18	228020	(63162)		164858	329888

**Total**

Gross	19	369530	96515		466045	548123
Reinsurance	20	34838	83063		117901	30317
Net	21	334692	13452		348144	517806

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 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	58674	1742		60416	59340
Disability periodic payments	12					
Surrender or partial surrender	13	337969	25448		363417	484293
Annuity payments	14		4937		4937	4238
Lump sums on maturity	15	26280	19299		45579	37061
<b>Total</b>	<b>16</b>	<b>422923</b>	<b>51426</b>		<b>474349</b>	<b>584933</b>

**Reinsurance - external**

Death or disability lump sums	21	12808	(14)		12794	21904
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25	161			161	163
<b>Total</b>	<b>26</b>	<b>12969</b>	<b>(14)</b>		<b>12955</b>	<b>22067</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33	170330	6325		176655	279235
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>	<b>170330</b>	<b>6325</b>		<b>176655</b>	<b>279235</b>

**Net of reinsurance**

Death or disability lump sums	41	45866	1756		47622	37436
Disability periodic payments	42					
Surrender or partial surrender	43	167639	19123		186762	205058
Annuity payments	44		4937		4937	4238
Lump sums on maturity	45	26119	19299		45418	36898
<b>Total</b>	<b>46</b>	<b>239624</b>	<b>45115</b>		<b>284739</b>	<b>283631</b>

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	20225	621		20846	19820
Commission - other	12	2372	955		3327	3391
Management - acquisition	13	4221	936		5157	16384
Management - maintenance	14	8367	3738		12105	40339
Management - other	15	6305	1672		7977	234
<b>Total</b>	<b>16</b>	<b>41490</b>	<b>7922</b>		<b>49412</b>	<b>80168</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	19			19	23
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>19</b>			<b>19</b>	<b>23</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41	20225	621		20846	19820
Commission - other	42	2353	955		3308	3368
Management - acquisition	43	4221	936		5157	16384
Management - maintenance	44	8367	3738		12105	40339
Management - other	45	6305	1672		7977	234
<b>Total</b>	<b>46</b>	<b>41471</b>	<b>7922</b>		<b>49393</b>	<b>80145</b>

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11	(29188)	37255
Directly held assets in collective investment schemes of connected companies	12	1632556	1862063
Directly held assets in other collective investment schemes	13	251451	2730
<b>Total assets (excluding cross investment) (11+12+ 13)</b>	<b>14</b>	<b>1854819</b>	<b>1902048</b>
Provision for tax on unrealised capital gains	15		30982
Secured and unsecured loans	16		
Other liabilities	17	14755	6902
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>1840064</b>	<b>1864164</b>

**Directly held linked assets**

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

Value of directly held linked assets and units held (18+21)	31	1840064	1864164
Surplus units	32	12828	12044
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>1827236</b>	<b>1852120</b>

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Value of total creation of units	<b>11</b>	93224	283184
Investment income attributable to the funds before deduction of tax	<b>12</b>	46291	63220
Increase (decrease) in the value of investments in the financial year	<b>13</b>	39991	110371
Other income	<b>14</b>		
<b>Total income</b>	<b>19</b>	179505	456775

**Expenditure**

Value of total cancellation of units	<b>21</b>	183173	371172
Charges for management	<b>22</b>	18210	17956
Charges in respect of tax on investment income	<b>23</b>	3274	5709
Taxation on realised capital gains	<b>24</b>	963	2669
Increase (decrease) in amount set aside for tax on capital gains not yet realised	<b>25</b>	(2190)	1501
Other expenditure	<b>26</b>	176	
<b>Total expenditure</b>	<b>29</b>	203606	399007

Increase (decrease) in funds in financial year (19-29)	<b>39</b>	(24101)	57768
Internal linked fund brought forward	<b>49</b>	1864165	1806397
Internal linked funds carried forward (39+49)	<b>59</b>	1840064	1864165

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2007**  
 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	24717	4725		29442	38641
Single premium business	12	4150	1725		5875	10865
<b>Total</b>	<b>13</b>	<b>28867</b>	<b>6450</b>		<b>35317</b>	<b>49506</b>

**Amount of new regular  
premiums**

Direct insurance business	21	10812	19069		29881	23259
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>10812</b>	<b>19069</b>		<b>29881</b>	<b>23259</b>

**Amount of new single  
premiums**

Direct insurance business	25	228020	19879		247899	329888
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>228020</b>	<b>19879</b>		<b>247899</b>	<b>329888</b>

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

Name of insurer

Phoenix Life Assurance Ltd

Total business

Financial year ended

31 December 2007

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
305	Single Premium non profit WL/EA OB			3753	212089
325	Level term assurance	3880	1467		
330	Decreasing term assurance	8902	2993		
340	Accelerated Critical Illness (guaranteed premiums)	11877	6308		
500	Life UWP single premium				12
516	Life UWP endowment regular premium (ISA)				30
700	Life property linked single premium			390	15816
710	Life property linked whole life regular premium	58	13		
715	Life property linked endowment regular premium - savings		31		
900	Life index linked single premium			7	73

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

Name of insurer

Phoenix Life Assurance Ltd

Total business

Financial year ended

31 December 2007

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			1463	15379
530	Individual pensions UWP - increments		340		
725	Individual pensions property linked	1813	13528	249	403
730	Individual pensions property linked - increments		738		3805
735	Group money purchase pensions property linked	2912	4461	13	27
740	Group money purchase pensions property linked - increments		2		264



**Long-term insurance business : Non- linked assets**

Name of insurer **Phoenix Life Assurance Ltd**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2007**  
 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		7481	340	4.44	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	762037	754556	43735	5.80	
<b>Total</b>	<b>19</b>	<b>762037</b>	<b>762037</b>	<b>44075</b>	<b>5.78</b>	

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

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

**Overall return on with-profits assets**

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

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Phoenix Life Assurance Ltd**Total business / subfund **10 Long Term Fund**Financial year ended **31 December 2007**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	411933	88334	500267	281232
Form 52	13	693250	185431	878681	1033139
Form 53 - linked	14	1217113	610123	1827236	1852120
Form 53 - non-linked	15	7676	25450	33126	30924
Form 54 - linked	16	86769		86769	81338
Form 54 - non-linked	17	4319		4319	3610
<b>Total</b>	<b>18</b>	<b>2421060</b>	<b>909338</b>	<b>3330397</b>	<b>3282363</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	(31210)	2546	(28664)	(21606)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>(31210)</b>	<b>2546</b>	<b>(28664)</b>	<b>(21606)</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		89215	89215	
Form 52	33	692681	185431	878112	1032468
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	<b>692681</b>	<b>274646</b>	<b>967327</b>	<b>1032468</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	443143	(3427)	439716	302837
Form 52	43	569		569	671
Form 53 - linked	44	1217113	610123	1827236	1852120
Form 53 - non-linked	45	7676	25450	33126	30924
Form 54 - linked	46	86769		86769	81338
Form 54 - non-linked	47	4319		4319	3610
<b>Total</b>	<b>48</b>	<b>1759589</b>	<b>632145</b>	<b>2391735</b>	<b>2271500</b>

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 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
305	Single premium non-profit WL/EA OB	10318	507303					499056
325	Level term assurance	47314	2695941	10899				(2786)
330	Decreasing term assurance	72552	4032604	16453				(16609)
340	Accelerated critical illness (guaranteed premiums)	99521	5835642	43280				(72213)
350	Stand-alone critical illness (guaranteed premiums)	1280	63930	422				(687)
440	Additional reserves non-profit OB							5170





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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 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		1770	11				42
400	Annuity non-profit (CPA)		181					2504

