Phoenix Life Limited

Annual FSA Insurance Returns for the year ended

31 December 2006

Appendices 9.1, 9.3, 9.4, 9.4A and 9.6

Pheonix Life Limited
Year ended 31st December 2006
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Form 2

Statement of solvency - long-term insurance business

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	1016269	GL	31	12	2006	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	3159013	354732
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	880265	287749
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	4039278	642481
Guarantee fund			
Guarantee fund requirement	21	258115	54886
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	3781163	587595
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	774345	164659
Resilience capital requirement	32		4401
Base capital resources requirement	33	2139	2030
Individual minimum capital requirement	34	774345	169060
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	774345	169060
Excess (deficiency) of available capital resources to cover 50% of MCR	37	3652105	557951
Excess (deficiency) of available capital resources to cover 75% of MCR	38	3458519	515686
Enhanced capital requirement			
With-profits insurance capital component	39	2038650	
Enhanced capital requirement	40	2812995	169060
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	2812995	169060
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1226283	473421
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Covering Sheet to Form 2 **Form 2**

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

______________________	**R Craine**	**Director**
______________________	**R E K Greenfield**	**Director**
______________________	**I G Maidens**	**Director**

Date: 28 March 2007

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1016269	GL	31	12	2006	£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		69088	69088	69088
Profit and loss account and other reserves	12		1502108	1502108	517461
Share premium account	13		546	546	546
Positive valuation differences	14		2115199	2115199	
Fund for future appropriations	15		557644	557644	284617
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		4244585	4244585	871712
Tier one waivers					
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				
Other tier one capital					
Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				
Total tier one capital before deductions (19+24+25+26+27+28)	31		4244585	4244585	871712
Investments in own shares	32				
Intangible assets	33		93910	93910	
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				88139
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		93910	93910	88139
Total tier one capital after deductions (31-37)	39		4150675	4150675	783573

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1016269	GL	31	12	2006	£000

Tier two capital

		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
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				
Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1016269	GL	31	12	2006	£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
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		4150675	4150675	783573
Inadmissible assets other than intangibles and own shares	73		34417	34417	57320
Assets in excess of market risk and counterparty limits	74		65726	65726	73005
Deductions for related ancillary services undertakings	75		11254	11254	10767
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		4039278	4039278	642481
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		4039278	4039278	642481
Available capital resources for 50% MCR requirement	82		4039278	4039278	642481
Available capital resources for 75% MCR requirement	83		4039278	4039278	642481
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92		22157	22157	
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		22157	22157	

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

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units
R11	**1016269**	**GL**	**31**	**12**	**2006**	**£000**

			This financial year 1	Previous year 2
Gross premiums written		**11**	79650	65072
Premiums taxes and levies (included in line 11)		**12**		
Premiums written net of taxes and levies (11-12)		**13**	79650	65072
Premiums for classes 11, 12 or 13 (included in line 13)		**14**		
Premiums for "actuarial health insurance" (included in line 13)		**15**		
Sub-total A (13 + 1/2 14 - 2/3 15)		**16**	79650	65072
Gross premiums earned		**21**	87187	71376
Premium taxes and levies (included in line 21)		**22**		
Premiums earned net of taxes and levies (21-22)		**23**	87187	71376
Premiums for classes 11, 12 or 13 (included in line 23)		**24**		
Premiums for "actuarial health insurance" (included in line 23)		**25**		
Sub-total H (23 + 1/2 24 - 2/3 25)		**26**	87187	71376
Sub-total I (higher of sub-total A and sub-total H)		**30**	87187	71376
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		**31**		
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	**32**	15694	12848
	Excess (if any) over 53.1M EURO x 0.02	**33**	1034	751
Sub-total J (32-33)		**34**	14660	12097
Claims paid in period of 3 financial years		**41**	273231	208066
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	**42**	46579	47703
	For insurance business accounted for on an accident year basis	**43**	266424	250924
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	**44**	58444	51046
	For insurance business accounted for on an accident year basis	**45**	324682	306267
Sub-total C (41+42+43-44-45)		**46**	203108	149380
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		**47**	273885	217831
Sub-total D (46-47)		**48**	(70776)	(68451)
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)		**49**	0.50	0.50
Premiums amount (Sub-total J x reinsurance ratio)		**50**	7330	6048
Provision for claims outstanding (before discounting and net of reinsurance		**51**	59782	72710
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		**52**	6820	8295
Greater of lines 50 and 52		**53**	7330	8295

Form 12

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Long term insurance business