36







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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium		387634		387634	384638		384638
505	Life UWP whole life regular premium		3104	759	3104	3104		3104
510	Life UWP endowment regular premium - savings		258071	29319	258071	258161		258161
516	Life UWP endowment regular premium (ISA)		46267	11299	46267	46206		46206
575	Miscellaneous UWP		572	190	572	572		572





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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 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	47006	835174		826009	826009	532	826541
710	Life property linked whole life regular premium	8251	213201	1287	5929	5929	587	6516
715	Life property linked endowment regular premium - savings	87876	1827466	27884	385175	385175	4629	389803
800	Additional reserves property linked			1287			1929	1929











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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2007**  
 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
Phoenix Net Deposit Fund	04 - life - other managed fund	1679	Accumulation	1.00	0.1669	0.1729	3.61
Phoenix Net International Fund	06 - life - overseas equity	4548	Accumulation	1.00	0.2010	0.2128	5.89
Phoenix Net Managed Fund	02 - life - balanced managed fund	1081571	Accumulation	1.00	0.2332	0.2424	3.96
Phoenix Net UK Equity Fund	05 - life - UK equity	42258	Accumulation		0.2758	0.2858	3.62
Phoenix Inscape Cautious Growth	03 - life - defensive managed fund	51078	Accumulation	0.38	0.1220	0.1211	(0.75)
Phoenix Inscape Higher Growth	01 - life - stock market managed fund	12801	Accumulation	1.00	0.1343	0.1365	1.64
Phoenix Inscape Steady Growth	02 - life - balanced managed fund	27502	Accumulation	1.00	0.1311	0.1320	0.72
Phoenix Gross Deposit Fund	14 - individual pension - other managed fund	7685	Accumulation	1.00	0.1940	0.2024	4.35
Phoenix Gross International Fund	16 - individual pension - overseas equity	3420	Accumulation	0.25	0.2048	0.2199	7.35
Phoenix Gross Managed Fund	12 - individual pension - balanced managed fund	304910	Accumulation		0.2768	0.2877	3.91
Phoenix Stakeholder Annuity Protect Fund	14 - individual pension - other managed fund	1063	Accumulation	1.00	0.1144	0.1170	2.33
PHOENIX STAKEHOLDER ANNUITY PROTECT FD 2	14 - individual pension - other managed fund	(11)	Accumulation	1.00	0.1144	0.1611	40.88
Phoenix Stakeholder Deposit Fund	14 - individual pension - other managed fund	15445	Accumulation	1.00	0.1179	0.1218	3.32
PHOENIX STAKEHOLDER DEPOSIT FUND 2	14 - individual pension - other managed fund	3	Accumulation	1.00	0.1179	0.1540	30.56
Phoenix Stakeholder UK Equity Tracker	15 - individual pension - UK equity	3576	Accumulation	1.00	0.1260	0.1323	4.99
Phoenix Stakeholder International Fund	16 - individual pension - overseas equity	28855	Accumulation	1.00	0.2070	0.2163	4.52
PHOENIX STAKEHOLDER INTERNATIONAL FUND 2	16 - individual pension - overseas equity	(20)	Accumulation	1.00	0.1260	0.1632	29.58
Phoenix Stakeholder Managed Fund	12 - individual pension - balanced managed fund	187613	Accumulation		0.2767	0.2868	3.63
PHOENIX STAKEHOLDER MANAGED FUND 2	12 - individual pension - balanced managed fund	(18)	Accumulation	1.00	0.2070	0.1645	(20.52)
Phoenix Stakeholder UK Equity Fund	15 - individual pension - UK equity	45386	Accumulation		0.3300	0.3402	3.07



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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 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 Pens NP Form 51 (annuity)	(2941)	4.75%	4.75%	5.47%
UK Pens NP Form 51 assurances (other)	(1237)	3.85%	3.85%	4.42%
UK Life NP Form 51 assurances	(61084)	3.85%	3.85%	4.42%
UK Life NP Form 51 (income bond)	499056	5.29%	5.29%	5.42%
UK Life NP Forms 52-53 Sterling Reserves	10635	4.00%	4.00%	4.42%
UK Pens NP Forms 52-53 Sterling Reserves	24685	4.00%	4.00%	4.42%
Miscellaneous	8615			5.47%
<b>Total</b>	477730			

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

Name of insurer **Phoenix Life Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

Fund carried forward	11	2444599	2291874
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	23500	65000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2468099	2356874
Mathematical reserves	21	2391735	2271500
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	76364	85373

**Composition of surplus**

Balance brought forward	31	20373	23255
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	55991	62118
Total	39	76364	85373

**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	23500	65000
Total distributed surplus (46+47)	48	23500	65000
Surplus carried forward	49	52865	20373
Total (48+49)	59	76365	85373

**Percentage of distributed surplus allocated to policyholders**

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

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

Name of insurer **Phoenix Life Assurance Ltd**  
Original insurer **42 Abbey National Life plc**  
Date of maturity value / open market option **01 March 2008**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	5901	585	n/a	UWP	N	11250
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	27896	3639	n/a	UWP	N	27896
Regular premium pension	15	51128	8163	n/a	UWP	N	51128
Regular premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14569	1789	n/a	UWP	N	14569
Single premium pension	15	26056	6013	n/a	UWP	N	26056
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 **Phoenix Life Assurance Ltd**  
 Original insurer **42 Abbey National Life plc**  
 Date of surrender value **01 March 2008**

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	5901	585	0	UWP	Y	11250
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14569	1789	0	UWP	Y	14569

**Long-term insurance capital requirement**Name of insurer **Phoenix Life Assurance Ltd**

Global business

Financial year ended **31 December 2007**Units **£000**

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		0.50		
Classes I (other), II and IX	14	0.3%	12868902	5206640	19303	20735
Classes III, VII and VIII	15	0.3%	1856058	1148949	0.62	3447
<b>Total</b>	<b>16</b>		14724960	6355590		22750
						24036

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1353	1353
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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%	1379634	440747	0.85	11727	11177
Classes III, VII and VIII (investment risk)	33	1%	124214	124214	1.00	1242	1159
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	282736	282736	1.00	2827	2310
Classes III, VII and VIII (other)	35	25%				1839	1877
Class IV (other)	36	1%	(687)	(462)	0.85		
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					17636	16522

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	1379634	440747	0.85	35181	33532
Classes III, VII and VIII (investment risk)	43	3%	124214	124214	1.00	3726	3476
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	282736	282736			
Classes III, VII and VIII (other)	45	0%	1544500	1544500			
Class IV (other)	46	3%	(687)	(462)	0.85		
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		3330397	2391735		38907	37008

<b>Long term insurance capital requirement</b>	<b>51</b>					80646	78919
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**ABSTRACT OF VALUATION REPORT ON PHOENIX LIFE ASSURANCE LTD  
PREPARED BY THE ACTUARY APPOINTED TO THE ACTUARIAL FUNCTION**

**1 Introduction**

- 1.1 The date to which the investigation relates is 31 December 2007.
- 1.2 The date to which the previous investigation relates is 31 December 2006.
- 1.3 There were no interim valuations (for the purposes of rule 9.4) carried out since 31 December 2006.

**2 Product Range**

In total seven new products appeared during 2007. These included new protection products and both additions to the income bond and growth bond range.

New reinsurance terms were introduced from April 2007. The treaty is risk premium reinsurance rather than original term. The result was the creation of two new products based on the existing Mortgage Protection Plan – Life and Protection Plan Life Cover Only products.

The latest Personal Life Cover product was also introduced during 2007. This resulted in three products, due to differing premiums, terms and reinsurance structures for the three lines of business:

- Personal Life Cover sold through Resolution
- Level Personal Life Cover sold through Abbey
- Decreasing Personal Life cover sold through Abbey.

These new products were based on the two new products mentioned above which were introduced earlier in the year. They all pay a guaranteed cash sum if, during the term of the policy, the policyholder dies or is diagnosed with a terminal illness that meets the policy definition. They differ individually due to changes in expenses and commission.

The latest guaranteed products; Phoenix Guaranteed Growth and Phoenix Guaranteed Income Bond were also introduced. Both are treated similarly to existing guaranteed growth and income products

For the Guaranteed Growth Bond, each policy has a fixed term of five and a half years, after which it pays a maturity amount – dependent on the performance of the FTSE 100 index. The minimum payment at maturity is 118% of the single premium plus Bonus Amount, and the maximum payment at maturity is 133% of the single premium plus Bonus Amount, where the bonus amount is a small percentage of premiums dependent on the date of investment.

The methodology for the new Phoenix Guaranteed Growth Bond differs slightly from above in respect of the calculation of the projected maturity value.

For the Guaranteed Income Bond, each policy has a fixed term of 4 years, and pays a monthly, quarterly or annual income at fixed rates and then a return of premium at the end of the term. The income and capital payments are guaranteed.

With respect to the original Guaranteed Income Bond launched during 2005 a further 10 tranches were written. Premiums have been collected for a further 3 tranches as at 31 December 2007.



There were no other material changes to the Phoenix Life Assurance product range.

### 3 Discretionary Benefits and Charges

3.1 Market Value Reductions (MVRs) may be applied to the various series of with profits units.

During 2007 no MVRs applied to any regular premium plans or to any ISAs.

There were MVRs applied to some Single Premium plans, both with-profits bonds and Pensions plans, as noted in the following table:

Date	UK Life With-Profits Funds	UK Pensions With-Profits Funds
From 1 January to 14 May 2007	Business written in years 1998 to 2000	Business written in years 1999 to 2000
From 14 May	Business written in years 1999 to 2000	Business written in years 1999 to 2000

3.2 Not applicable.

3.3 Not applicable.

3.4 Policy fees on PLAL unit-linked products were increased by the increase in the Retail Price Index between August 2005 and August 2006. The increase applied was 3.40%. Policy fees on N&P products were increased by the increase in Annual Average Earnings between July 2005 and July 2006. The increase applied was 3.85%.

3.5 There were no changes to benefit charges on linked policies during 2007.

3.6 There were no changes to unit management or notional charges to accumulating with profits policies during 2007.

3.7

a **Method for unit pricing of internal linked funds:**

**Definition of terms used in pricing of internal linked funds.**

Asset Units	The number of units in the fund, used to determine the price when creating or cancelling units in internal funds.
Net Asset Value	The market value of assets in the fund, on the pricing basis chosen, including costs of purchase or sale, tax provisions, accrued income and accrued charges as defined by the policy conditions.
Creation Price	The Net Asset Value calculated on market offer prices including purchase costs with tax provisions calculated on a consistent basis, divided by the number of Asset Units.

Cancellation Price	The Net Asset Value calculated on market bid prices less costs of sale with tax provisions calculated on a consistent basis, divided by the number of Asset Units.
Bare Price	Creation Price or Cancellation Price, depending on which pricing basis is being used (see below for details).
Offer Price	Price quoted to policyholders which is used when allocating units from premium and other payments.
Bid Price	Price quoted to policyholders to value their unit holdings and to cancel units to pay for charges as allowed in the policy conditions.
Initial Charge	The percentage used to calculate the quoted Offer Price from the Bare Price; this has averaged 5% during the year.
Bid-Offer Spread	The difference between Bid and Offer Prices; this has averaged 5% during the year.

#### **Method used for creation and cancellation of units**

The pricing basis depends on whether the unit-linked fund is expanding or contracting. The company reviews the pricing basis regularly. Generally, funds are considered to be expanding unless they have been in decline for three consecutive months prior to the review. Special bid and offer prices may be used for large transactions, or series of transactions, in order to maintain fairness between policyholders.

#### **Method used for allocation and de-allocation of units**

The quoted Offer Price for a particular day is the Bare Price divided by (1 minus the Initial Charge) and rounded up by no more than 0.1p. The quoted Bid Price equals the quoted Offer Price adjusted for the Bid-Offer Spread and rounded to the lower 0.1p.

The prices used for transactions on a particular day are determined based on the asset position of the fund at 12pm on the previous working day (except Broker Managed Funds which are priced at close of business). All funds use Forward Pricing, the timing of the transaction relative to the time at which the policyholder requested the trade varies by product and is defined in the policy conditions.

#### **Exceptional circumstances**

There will be occasional circumstances where a significant transaction requires the calculation of a special price. For example, if the transaction is a large sale and the normal quoted Bid Price has been based on a Creation Price, a special (lower) price might be quoted for the transaction.

Similarly, if a significant purchase of units is involved and the normal quoted Offer Price has been based on a Cancellation Price, a special (higher) price might have to be quoted. These special prices would be within the limits implied above.

The significance of a transaction will depend on the size of the fund, the expected cash flows and the current shareholder holding of units.

- b Not applicable.
- c The internal linked funds managed by RAM invest predominantly in unit trusts and OEICs. These collective investment schemes are priced daily at 12pm. These are valued at the price appropriate to the pricing basis of the fund, i.e. expanding fund would use the (offer price) or

contract fund the (bid price). The cancellation price calculated for the unit trust on a particular day and single price calculated for an OEIC on a particular day is used in the valuation of the linked fund on the same day and is the price at which policyholder transactions in the linked fund on that working day are based.

- 3.8 Each individual linked fund is treated as a separate entity for the purpose of tax. Fixed Interest Income, interest and overseas dividends are taxed at the standard rate and this is reflected in unit the price. The calculation of the unit price includes a charge for realised and unrealised capital gains net of indexation relief or a credit for realised or unrealised losses. At the end of each year the linked fund is charged for the accrued realised gains in the fund and paid a cash credit for accrued realised losses. Unrealised gains and losses are carried forward to the next accounting period.

The rate of tax charge on gains is the policyholder tax rate discounted to reflect timing until the tax is paid, including allowance for spreading of gains under the deemed disposal rules where the underlying holding is a collective investment vehicle. The rate of tax credit on losses is the policyholder tax rate discounted to reflect timing until it is expected that the loss can be used to offset a future gain in the fund.

The rates of tax charge and credit for realised and unrealised gains and losses applying at 31 December 2007 were as follows:

Taxable Income	PLAL Rates (Dec 2007)
CGT - Realised Gains	16.75%
CGT - Realised Losses	16.25%
CGT - Unrealised Gains	16.75%
CGT - Unrealised Losses	16.25%

The amount of the tax deductions/charges are:

Linked life: Income tax deducted £4,411,272  
 Tax on realised investment gains £962,575  
 Tax charge on unrealised investment gains £2,189,587  
 Linked Pension: income tax deducted £48,913

- 3.9 Provision for tax on capital gains

Each internal fund is treated as an independent entity for the purposes of assessing capital gains tax. A rate of tax is levied on the gain net of any indexation relief and capital losses, as appropriate.

The maximum rate of tax for realised capital gains is the policyholder rate of tax for the period in question. Where appropriate, this may be reduced to reflect the period between the realisation of the gain and the date when the tax is actually due to be paid.

The maximum rate of tax for unrealised capital gains is the rate for realised capital gains. This is normally reduced to reflect the extra expected period until the gain is finally crystallised.