	Company registration number	GL/ UK/ CM	day	month	year	Units
R12	**1016269**	**GL**	**31**	**12**	**2006**	**£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**	273231	208066
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	**22**	46579	47703
	For insurance business accounted for on an accident year basis	**23**	266424	250924
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	**24**	58444	51046
	For insurance business accounted for on an accident year basis	**25**	324682	306267
Claims incurred in reference period (21+22+23-24-25)		**26**	203108	149380
Claims incurred for classes 11, 12 or 13 (included in 26)		**27**		
Claims incurred for "actuarial health insurance" (included in 26)		**28**		
Sub-total E (26 +1/2 27 - 2/3 28)		**29**	203108	149380
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)		**31**	67703	49793
Division of sub-total F (gross adjusted claims amount)	x 0.26	**32**	17603	12946
	Excess (if any) over 37.2M EURO x 0.03	**33**	1285	783
Sub-total G (32-33)		**39**	16318	12163
Claims amount Sub-total G x reinsurance ratio (11.49)		**41**	8159	6082
Higher of premiums amount and brought forward amount (11.53)		**42**	7330	8295
General insurance capital requirement (higher of lines 41 and 42)		**43**	8159	8295

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

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	1016269	GL	31	12	2006	£000	1

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	2400	
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	5000	5000
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	230	
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	422279	132550
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	41587	
	Other	46	143458	58051
Variable interest securities	Approved	47		
	Other	48	3219	
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	251815	
	More than one month withdrawal	55		102352
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

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	1016269	GL	31	12	2006	£000	1

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76	1229	1230
	due in more than 12 months	77		
Other	due in 12 months or less	78	170	
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	32613	242
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	1769	2052
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	2	
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	905771	301477

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

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	1016269	GL	31	12	2006	£000	1

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	905771	301477
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(1234)	423
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 100)	101	904537	301900

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	3	

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	1246745	30085
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	71249	21710
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	3605928	260581
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	1298798	103721
Rights under derivative contracts		44	129374	92601
Fixed interest securities	Approved	45	7504986	1003720
	Other	46	4551021	628551
Variable interest securities	Approved	47	143629	48362
	Other	48	175179	6648
Participation in investment pools		49		
Loans secured by mortgages		50	6916	228
Loans to public or local authorities and nationalised industries or undertakings		51	34	110
Loans secured by policies of insurance issued by the company		52	8148	721
Other loans		53	31798	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	164335	35117
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57	990	2323
Assets held to match linked liabilities	Index linked	58	628051	336483
	Property linked	59	7637208	4484637

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	10

		As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions			
Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		
Debtors and salvage			
Direct insurance business – Policyholders	71	12080	4612
Direct insurance business – Intermediaries	72	4487	750
Salvage and subrogation recoveries	73		
Reinsurance – Accepted	74	2098	4836
Reinsurance – Ceded	75	24650	17242
Dependants – due in 12 months or less	76	442	
Dependants – due in more than 12 months	77		
Other – due in 12 months or less	78	308805	27739
Other – due in more than 12 months	79	27161	10768
Other assets			
Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	126394	17094
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	179267	24426
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	27335	7160
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	27917107	7170225

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	10

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	27917107	7170225
Assets in excess of market and counterparty limits	92	65726	73005
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96	11254	10767
Other differences in the valuation of assets (other than for assets not valued above)	97	18193	
Deferred acquisition costs excluded from line 89	98	63927	35729
Reinsurers' share of technical provisions excluded from line 89	99	1969919	442596
Other asset adjustments (may be negative)	100	(25999)	(33890)
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 100)	101	30020126	7698432

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	1130	

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **90% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	13

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11		

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	8689	8689
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	76842	49089
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	35604	1379
Rights under derivative contracts		44	28	
Fixed interest securities	Approved	45	58405	25083
	Other	46	39370	62557
Variable interest securities	Approved	47		
	Other	48	4028	
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51	34	34
Loans secured by policies of insurance issued by the company		52		480
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3701	9785
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Category of assets	**90% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	13

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71		78
	Intermediaries	72	21	20
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	173	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	298	112
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	3540	5142
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	1782	2545
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	124	42
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	232639	165035

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **90% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	13

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	232639	165035
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98	831	831
Reinsurers' share of technical provisions excluded from line 89	99	9	157
Other asset adjustments (may be negative)	100	(4222)	(17168)
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 100)	101	229257	148855

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **100% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	11

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	815	30085
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	167964	172910
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	37997	27914
Rights under derivative contracts		44	80	
Fixed interest securities	Approved	45	106284	97044
	Other	46	23069	53652
Variable interest securities	Approved	47	8468	8451
	Other	48	3398	154
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	208	234
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3468	3474
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **100% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	11

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	88	18
	Intermediaries	72	61	47
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	1408	(279)
	Ceded	75	516	(7474)
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	645	398
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	1528	1931
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	2024	1641
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	358021	390200