The rates of tax charge and credit for realised and unrealised gains and losses applying during the reporting period were as follows:

Gains 2007	01 Jan-19 Aug	20 Aug-31 Dec
CGT - Realised Gains	17.25%	16.75%
CGT - Realised Losses	12.75%	16.25%

CGT - Unrealised Gains	17.25%	16.75%
CGT – Unrealised Losses	12.75%	16.25%

3.10 Where internal linked funds invest in units of the type referred to in COBS 21.3, any discount or other allowance negotiated with the manager of the units is fully passed on to the appropriate policyholders.

#### 4. Valuation Basis (other than special reserves)

4.1 Non-linked non-profit assurances are valued using the gross premium method. Negative reserves are held for those contracts where the gross premium method yields a negative reserve.

Linked contracts are valued individually with the number of units allocated to the contract being multiplied by the valuation price for the corresponding internal linked fund.

The prices used for the linked contracts were such as to equate the unit liability with the valuation of the corresponding linked assets.

The valuation net liability in Column 7 of Form 53 also includes an additional unit reserve to provide for the cost of loyalty bonuses available on certain products. For the Investment Bond, the reserve for this cost is built up evenly over the 36 months prior to allocation of loyalty bonus. For all other products with loyalty bonuses (Low Cost Endowment, Low Start Endowment, Personal Pension Single and Top-Up Pension Single, Personal Pension Regular and Top-Up Pension Regular, N&P Low Cost Endowment, N&P Low Start Endowment, N&P Flexible Lifetime Plan, N&P Regular Savings Plan, N&P Personal and Top-Up Pensions), the reserve for each bonus allocation is built up evenly over the 12 months prior to allocation. A cashflow valuation system has been used to calculate these reserves.

<b>Product</b>	<b>Loyalty Bonus</b>	<b>Period reserve built up over</b>
Investment Bond	2% on 5th policy anniversary	36 months
Low cost Endowment Low Start Endowment Personal Pension Single Top-up Pension Single	0.75% pa annually from year 10 onwards	12 months
Personal Pension Regular Top-up Pension Regular	0.35% pa annually from year 10 onwards	12 months
N&P Low cost Endowment	0.75% annually from year 1 or year 6 depending on series	12 months
N&P Low start Endowment	0.75% annually from year 1 or year 11 depending on series	12 months
N&P Flexible Lifetime N&P Regular savings plan	0.75% annually from year 1	12 months
N&P Personal Pension regular N&P Top-up pensions Regular	0.75% annually from year 6 or year 11 depending on series	12 months

A cash flow valuation system has similarly been used to assess the sterling fund liabilities contract by contract for all policies as shown in Column 8 of Form 53. The overall unit and Sterling reserve for each contract is always at least equal to the surrender or transfer value, subject to a minimum of zero. The valuation method has already taken the full initial expenses strain into account.

For unitised with profit business, the bid value of the units has been compared to the surrender value taking into account the duty to treat customers fairly, as required under INSPRU 1.2.10R, and the lower of these items has been valued. The result of this calculation is then compared with a valuation using the bonus reserve method and the larger of these two items is then taken as the reserve

The methodology and assumptions used in the valuation take into account the duty to treat customers fairly, as required under INSPRU 1.2.10R. For linked contracts, non-guaranteed management and mortality/morbidity charges would only be expected to increase on account of external events outwith the control of the Company and non-unit reserves have been calculated assuming that no such increases apply.

4.2 The interest rates in the table below were used on the following lines of business:

Liability	Interest Rate (pa) 31 December 2007	Interest Rate (pa) 31 December 2006
Sterling Reserve Discount Rate	4.00%	4.10%
Life Conventional (ex N&P Life)	3.85%	3.95%
Life Conventional (N&P Life)	3.25%	3.25%
Pension Conventional (ex N&P Pensions)	3.85%	3.95%
Pension Conventional (N&P Pensions)	4.00%	4.00%
Annuity (ex N&P)	4.75%	4.45%
Annuity (N&P)	4.00%	4.00%
UWP Life (excluding ISA)	4.10%	3.60%
UWP ISAs & Pensions	4.40%	3.90%

4.3 Yields were adjusted for risk, to calculate the risk-adjusted yields shown in form 57, as follows:

- for fixed interest securities, the yield on each corporate bond was reduced by a fixed amount which depended on the bond's credit rating; these amounts were based on S&P and Moody's published default rates with a margin for prudence. The reduction for a bond of a lower credit rating was applied wherever the observed spread on a bond was outside the range typical for its credit rating.
- there is currently no investment in equity or property and so no risk adjustment is considered for these asset classes.

4.4 The mortality valuation bases used at both 31 December 2006 and 31 December 2007 were as follows:

<b>Product group</b>	<b>Mortality basis at end of this financial year</b>	<b>Mortality basis at end of previous financial year</b>
Life Term Assurance	143%TF92 / 143%TM92 ult (smoker) 72% TF92 / 72% TM92 ult (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.	150%TF92 / 150%TM92 ult (smoker) 75% TF92 / 75% TM92 ult (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.
Immediate annuities	Age-dependent % of PFA92mc/PMA92mc (With future improvement factors varying by age and calendar year)	Age related percentage of PFA92/PMA92mc with 1% p.a. underpin on mortality improvements
Home Improvement loan life cover	157%TF92 / 157%TM92 ult (smoker) 85% TF92 / 85% TM92 ult (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.	150%TF92 / 150%TM92 ult (smoker) 81% TF92 / 81% TM92 ult (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.
Pension Term Assurance	143%TF92 / 143%TM92 ult (smoker) 77% TF92 / 77% TM92 ult (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.	150%TF92 / 150%TM92 ult (smoker) 81% TF92 / 81% TM92 ult (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.
Protection Plan Stand Alone CI / Term Assurance Accelerated Death	Based on reinsurers' rates – see below	Based on reinsurers' rates – see below
Pension (Personal and Top Up) N&P (Pension)	176% AF92 / 141% AM92 (Smoker) 88% AF92 / 70% AM92 (Non-smoker)	184% AF92 / 147% AM92 (Smoker) 92% AF92 / 74% AM92 (Non-smoker)
Pension (Stakeholder and Flexi)	77% AF92 / 77% AM92	81% AF92 / 81% AM92
Whole of life & Endowment and assurance	138% AF92 / 110% AM92 (Smoker) 58% AF92 / 58% AM92 (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.	144% AF92 / 115% AM92 (Smoker) 61% AF92 / 61% AM92 (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only.
WP Bond and ISA	66% AF92 / 55% AM92 plus AIDS adjustment of 33% of R6A for male lives only.	69% AF92 / 58% AM92 plus AIDS adjustment of 33% of R6A for male lives only.