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **100% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	11

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	358021	390200
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	326	2372
Other asset adjustments (may be negative)	100	(324)	(559)
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 100)	101	358023	392013

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Non-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	12

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	3558	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	54958	13021
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	29430	38582
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	34093	74428
Rights under derivative contracts		44	17001	92601
Fixed interest securities	Approved	45	1410718	881593
	Other	46	1608483	512342
Variable interest securities	Approved	47	56332	39911
	Other	48	130029	6494
Participation in investment pools		49		
Loans secured by mortgages		50	514	228
Loans to public or local authorities and nationalised industries or undertakings		51		76
Loans secured by policies of insurance issued by the company		52	1263	7
Other loans		53	31798	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	48793	21858
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57	990	2323
Assets held to match linked liabilities	Index linked	58	437140	336483
	Property linked	59	7629819	4484637

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Non-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	12

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	3384	4516
	Intermediaries	72	1873	683
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	690	5115
	Ceded	75	19377	24716
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	239232	27229
	due in more than 12 months	79	27161	10768
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	73473	10021
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	44522	20240
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	20474	7118
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	11925102	6614990

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Non-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	12

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	11925102	6614990
Assets in excess of market and counterparty limits	92	65726	73005
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96	11254	10767
Other differences in the valuation of assets (other than for assets not valued above)	97	16562	
Deferred acquisition costs excluded from line 89	98	63096	34898
Reinsurers' share of technical provisions excluded from line 89	99	731779	440067
Other asset adjustments (may be negative)	100	96502	(16163)
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 100)	101	12910021	7157564

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Britannic Industrial Branch Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	14

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11		
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	187520	
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	86024	
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	351130	
	Other	46	129482	
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3305	
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Category of assets	**Britannic Industrial Branch Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	14

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	35	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76	442	
	due in more than 12 months	77		
Other	due in 12 months or less	78	4508	
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	19905	
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	6929	
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	512	
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	789791	

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Britannic Industrial Branch Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	14

		As at end of this financial year 1	As at end of the previous year 2
Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting			
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	789791	
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	203	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(4025)	
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 100)	101	785969	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Britannic With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	15

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	344382	
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	7602	
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	1877020	
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	741762	
Rights under derivative contracts		44	192	
Fixed interest securities	Approved	45	1364470	
	Other	46	787008	
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	140	
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Category of assets	**Britannic With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	15

		As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions			
Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		
Debtors and salvage			
Direct insurance business - Policyholders	71	7401	
Direct insurance business - Intermediaries	72	2532	
Salvage and subrogation recoveries	73		
Reinsurance - Accepted	74		
Reinsurance - Ceded	75		
Dependants - due in 12 months or less	76		
Dependants - due in more than 12 months	77		
Other - due in 12 months or less	78	19364	
Other - due in more than 12 months	79		
Other assets			
Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	16715	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	32930	
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	4996	
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	5206515	

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Britannic With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	15

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	5206515	
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	1428	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	18679	
Other asset adjustments (may be negative)	100	(12970)	
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 100)	101	5213653	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Phoenix With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	16

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	876770	

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares		41	1267153	
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	142777	
Rights under derivative contracts		44	96794	
Fixed interest securities	Approved	45	3129391	
	Other	46	1587585	
Variable interest securities	Approved	47	78829	
	Other	48	30717	
Participation in investment pools		49		
Loans secured by mortgages		50	6402	
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	1508	
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	9486	
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	190911	
	Property linked	59	4675	

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Phoenix With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	16

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	379	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	4584	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	32019	
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	6107	
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	72445	
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	1228	
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	7539760	

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Category of assets	**Phoenix With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	16

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	7539760	
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	100962	
Other asset adjustments (may be negative)	100	(95581)	
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 100)	101	7545141	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	1130	

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Alba with-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	17

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	21220	
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	220542	
Rights under derivative contracts		44	15279	
Fixed interest securities	Approved	45	1084589	
	Other	46	376024	
Variable interest securities	Approved	47		
	Other	48	7007	
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	5169	
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	95442	
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	2714	

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Alba with-Profits Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	17

			As at end of this financial year	As at end of the previous year
			1	2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	793	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	12738	
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	5126	
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	18635	
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	1865278	

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Alba with-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1016269	GL	31	12	2006	£000	17

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	1865278	
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	1118164	
Other asset adjustments (may be negative)	100	(5379)	
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 100)	101	2978063	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**10 Summary**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	24132214	6579246
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	72112	1800
Long term insurance business fund carried forward (11 to 13)		14	24204326	6581046
Claims outstanding	Gross	15	172804	36973
	Reinsurers' share	16	14118	6051
	Net (15-16)	17	158686	30922
Provisions	Taxation	21	57945	3035
	Other risks and charges	22	23267	2970
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	13431	7681
	Reinsurance accepted	32	1281	24853
	Reinsurance ceded	33	42053	31216
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	3044	
Creditors	Taxation	37	89442	19329
	Other	38	211562	115711
Accruals and deferred income		39	25137	518
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	625849	236235
Excess of the value of net admissible assets		51	3086929	352944
Total liabilities and margins		59	27917104	7170225

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	54707	13910
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	7624569	4484634

Total liabilities (11+12+49)	71	24758063	6815481
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1969919	442596
Other adjustments to liabilities (may be negative)	74	1069775	85611
Capital and reserves and fund for future appropriations	75	2222369	354744
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)	76	30020126	7698432

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**23 90% With-Profits Fund**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	127885	84010
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	450	450
Long term insurance business fund carried forward (11 to 13)		14	128335	84460
Claims outstanding	Gross	15	1219	1783
	Reinsurers' share	16		
	Net (15-16)	17	1219	1783
Provisions	Taxation	21	1819	
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	992	
	Other	38	12619	18998
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	16649	20781
Excess of the value of net admissible assets		51	87655	59794
Total liabilities and margins		59	232639	165035
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	8713	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	144534	104791
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	9	157
Other adjustments to liabilities (may be negative)		74	(7038)	(16337)
Capital and reserves and fund for future appropriations		75	91752	60244
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)		76	229257	148855

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**24 100% Fund**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	117163	152638
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	850	850
Long term insurance business fund carried forward (11 to 13)		14	118013	153488
Claims outstanding	Gross	15	9607	3708
	Reinsurers' share	16		
	Net (15-16)	17	9607	3708
Provisions	Taxation	21	2939	3628
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	3597	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	8829	6224
	Other	38	88	141
Accruals and deferred income		39		518
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	25060	14219
Excess of the value of net admissible assets		51	214948	222493
Total liabilities and margins		59	358021	390200

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

Total liabilities (11+12+49)	71	142223	166857
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	326	2372
Other adjustments to liabilities (may be negative)	74	76	(559)
Capital and reserves and fund for future appropriations	75	215398	223343
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)	76	358023	392013

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**31 Non - Profit Fund**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	11324464	6342598
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	31633	500
Long term insurance business fund carried forward (11 to 13)		14	11356097	6343098
Claims outstanding	Gross	15	68184	31482
	Reinsurers' share	16	10731	6051
	Net (15-16)	17	57453	25431
Provisions	Taxation	21	2826	(593)
	Other risks and charges	22	21052	2970
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	8519	7681
	Reinsurance accepted	32	987	24853
	Reinsurance ceded	33	29848	31216
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	3044	
Creditors	Taxation	37	73418	13105
	Other	38	69683	96572
Accruals and deferred income		39	8502	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	275333	201235
Excess of the value of net admissible assets		51	293671	70657
Total liabilities and margins		59	11925101	6614990
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	38917	13910
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	7085905	4484634
Total liabilities (11+12+49)		71	11599797	6543833
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	731779	440067
Other adjustments to liabilities (may be negative)		74	122134	102507
Capital and reserves and fund for future appropriations		75	456311	71157
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)		76	12910021	7157564

Form 14

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Total business/Sub fund **21 Britannic Industrial Branch Fund**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	602464	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	33679	
Long term insurance business fund carried forward (11 to 13)		14	636143	
Claims outstanding	Gross	15	3270	
	Reinsurers' share	16		
	Net (15-16)	17	3270	
Provisions	Taxation	21	8001	
	Other risks and charges	22	643	
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	1108	
Accruals and deferred income		39	2027	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	15048	
Excess of the value of net admissible assets		51	138600	
Total liabilities and margins		59	789791	

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

Total liabilities (11+12+49)	71	617512	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(4962)	
Capital and reserves and fund for future appropriations	75	173418	
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)	76	785968	

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**22 Britannic With-Profits Fund**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	4174221	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	5000	
Long term insurance business fund carried forward (11 to 13)		14	4179221	
Claims outstanding	Gross	15	15530	
	Reinsurers' share	16		
	Net (15-16)	17	15530	
Provisions	Taxation	21	16959	
	Other risks and charges	22	372	
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	396	
	Reinsurance accepted	32	42	
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	6422	
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	39722	
Excess of the value of net admissible assets		51	987572	
Total liabilities and margins		59	5206515	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	4055	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	531110	

Total liabilities (11+12+49)	71	4213943	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	18679	
Other adjustments to liabilities (may be negative)	74	(94334)	
Capital and reserves and fund for future appropriations	75	1075364	
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)	76	5213653	