Investment and Stockmarket Bonds	77% AF92 / 55% AM92 plus AIDS adjustment of 33% of R6A for male lives only	81% AF92 / 58% AM92 plus AIDS adjustment of 33% of R6A for male lives only
Stand alone CIC / N&P Life	176% AF92 / 141% AM92 (Smoker) 88% AF92 / 70% AM92 (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only	184% AF92 / 147% AM92 (Smoker) 92% AF92 / 74% AM92 (Non-smoker) plus AIDS adjustment of 33% of R6A for male lives only
Additional Voluntary Contributions (Regular and Single)	77% AF92 / 77% AM92	81% AF92 / 81% AM92
Guaranteed Growth Bond and Guaranteed Income Bond	77% AF92 / 55% AM92 plus AIDS adjustment of 33% of AIDS_GAR table	81% AF92 / 58% AM92 plus AIDS adjustment of 33% of AIDS_GAR table

Sample reinsurer's rates (i.e. ReassACC GE 2004 Select, above), following application of proportions mentioned in above table, are shown in the table below -

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00018	0.00021	0.00016	0.00018
35	0.00029	0.00038	0.00031	0.00040
45	0.00072	0.00133	0.00073	0.00098
55	0.00218	0.00401	0.00159	0.00232

The future expectation of life for annuitants was as follows:

Expectation of Life (years)	31 Dec 07	31 Dec 06
Male, age 65	24.48	23.43
Male, age 75	14.62	14.79
Female, age 65	25.83	25.73
Female, age 75	15.89	16.56

4.5 The morbidity valuation bases used at both 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007	31 December 2006
<b>PLAL Conventional</b>	Based on reinsurer's rates – see below	Based on reinsurer's rates – see below
<b>PLAL Unit-Linked</b>	Based on reinsurer's rates – see below	Based on reinsurer's rates – see below
<b>N&amp;P Unit-Linked</b>	Based on reinsurer's rates – see below	Based on reinsurer's rates – see below

### **Conventional Business**

31 December 2007

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00052	0.00064	0.00048	0.00057
35	0.00088	0.00118	0.00097	0.00124
45	0.00222	0.00407	0.00226	0.00302
55	0.00666	0.01232	0.00493	0.00713

31 December 2006

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00058	0.00071	0.00046	0.00055
35	0.00085	0.00105	0.00090	0.00114
45	0.00208	0.00352	0.00200	0.00272
55	0.00605	0.01082	0.00451	0.00663

### ***Unit Linked Business***

31 December 2007

PLAL morbidity rates (Unit Linked Endowment Mortgages and Flexible Lifetime Plan) - 31 December 2006

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00042	0.00060	0.00049	0.00071
35	0.00083	0.00128	0.00104	0.00163
45	0.00338	0.00535	0.00231	0.00357
55	0.00665	0.01006	0.00555	0.00822

PLAL morbidity rates (Unit Linked Endowment Mortgages and Flexible Lifetime Plan) - 31 December 2006

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00042	0.00060	0.00049	0.00071
35	0.00083	0.00128	0.00104	0.00163
45	0.00338	0.00535	0.00231	0.00357
55	0.00665	0.01006	0.00555	0.00822

### ***N&P Unit Linked Business***

N&P morbidity rates – 31 December 2007

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00040	0.00040	0.00040	0.00040
35	0.00048	0.00048	0.00048	0.00048
45	0.00142	0.00142	0.00142	0.00142
55	0.00458	0.00458	0.00458	0.00458

N&P morbidity rates – 31 December 2006



Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.00040	0.00040	0.00040	0.00040
35	0.00048	0.00048	0.00048	0.00048
45	0.00142	0.00142	0.00142	0.00142
55	0.00458	0.00458	0.00458	0.00458

4.6 The expense valuation bases used at both 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007 (pa)	31 December 2006 (pa)
Term Assurance (325/330)	£19.84	£19.44
Critical Illness (340/345/350/355)	£19.66	£19.27
Annuity (400)	£14.39	£14.11
UWP Premium Pension (525/545) Single	£22.46	£22.01
Regular	£32.08	£31.44
UWP Group Pension (535) Single	£22.46	£22.01
Regular	£32.08	£31.44
UWP Investment Bond (500)	£22.78	£22.32
UWP Savings Endowment (510) Premium Paying	£19.13	£18.75
PUP	£13.39	£13.12
UL Premium Pension (725) Single	£22.46	£22.01
Regular	£32.08	£31.44
UL Group Pension (735) Single	£22.46	£22.01
Regular	£32.08	£31.44
UL Investment Bond (700)	£22.78	£22.32
UL Savings Endowment (715) Premium Paying	£19.13	£18.75
PUP	£13.39	£13.12

Per annum Investment Expenses are 0.11% of reserves (0.11% in December 2006).

No tax relief is assumed in the valuation. There were no Zillmer adjustments.

4.7 Economic assumptions required for calculations

	December 2007	December 2006
Unit growth rate before management charges:		
- Gross	5.55% p.a.	5.60% p.a.
- Net	4.44% p.a.	4.48% p.a.
Expense inflation	5.50% p.a.	5.30% p.a.
Policy fee inflation	3.40% p.a.	3.30% p.a.

4.8 Future bonus rate assumptions of 0% were used for the valuation of unitised with-profits business.

- 4.9 The PLAL With Profit Bond has an annual lapse assumption of 7.5% per annum, which affects the bonus reserve methodology used to calculate unitised with profit liabilities. Partial withdrawals have been assumed for the Investment Bond (2.5% pa), With Profit Bond (5.0% pa) and With Profit Investment Bond (5.0% pa).

Annual lapse assumptions for calculations of the valuation reserves:

Product		Average lapse rate for the policy years			
		1 – 5	6 – 10	11 – 15	16 – 20
Level Term	Lapse	14.4%	11.0%	10.0%	10.0%
Decreasing Term	Lapse	15.2%	14.0%	13.5%	13.5%
Accelerated CI	Lapse	19.0%	20.0%	20.0%	20.0%
UWP bond	Surrender	7.5%	7.5%	7.5%	7.5%
UWP bond	Automatic withdrawals	5%	5%	5%	5%
UL bond	Automatic withdrawals	2.5%	2.5%	2.5%	2.5%

Reserves for protection business are calculated using the lapse rates shown in the table above and with lapse rates both increased and decreased by 40%. The highest reserve for each policy is taken, i.e. aggregate reserves are a mixture of the 3 lapse scenarios.

- 4.10 There are no other material basis assumptions not stated.
- 4.11 No allowance is made for derivatives in the determination of long-term liabilities except for in the valuation of the Guaranteed Income Bond where, for each tranche of business and each income option chosen, 97.5% of the yield on the backing asset is used to value the liability.
- 4.12 There have been no changes to the valuation methodology as at 31<sup>st</sup> December 2007.

## 5 Options and Guarantees

5.1 Not applicable.

5.2 Not applicable.

5.3

a

### Endowment Mortgage

Increased Mortgage Option: if the planholder increases their mortgage to extend/improve the existing property or move house the existing cover can be extended, without the need for medical evidence, to double the existing cover or £100,000 whichever is the lower.

The total gross reserve held in respect of the endowment mortgages is £556.5m for the Low Cost and £10.5m for the Low Start. There are no additional reserves for the guaranteed insurability option.

### N&P Endowment Mortgages

Moving House Option: In conjunction with moving house, the death benefit can be increased to twice the original death benefit (overall maximum £100,000) without evidence of health. Maximum age at increase is 55.

The total gross reserve held in respect of N&P Endowment Mortgages is £73.3m. There are no additional reserves

b.

Conversion: The option allows the customer to replace existing term cover by taking out a new endowment policy for the same sum assured. The only policy open for conversion is the EMP. The conversion from a Protection Plan must be before the customer reaches the age 55. There are no conversion options for the Life Cover Plan or Mortgage Life Cover Plan or Protection (decreasing / level term) Plans. No evidence of health is required.

The total gross reserve held in respect of the protection plans is -£93.01m. There are no additional reserves.

5.4 There are investment guarantees on the Guaranteed Income Bond. Policyholders of the Guaranteed Income Bond choose whether to receive monthly, quarterly or annual income payments. The income level is guaranteed from the outset, and calculated as a fixed percentage of the policyholder's enhanced premium. The enhanced premium is the original premium plus an early bird bonus. On maturity, policyholders will receive their entire enhanced premium. The investment contracts are supported by appropriate derivative contracts

The total reserve held in respect of the Guaranteed Income Bond is £499.0m. There is no additional reserve held for the Guaranteed Income Bond.

There are investment guarantees on the Guaranteed Growth Bond. At maturity policyholders will receive between 118% and 133% of the enhanced premium, where the percentage depends on the performance of the FTSE 100 index over the term. The enhanced premium is the original premium plus a bonus amount. The investment guarantees are supported by appropriate derivative contracts.

The total reserve held in respect of the Guaranteed Growth Bond is £91.0m. There is no additional reserve held for the Guaranteed Growth Bond.

## Protection Plans

Mortgage Shortfall: Guarantees to repay the outstanding balance of the mortgage if the plan is taken out in connection with a repayment Abbey National Mortgage.

## 6 Expense Reserves

- 6.1 The aggregate amount of expense loadings expected to arise in the next 12 months to meet expenses from existing business is £18.351m. The amount is split as follows:
- £2.592m from investment expenses of which £2.065m is explicit and £0.527m implicit
  - £15.759m from maintenance expenses.
- 6.2 Implicit allowance is made for investment expenses on conventional business by reducing the valuation interest rate by the investment expenses assumption of 0.11% p.a.
- 6.3 The amount of maintenance expenses shown at line 14 of Form 43 is £12.105m. The figure from last year was £40.399m. This figure included one-off pension costs of £23.5m. Removing this amount left £16.9m, which is the comparative figure from last year.
- 6.4 A model office projection, allowing for budgeted new business in 2008 and no new business thereafter, on normal best estimate assumptions has been carried out to assess whether an additional reserve is required to allow for any new business expenses overrun. Total loadings were sufficient to cover budgeted expenses for 2008 so no additional reserve is required.
- 6.5 A model office projection, allowing for budgeted new business volumes in 2008, and no new business thereafter, and on the basis of lapse rates being double the current best estimate assumptions has been carried out to assess whether any additional reserve is required from closure to new business. The Statutory Profit released in 2009 from such a projection is more than sufficient to cover costs of closure, and ongoing expenses, while also being more conservative than a best estimate lapse rates basis, so that no additional reserve is required.
- 6.6 Not applicable

## 7 Mismatching Reserves

- 7.1 The following table analyses the non-property linked liabilities as at 31 December 2007:

<b>Currency in which liabilities are denominated (£000s)</b>	<b>Mathematical Reserves (excluding reserves for property linked benefits)</b>	<b>Currency in which assets are denominated</b>	<b>Matching Assets (£000s)</b>
Sterling	477,730	Sterling	477,730

- 7.2 Not applicable.
- 7.3 Not applicable.
- 7.4 The following scenario was the more onerous for the purposes of calculating the resilience capital requirement under INSPRU 3.1.16R, for assets invested in the United Kingdom:
- A nominal decrease in fixed interest yields of 0.910% (absolute).
- 7.5 The assets used in the determination of the resilience capital requirement were not invested outside the United Kingdom.

- 7.6
- a From paragraph 7.4 above, the most onerous scenario tested produced an additional capital requirement of £1.238m.
  - b the increase in aggregate amount of the long term liabilities based on the revised interest rates described in Paragraphs 7.4 and 7.6(a) above is £13.264 million.
  - c the increase in aggregate amount of assets used to match these long term liabilities is £12.026 million.
- 7.7 No further reserve arises from the test on assets in INSPRU 1.1.34 R(2). The liabilities are analysed by nature and the investment strategy is chosen appropriately so that there is no significant mismatch between the cashflows arising from assets and liabilities.

## **8 Other Special Reserves**

There are no significant other special reserves.

## **9 Reinsurance**

- 9.1
- a Not applicable.
  - b Not applicable.
- 9.2 a-k See the table below:

Reinsurer	Reinsurance Cover	Premiums payable £m	Deposits back made	Treaty Status	Undischarged obligation of the insurer	Mathematical Reserves ceded £m	Insurer's Retention
(i) Scottish Mutual Assurance plc	UWP units fully reassured	£45.14m	Not applicable	Closed to new business	Not applicable	£878m	UWP units are fully reinsured
(ii) Swiss Re Life & Health Ltd	A Surplus basis, mortality (risk premium) B Quota Share Mortality (risk premium) C Quota Share Mortality (modified original terms) D Quota Share Critical Illness and mortality (risk premium) E Quota Share Critical Illness and mortality ((modified original terms) F Quota Share Critical Illness (risk premium) G Quota Share Critical Illness (modified original terms)	£21.7m	Not applicable	Open to new business – C Quota Share Mortality (modified original terms).  The rest are closed to new business	Not applicable	-£12.4m	A £125,000 of sum at risk B 50% of sum at risk C 25% of sum at risk, maximum £125,000 D 50% of sum at risk, maximum £125,000 E 25% of sum at risk, maximum £125,000 F 50% of sum at risk, maximum £125,000 G 25% of sum at risk, maximum £125,000
(iii) Norwich Union Life	A Quota share mortality and waiver of premium on ex N&P Life business B All mortgage protection, level term assurance, pension term assurance and immediate annuity liabilities written under N&P Life	£0.74m	Not applicable	Closed to new business	Not applicable	£4.04m	
(iv) GE Frankona Re	Quota share critical illness and mortality (risk premium) – All Protection Plans	£12.2m	Not applicable	Open to new business	Not applicable	-£21.7m	25% of sum at risk, maximum £125,000
(v) Phoenix Pension Ltd	Fully reinsured	£83.0m	Not applicable	Open to new business	Not applicable	£89.2m	Fully reinsured

- l In all cases, the reinsurers are authorised to carry on insurance business in the United Kingdom.
- m Scottish Mutual Assurance plc is connected with Phoenix Life Assurance Ltd, both being subsidiaries of Resolution. The other reinsurers in the table above are not connected companies.
- n This section does not apply.
- o This section does not apply.
- p This section does not apply.

9.3 This section does not apply.

## 10 Annual Bonus

10.1 The following table shows the applicable reversionary bonuses for each UWP Bonus Series:

<b>Bonus Series</b>	<b>Mathematical Reserves £'000</b>	<b>Annual Bonus Rate in 2007</b>	<b>Annual Bonus Rate in 2006</b>	<b>Total Guaranteed Bonus Rate in 2007</b>
Series III	443,643	0%	0%	0%
Series IV	212	0%	0%	0%
Series V	384,322	0%	0%	0%
Series VI	3,604	0%	0%	0%
ISAs	46,206	0%	0%	0%

## Returns under the Accounts and Statements Rules

### Supplementary Notes to the Returns

#### Phoenix Life Assurance Limited

Financial period ended 31 December 2007

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

The FSA, on the application of the firm, made a direction in December 2004 under section 148 of the Act. A waiver of IPRU (INS) 9.31(b) was granted effective from 31 December 2004 with the result that the firm is not required to make the disclosures as set out in IPRU (INS) Appendix 9.4A.

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

	2007 £'000	2006 £'000
Net Assets per FSA Return:		
Form 13, Line 89 (other than long-term business)	58,375	124,018
Form 13, Line 89 (long-term business)	2,703,624	2,613,674
Form 14, Line 11	(2,391,734)	(2,271,500)
Form 14, Line 49	(153,674)	(216,448)
Form 15, Line 69 Other	(3,649)	(60)
Other	-	(1)
Total Capital Resources after deductions, Form 3, Line 79	212,942	249,683

#### \*0310\* Positive valuation differences

The net valuation difference within Form 3 Line 35 represents the difference between INSPRU and the IFRS financial statements:

	2007 £'000	2006 £'000
<b>Positive valuation difference:</b>		
Deferred tax on deferred acquisition costs	4,663	5,700
Deferred tax on sterling reserves	6,272	-
Deferred tax liability on project reserve	1,050	-
Deferred tax on inadmissible asset	22,859	-
<b>Negative valuation difference:</b>		
Sterling Reserves on Investment NDPF	(20,905)	-
Project Reserve	(3,750)	-
Form 3, Line 14	10,189	5,700

- (a) Relates to the positive valuation differences included within line 14 in respect of liabilities where INSPRU valuation exceeds the valuation in IFRS statutory financial statements.