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**26 Phoenix With-Profits Fund**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	5968107	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	500	
Long term insurance business fund carried forward (11 to 13)		14	5968607	
Claims outstanding	Gross	15	56670	
	Reinsurers' share	16	151	
	Net (15-16)	17	56519	
Provisions	Taxation	21	25754	
	Other risks and charges	22	1042	
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	3254	
	Reinsurance accepted	32	252	
	Reinsurance ceded	33	4407	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	113070	
Accruals and deferred income		39	9164	
Provision for "reasonably foreseeable adverse variations"		41	0	
Total other insurance and non-insurance liabilities (17 to 41)		49	213462	
Excess of the value of net admissible assets		51	1357691	
Total liabilities and margins		59	7539760	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1519	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	4840	

Total liabilities (11+12+49)	71	6181569	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	100962	
Other adjustments to liabilities (may be negative)	74	1081026	
Capital and reserves and fund for future appropriations	75	181584	
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)	76	7545141	

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Total business/Sub fund	**25 Alba With-Profits Fund**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	1817909	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	1817909	
Claims outstanding	Gross	15	18323	
	Reinsurers' share	16	3236	
	Net (15-16)	17	15087	
Provisions	Taxation	21	(352)	
	Other risks and charges	22	158	
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	1262	
	Reinsurance accepted	32		
	Reinsurance ceded	33	4201	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	6203	
	Other	38	8572	
Accruals and deferred income		39	5444	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	40575	
Excess of the value of net admissible assets		51	6792	
Total liabilities and margins		59	1865277	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1502	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2714	

Total liabilities (11+12+49)	71	1858485	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1118164	
Other adjustments to liabilities (may be negative)	74	(27127)	
Capital and reserves and fund for future appropriations	75	28541	
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)	76	2978063	

Form 15

Liabilities (other than long term insurance business)

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	1016269	GL	31	12	2006	£000

			As at end of this financial year 1	As at end of the previous year 2
Technical provisions (gross amount)				
Provisions for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other technical provisions		16		
Total gross technical provisions (11 to 16)		19		
Provisions and creditors				
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	17848	6336
	Declared dividend	48		
	Other	49	7659	7392
Accruals and deferred income		51		
Total (19 to 51)		59	25507	13728
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	25507	13728

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	5786	

Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(645)	422
Capital and reserves	84	879676	287750
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	904538	301900

Form 16

Profit and loss account (non-technical account)

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R16	**1016269**	**GL**	**31**	**12**	**2006**	**£000**

			This financial year 1	Previous year 2
Transfer (to)/from the general insurance business technical account	From Form 20	**11**		
	Equalisation provisions	**12**		
Transfer from the long term insurance business revenue account		**13**	348546	55555
Investment income	Income	**14**	7011	2101
	Value re-adjustments on investments	**15**		
	Gains on the realisation of investments	**16**		
Investment charges	Investment management charges, including interest	**17**	98	
	Value re-adjustments on investments	**18**		
	Loss on the realisation of investments	**19**	3619	3247
Allocated investment return transferred to the general insurance business technical account		**20**		
Other income and charges (particulars to be specified by way of supplementary note)		**21**	445251	153741
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		**29**	797091	208150
Tax on profit or loss on ordinary activities		**31**	578	631
Profit or loss on ordinary activities after tax (29-31)		**39**	796513	207519
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		**41**		
Tax on extraordinary profit or loss		**42**		
Other taxes not shown under the preceding items		**43**		
Profit or loss for the financial year (39+41-(42+43))		**49**	796513	207519
Dividends (paid or declared)		**51**	204000	11100
Profit or loss retained for the financial year (49-51)		**59**	592513	196419

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	1016269	GL	31	12	2006	£000	10

Derivative contracts			As at the end of this financial year Assets 1	As at the end of this financial year Liabilities 2	As at the end of the previous year Assets 3	As at the end of the previous year Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12	562	89		
	Land	13				
	Currencies	14	42	44		
	Other	15	192	776		
Options	Fixed-interest securities	21	15279			
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25	33424			
Contracts for differences	Fixed-interest securities	31			68846	68760
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35	79876	92721	23755	19980
Adjustment for variation margin		41		(3141)		
Total (11 to 41)		49	129375	90490	92601	88740

Form 17

Analysis of derivative contracts

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
Category of assets	**90% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	1016269	GL	31	12	2006	£000	13

Derivative contracts			As at the end of this financial year		As at the end of the previous year	
			Assets 1	Liabilities 2	Assets 3	Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12	26	2		
	Land	13				
	Currencies	14	2			
	Other	15				
Options	Fixed-interest securities	21				
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35				
Adjustment for variation margin		41				
Total (11 to 41)		49	28	2		

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **100% With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	1016269	GL	31	12	2006	£000	11

Derivative contracts			As at the end of this financial year: Assets 1	As at the end of this financial year: Liabilities 2	As at the end of the previous year: Assets 3	As at the end of the previous year: Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12	74	13		
	Land	13				
	Currencies	14	6	7		
	Other	15				
Options	Fixed-interest securities	21				
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35				
Adjustment for variation margin		41				
Total (11 to 41)		49	80	20		

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Non-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	**1016269**	**GL**	**31**	**12**	**2006**	**£000**	**12**

Derivative contracts			As at the end of this financial year		As at the end of the previous year	
			Assets **1**	Liabilities **2**	Assets **3**	Liabilities **4**
Futures contracts	Fixed-interest securities	**11**				
	Equity shares	**12**				
	Land	**13**				
	Currencies	**14**				
	Other	**15**				
Options	Fixed-interest securities	**21**				
	Equity shares	**22**				
	Land	**23**				
	Currencies	**24**				
	Other	**25**				
Contracts for differences	Fixed-interest securities	**31**			68846	68760
	Equity shares	**32**				
	Land	**33**				
	Currencies	**34**				
	Other	**35**	17001	13714	23755	19980
Adjustment for variation margin		**41**				
Total (11 to 41)		**49**	17001	13714	92601	88740

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Britannic Industrial Branch Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	1016269	GL	31	12	2006	£000	14

Derivative contracts			As at the end of this financial year Assets 1	As at the end of this financial year Liabilities 2	As at the end of the previous year Assets 3	As at the end of the previous year Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12				
	Land	13				
	Currencies	14				
	Other	15		776		
Options	Fixed-interest securities	21				
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35				
Adjustment for variation margin		41				
Total (11 to 41)		49		776		

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Britannic With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	1016269	GL	31	12	2006	£000	15

Derivative contracts			As at the end of this financial year		As at the end of the previous year	
			Assets 1	Liabilities 2	Assets 3	Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12				
	Land	13				
	Currencies	14				
	Other	15	192			
Options	Fixed-interest securities	21				
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35	0			
Adjustment for variation margin		41		(3141)		
Total (11 to 41)		49	192	(3141)		

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Phoenix With-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	**1016269**	**GL**	**31**	**12**	**2006**	**£000**	**16**

Derivative contracts			As at the end of this financial year Assets **1**	As at the end of this financial year Liabilities **2**	As at the end of the previous year Assets **3**	As at the end of the previous year Liabilities **4**
Futures contracts	Fixed-interest securities	**11**				
	Equity shares	**12**	462	74		
	Land	**13**				
	Currencies	**14**	34	37		
	Other	**15**				
Options	Fixed-interest securities	**21**				
	Equity shares	**22**				
	Land	**23**				
	Currencies	**24**				
	Other	**25**	33424			
Contracts for differences	Fixed-interest securities	**31**				
	Equity shares	**32**				
	Land	**33**				
	Currencies	**34**				
	Other	**35**	62875	79007		
Adjustment for variation margin		**41**				
Total (11 to 41)		**49**	96795	79118		

Form 17

Analysis of derivative contracts

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2006**

Category of assets **Alba with-Profits Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	1016269	GL	31	12	2006	£000	17

Derivative contracts			As at the end of this financial year: Assets 1	As at the end of this financial year: Liabilities 2	As at the end of the previous year: Assets 3	As at the end of the previous year: Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12				
	Land	13				
	Currencies	14				
	Other	15				
Options	Fixed-interest securities	21	15279			
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35				
Adjustment for variation margin		41				
Total (11 to 41)		49	15279			

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Phoenix Life Limited**
With-profits fund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	**11**	232639	
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	**13**	12080	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	**14**	483	
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	**15**		
	Total (11+12-(13+14+15))	**19**	220076	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	115805	
	Regulatory current liabilities of the fund	**22**	16649	
	Total (21+22)	**29**	132454	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	4584	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		**39**	137038	
Regulatory excess capital (19-39)		**49**	83038	

Realistic excess capital

Realistic excess capital	**51**		

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	**61**	83038	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	**62**		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	**63**		
Present value of future shareholder transfers arising from distribution of surplus	**64**	7565	
Present value of other future internal transfers not already taken into account	**65**		
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)	**66**	75473	

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Phoenix Life Limited**
With-profits fund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	11	358021	
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	358021	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	117163	
	Regulatory current liabilities of the fund	22	25060	
	Total (21+22)	29	142223	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	4594	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	146817	
Regulatory excess capital (19-39)		49	211204	