- (b) Relates to the negative valuation differences included within line 14 in respect of liabilities where INSPRU valuation is lower than the valuation in IFRS statutory financial statements.

**\*0313\* Reconciliation of Profit and Loss account and other reserves**

	<b>£'000</b>
Form 3, Line 12 Profit & Loss account and other reserves as at 31/12/06	299,348
Form 16, Line 59 Profit & Loss retained for the year	(70,975)
Movement in 2007 non profit reserves	24,164
Form 3, Line 12 Profit & Loss account and other reserves as at 31/12/07	252,537

**\*1304\* & \*1310\* Offset of debtor and creditor balances**

Certain amounts shown in Forms 13 and 14 have been calculated by netting amounts due to any one party against amounts due from that party to the extent permitted by generally accepted accounting principles.

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

- a) The maximum exposure to counterparties agreed by the Company's Counterparty Risk Committee depends on the credit rating and type of the institution. The maximum allowed is 5% of funds for AAA banks in respect of UK non-linked business.
- b) These limits apply also to counterparties which are not "approved counterparties".

There were no breaches of overall limits during the period.

**\*1306\* & \*1312\* Counterparty exposure**

At 31 December 2007 exposure to the following counterparties was greater than 5% of the sum of base capital resources requirement and long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

	<b>Total £'000</b>	<b>LTBF £'000</b>	<b>SHF £'000</b>
Resolution plc *			
Unsecured debt	200,000	90,000	110,000

\* Resolution plc is the company's ultimate parent undertaking

**\*1307\* & \*1313\* Exposure secured by collateral**

Form 13 line 44 includes a hedge asset of £569.6m held with Abbey National Treasury Services, which is secured by a collateral loan of £569.3m (see note 1701).

**\*1318\* Other Asset Adjustments**

Other asset adjustments on Form 13 line 100 are shown below.

	LTF £'000	SHF £'000
Form 13 Line 100		
Reclassification of index linked loan balance	(86,769)	-
	(86,769)	-

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

No provision has been made for adverse changes on derivative contracts because there are, within the admissible assets of the Company, assets of a nature and quantity such that it is reasonable to expect that any adverse change would be matched by a favourable change in the value of the assets.

**\*1402\* & \*1502\* Details of charges over assets, contingent liabilities etc.**

No charge has been made on the assets of the Company to secure the liabilities of any other person.

Full provision is made in respect of corporation tax on the long-term business fund within line 21 of Form 14. Full provision is made in respect of corporation tax on the Life fund proportion of unrealised capital gains in the long-term business fund. The provision is nil.

There were no guarantees, indemnities or other contractual commitments effected by the Company in respect of the existing or future liabilities of any related companies at the end of the financial year.

Contingent liabilities not included in Form 14 and Form 15 are:

- (1) The company is required under the Financial Services Compensation Scheme to contribute towards levies raised by that scheme on long term insurance business companies for the purpose of assisting policyholders of UK long-term business insurers that may become insolvent. The amount collected may vary, but cannot exceed 0.8% of relevant net premium income, gross of reinsurance, in any one financial year of the scheme. The amount levied in the year was £49,124 (2006: £53,452)
- (2) The company is registered with HM Customs and Excise as members of a group for VAT purposes and, as a result, is jointly & severally liable on a continuing basis for amounts owing by any other member of that group in respect of unpaid VAT. Any liability in this respect is considered to be remote. At 31 December 2007 the Group liability was £3m (2006: £3 million).

**\*1405\* Other Adjustments to Liabilities**

Other adjustments to liabilities on Form 14 line 74 are shown below.

	<b>LTBF £'000</b>
Form 14 Line 74	
Reclassification of index linked loan balance	(86,769)
Valuation difference on Sterling Reserves between INSPRU and IFRS	(20,905)
Valuation difference on Project Reserve between INSPRU and IFRS	(3,750)
Deferred tax on valuation differences (sterling and project reserves)	7,321
Deferred tax on inadmissible asset	22,859
	<b>(81,244)</b>

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

Assets and liabilities in currencies other than sterling have been translated at the rate of exchange ruling at 31 December 2007. Revenue transactions are converted at the rates of exchange ruling at the date of settlement.

**\*1603\* Other income and charges**

The £100k charge on Form 16, Line 21 relates to an impairment charge against assets held during the year.

**\*1701\* Derivative contracts**

The variation margin received has been invested as follows:

	<b>2007 £'000</b>	<b>2006 £'000</b>
Holdings in collective investment schemes (Form 17 Line 12)	482,534	276,433

**\*1800\* & 1900\* With-profits insurance capital component**

Phoenix Life Assurance Limited is a regulatory basis only firm and therefore all relevant entries on Forms 18 and 19 are blank.

**\*4002\* Other income and Expenditure**

Included in Other income on Form 40, Line 15, are amounts of £27,751 representing IFA compensation and £72,833 representing sundry income.

For 2006, other income on Form 40, Line 15, of £4,979 represented sundry income write back.

**\*4008\* Management Services**

During the year, investment management services were provided by Resolution Investment Services Limited and business administration services were provided by Resolution Management Services.

Charges from these companies were £18.4m (2006: £55.4m) from Resolution Management Services and £2.6m (2006: £0.6m) from Resolution Investment Services Limited.

**\*4009\* Material connected-party transactions**

- a) The following connected-party transactions with Scottish Mutual Assurance Limited, a fellow subsidiary within the Resolution group, arose during the period:
- i) Claims includes £177m (2006: £279m) in respect of reinsurance;
  - ii) Other liabilities includes an intercompany balance of £4m (2006: £nil);
  - iii) Other assets includes an intercompany balance of £nil (2006: £2m); and
  - iv) Mathematical reserves include amounts of £878m (2006: £1,032m) in respect of reinsurance.
- b) The following connected-party transactions with Phoenix Pension Limited, a fellow subsidiary within the Resolution group, arose during the period:
- i) Premiums includes £83m (2006: £nil) in respect of reinsurance as a result of a new reinsurance treaty in 2007;
  - ii) Other assets includes an intercompany balance of £4m (2006: £nil); and
  - iii) Mathematical reserves include amounts of £89m (2006: £nil) in respect of reinsurance.
- c) At 31 December 2007, the company had entered into other connected party transactions with Resolution plc group companies – refer to note 1306. Resolution plc is the Company's ultimate parent.
- d) Management services were provided by Resolution plc group companies – refer to note 4008.
- e) At 31 December 2007, £1,383m (2006: £921m) was invested in unit trusts or Open-ended Investment Companies managed by subsidiaries of Resolution plc.
- f) There were no stock lending transactions undertaken by the Company during the year.

**\*4201\* Net reinsurance claims on unitised with profits business**

The net excess of £176,654,771 of reinsured claims recoveries over reinsured premiums payable in respect of unitised with profits business reinsured with Scottish Mutual Assurance Limited has been reported as net claims in Form 42 Line 33 as the net amount cannot be analysed between premiums and claims and between types of claims (2006: £279,235,434).

**\*4401\* Basis of valuation**

The fair values of financial instruments are determined by reference to quoted market bid prices or published bid prices. If quoted market prices or published prices are not available, fair values are determined or estimated by using various different techniques, including but not limited to balance sheet analysis and comparison to similar quoted securities. Unitised derivatives are valued on the basis of bid prices supplied by suitably qualified counterparties.