Realistic excess capital

Realistic excess capital	51		

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	211204	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
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)	66	211204	

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Phoenix Life Limited**
With-profits fund	**21 Britannic Industrial Branch Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	11	789791	
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	59234	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	2023	
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	728534	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	543230	
	Regulatory current liabilities of the fund	22	15048	
	Total (21+22)	29	558278	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	19045	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	577322	
Regulatory excess capital (19-39)		49	151212	

Realistic excess capital

Realistic excess capital	51		

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	151212	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	14323	
Present value of other future internal transfers not already taken into account	65		
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)	66	136889	

With-profits insurance capital component for the fund

Name of insurer	**Phoenix Life Limited**
With-profits fund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	11	5206515	
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	188317	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	4739	
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	5013459	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	3985903	
	Regulatory current liabilities of the fund	22	39722	
	Total (21+22)	29	4025626	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	161009	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	4186635	
Regulatory excess capital (19-39)		49	826824	

Realistic excess capital

Realistic excess capital	51		

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	826824	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	189536	
Present value of other future internal transfers not already taken into account	65		
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)	66	637288	

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Phoenix Life Limited**
With-profits fund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	11	7539760	
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	1252439	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	74694	
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	6212627	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4715668	
	Regulatory current liabilities of the fund	22	213462	
	Total (21+22)	29	4929130	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	192985	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	5122116	
Regulatory excess capital (19-39)		49	1090512	

Realistic excess capital

Realistic excess capital	51		

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	1090512	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	112715	
Present value of other future internal transfers not already taken into account	65		
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)	66	977796	

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Phoenix Life Limited**
With-profits fund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Regulatory excess capital				
Regulatory value of assets	Long-term admissible assets of the fund	**11**	1865279	
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	**13**	330573	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	**14**	6800	
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	**15**		
	Total (11+12-(13+14+15))	**19**	1527906	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	1487337	
	Regulatory current liabilities of the fund	**22**	40577	
	Total (21+22)	**29**	1527914	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	38470	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		**39**	1566384	
Regulatory excess capital (19-39)		**49**	(38478)	
Realistic excess capital				
Realistic excess capital		**51**	(16518)	
Excess assets allocated to with-profits insurance business				
Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)		**61**	(21960)	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)		**62**		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)		**63**		
Present value of future shareholder transfers arising from distribution of surplus		**64**	18192	
Present value of other future internal transfers not already taken into account		**65**		
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)		**66**		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **23 90% With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		11	220076	
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	2928	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	223004	
Support arrangement assets		27		
Assets available to the fund (26+27)		29	223004	
Realistic value of liabilities of fund				
With-profits benefit reserve		31	178713	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	16155	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	1020	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	2589	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	650	
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	9269	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	27642	
Realistic current liabilities of the fund		51	16649	
Realistic value of liabilities of fund (31+49+51)		59	223004	

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **23 90% With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	**62**	223004	
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	**63**		
Value of relevant assets before applying the most adverse scenario (62+63)	**64**	223004	
Risk capital margin for fund (62-59)	**65**		
Realistic excess capital for fund (26-(59+65))	**66**		
Realistic excess available capital for fund (29-(59+65))	**67**		
Working capital for fund (29-59)	**68**		
Working capital ratio for fund (68/29)	**69**		

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

Additional amount potentially available for inclusion in line 62	**81**	300000	
Additional amount potentially available for inclusion in line 63	**82**		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **24 100% Fund**

Financial year ended **31 December 2006**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		**11**	358021	
Implicit items allocated to the fund		**12**		
Value of shares in subsidiaries held in fund (regulatory)		**13**		
Excess admissible assets		**21**		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		**22**		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		**23**		
Value of shares in subsidiaries held in fund (realistic)		**24**		
Prepayments made from the fund		**25**		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		**26**	358021	
Support arrangement assets		**27**		
Assets available to the fund (26+27)		**29**	358021	
Realistic value of liabilities of fund				
With-profits benefit reserve		**31**	127265	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	**32**		
	Part miscellaneous deficit attributed to with-profits benefits reserve	**33**		
	Planned enhancements to with-profits benefits reserve	**34**	192363	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	**35**		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	**36**		
	Future costs of contractual guarantees (other than financial options)	**41**	1782	
	Future costs of non-contractual commitments	**42**		
	Future costs of financial options	**43**		
	Future costs of smoothing (possibly negative)	**44**		
	Financing costs	**45**		
	Any other liabilities related to regulatory duty to treat customers fairly	**46**		
	Other long-term insurance liabilities	**47**	11552	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	**49**	205696	
Realistic current liabilities of the fund		**51**	25060	
Realistic value of liabilities of fund (31+49+51)		**59**	358021	