**\*4502\* Other Income and expenditure**

Other expenditure on Line 26 represents £176,221 of bank charges.

**\*4900\* Fixed Interest Securities**

No Form 49 is required as the non-linked fixed interest securities which are not approved do not exceed £100m (as per instructions to the form).

**\*5204\* Product apportionment**

All accumulating with profits contracts sold by Phoenix Life Assurance Limited, with the exception of the With Profit Bond, the With Profit Investment Bond, and the ISAs are hybrid in that investment in linked funds is also permitted. Form 52 has, therefore been completed on the basis that only that portion of the current death benefit, office premium and current liability which is invested in accumulating with profits is included for each policy. The total policy count, and all additional benefits, premiums and liabilities, in excess of those attributable purely to accumulating with profits for each policy, is included within Form 53.

**\*5701\* Reserves offset**

Negative Mathematical reserves from products in the following two product groupings:

“UK UK Pens NP Form 51 assurances (other)”  
“UK UK Life NP Form 51 assurances”  
“UK UK Pens NP Form 51 (annuity)”

have been used to offset the positive liabilities of products in:

“UK UK Life NP Form 51 (income bond)”

The total value of these negative liabilities is £(65m).

## Returns under the Accounts and Statement Rules

### Statement required by Rule 9.29

#### Phoenix Life Assurance Limited

Financial Year ended 31 December 2007

#### Additional information on derivative contracts

- a The investment guidelines operated by the Company during the period up to 31 December 2007 for the use of derivative contracts were based on the principles of reduction of risk or efficient portfolio management.

In particular:

- i no uncovered liabilities were permitted;
- ii all contracts were either:
  - a transacted on an approved exchange; or
  - b with an approved counterparty.
- iii all monies relating to exchange traded positions were held in client money segregated accounts at a highly rated international bank.
- iv transactions were conducted within the Life Division North Delegated Authorities.

The use of derivatives is further restricted by the variety of regulations laid down for the use of derivatives in life assurance companies – in particular the rules and guidance set out in INSPRU 3.2.

- b The investment guidelines do not prohibit entry into contracts, which were not at the time of entry, reasonably likely to be exercised, to ensure that Life Division North is not prevented from entering into contracts which could potentially enhance efficient portfolio management.
- c The Company was not a party to any contract during 2007 that was not expected, at the time when the contract was entered into, to be reasonably likely to be exercised.
- d There would be no change to amounts recorded on Form 13 if assets which the Company had a right or obligation to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired or disposed of (including collateral).

There would be no change to amounts recorded on Form 14 if liabilities, which the Company had a right or obligation to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired or disposed of (including collateral).

- e The information provided in sub paragraph d above represents the maximum possible change to the amounts recorded in Form 13.
- f There was no material difference between the position at the year end and that during the financial year.
- g No loss would have been incurred by the Company in the event of failure by any one other person to fulfil its obligations under derivative contracts outstanding at the year-end. At other times

during the relevant period there may have been a loss but at any time the possible losses are included within the overall monitoring of counterparty exposure and subject to strict internal guidelines. Collateralisation also limits overall exposure.

- h Transactions which would require significant provision under INSPRU 3.2.17R or which do not fall within the definition of a permitted derivative contract under the permitted links rules are not undertaken.
- i The Company did not grant any uncovered rights under derivative contracts during the year.

## Returns under the Accounts and Statements Rules

### Statement of additional information on controllers required by rule 9.30

#### Phoenix Life Assurance Limited

#### Financial year ended 31 December 2007

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

- (a) Resolution Life Limited;
- (b) Resolution Life Group Limited (ceased to be controller on 17 May 2007);
- (c) Resolution Plc;
- (d) Pearl Assurance plc;
- (e) Pearl Group Limited;
- (f) Sun Capital Investments Limited;
- (g) Hera Investments One Limited;
- (h) Xercise Limited;
- (i) Jambright Limited;
- (j) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas;
- (k) TDR Capital Nominees Limited; and
- (l) TDR Capital LLP.

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

- (a) Resolution Life Limited

Resolution Life Limited owned 100% of the ordinary share capital of Phoenix Life Assurance Limited, and was able to exercise 100% of the voting power at any general meeting.

- (b) Resolution plc

Resolution plc owned 100% of the ordinary shares of Resolution Life Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

- (c) Pearl Assurance plc

Pearl Assurance plc owned 20.13% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and was able to exercise 20.13% of the voting power at any general meeting.

- (d) Pearl Group Limited

Pearl Group Limited owned 100% of the ordinary share capital of Pearl Assurance plc and 5.79% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and was able to exercise 25.92% of the voting power at any general meeting.

- (e) Sun Capital Investments Limited

Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.



## Returns under the Accounts and Statements Rules

### Statement of additional information on controllers required by rule 9.30

#### Phoenix Life Assurance Limited

#### Financial year ended 31 December 2007

#### (Controllers at the end of the financial year - continued)

(f) Hera Investments One Limited

Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(g) Xercise Limited

Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(h) Jambright Limited

Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(i) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas

Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 79.2% of the ordinary shares of Xercise Limited and were able to exercise 79.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(j) TDR Capital Nominees Limited

TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary

## **Returns under the Accounts and Statements Rules**

### **Statement of additional information on controllers required by rule 9.30**

#### **Phoenix Life Assurance Limited**

#### **Financial year ended 31 December 2007**

#### **(Controllers at the end of the financial year – continued)**

share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(k) TDR Capital LLP

TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

**Returns under the Accounts and Statements Rules**

**Certificate required by Rule 9.34(1)**

**Phoenix Life Assurance Limited**

**Financial year ended 31 December 2007**

We certify that:

- a. the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
- b. we are satisfied, save as disclosed on the attached note to the certificate, that:
  - i. throughout the financial year, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - ii. it is reasonable to believe that the Company has continued so to comply subsequently, and will continue so to comply in future;
- c. 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 Company that are available for the purpose, to enable the Company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- d. 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; and
- e. we have, in preparing the return, taken and paid due regard to advice from every actuary appointed by the Company to perform the actuarial function in accordance with SUP 4.3.13R

Graham Singleton  
**Managing Director**

Stephen McGee  
**Director**

Kerr Luscombe  
**Director**

March 2008

Note to the certificate required by Rule 9.34(1)

In Q1 2007, there was a transfer of certain assets together with accompanying investment accounting processes from Santander Asset Management to Resolution Asset Management (RAM). Following these transfers, there were issues with the transfer of the accounting records which gave rise to reconciliation differences for a period in 2007.

These reconciliation differences have now been fully investigated and resolved and there is no continuing issue. Detailed investigations confirm there are no assets missing and the reconciliation differences have not given rise to any TCF concerns or issues with unit pricing.

RAM has conducted a very detailed project to identify and investigate the material issues giving rise to the accounting take-on reconciliation differences. The investigation and resolution process was wide-ranging and for some funds included recreation of the accounting records for the entire period in validating and reconciling the final take-on position.

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

### **Phoenix Life Assurance Limited**

#### **Global business**

#### **Financial year ended 31 December 2007**

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 19, 40 to 45, 48, 56, 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) rule 9.30
- 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 rule 9.35 of IPRU(INS). 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 direction referred to in supplementary note 0201. 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 proper 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 27 March 2008. 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 prepared in accordance with IPRU(INS) rule 9.31(a) appropriately reflect the requirements of INSPRU 1.2

Ernst & Young LLP

Registered Auditor

Glasgow

27 March 2008