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **24 100% Fund**

Financial year ended **31 December 2006**

Units **£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	**62**	358021	
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	**63**		
Value of relevant assets before applying the most adverse scenario (62+63)	**64**	358021	
Risk capital margin for fund (62-59)	**65**		
Realistic excess capital for fund (26-(59+65))	**66**		
Realistic excess available capital for fund (29-(59+65))	**67**		
Working capital for fund (29-59)	**68**		
Working capital ratio for fund (68/29)	**69**		

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

Additional amount potentially available for inclusion in line 62	**81**	300000	
Additional amount potentially available for inclusion in line 63	**82**		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **21 Britannic Industrial Branch Fund**

Financial year ended **31 December 2006**

Units **£000**

Realistic value of assets available to the fund

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets		11	728534	
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	(23)	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	728511	
Support arrangement assets		27		
Assets available to the fund (26+27)		29	728511	
Realistic value of liabilities of fund				
With-profits benefit reserve		31	495277	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	194194	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	6301	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	5606	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	12085	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	218186	
Realistic current liabilities of the fund		51	15048	
Realistic value of liabilities of fund (31+49+51)		59	728511	

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **21 Britannic Industrial Branch Fund**

Financial year ended **31 December 2006**

Units **£000**

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

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	**62**	728511	
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	**63**		
Value of relevant assets before applying the most adverse scenario (62+63)	**64**	728511	
Risk capital margin for fund (62-59)	**65**		
Realistic excess capital for fund (26-(59+65))	**66**		
Realistic excess available capital for fund (29-(59+65))	**67**		
Working capital for fund (29-59)	**68**		
Working capital ratio for fund (68/29)	**69**		

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

Additional amount potentially available for inclusion in line 62	**81**	300000	
Additional amount potentially available for inclusion in line 63	**82**		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Realistic value of assets available to the fund

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets		11	5013459	
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	67454	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	5080913	
Support arrangement assets		27		
Assets available to the fund (26+27)		29	5080913	
Realistic value of liabilities of fund				
With-profits benefit reserve		31	4536629	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	291312	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	62485	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	43864	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	106901	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	504562	
Realistic current liabilities of the fund		51	39722	
Realistic value of liabilities of fund (31+49+51)		59	5080913	

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer	**Phoenix Life Limited**
With-profits fund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	**62**	5080913	
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	**63**		
Value of relevant assets before applying the most adverse scenario (62+63)	**64**	5080913	
Risk capital margin for fund (62-59)	**65**		
Realistic excess capital for fund (26-(59+65))	**66**		
Realistic excess available capital for fund (29-(59+65))	**67**		
Working capital for fund (29-59)	**68**		
Working capital ratio for fund (68/29)	**69**		

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

Additional amount potentially available for inclusion in line 62	**81**	300000	
Additional amount potentially available for inclusion in line 63	**82**		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		11	6212627	
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	74647	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	6287274	
Support arrangement assets		27		
Assets available to the fund (26+27)		29	6287274	
Realistic value of liabilities of fund				
With-profits benefit reserve		31	5549151	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33	5242	
	Planned enhancements to with-profits benefits reserve	34	154544	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	40983	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	78004	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	228663	
	Future costs of smoothing (possibly negative)	44	2114	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	111659	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	528759	
Realistic current liabilities of the fund		51	209365	
Realistic value of liabilities of fund (31+49+51)		59	6287274	

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	62	6287274	
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	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	6287274	
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	300000	
Additional amount potentially available for inclusion in line 63	82		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer	**Phoenix Life Limited**
With-profits fund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		11	1527906	
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	54	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	1527959	
Support arrangement assets		27		
Assets available to the fund (26+27)		29	1527959	
Realistic value of liabilities of fund				
With-profits benefit reserve		31	1227141	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	51925	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	37634	
	Future costs of contractual guarantees (other than financial options)	41	150358	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	74673	
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	18200	
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	2719	
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	260241	
Realistic current liabilities of the fund		51	40577	
Realistic value of liabilities of fund (31+49+51)		59	1527959	

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	62	1544477	
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	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	1544477	
Risk capital margin for fund (62-59)	65	16518	
Realistic excess capital for fund (26-(59+65))	66	(16518)	
Realistic excess available capital for fund (29-(59+65))	67	(16518)	
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	300000	
Additional amount potentially available for inclusion in line 63	82		

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	**11**	180984	114417
Investment income receivable before deduction of tax	**12**	245124	148385
Increase (decrease) in the value of non-linked assets brought into account	**13**	61435	(1384)
Increase (decrease) in the value of linked assets	**14**	284246	574814
Other income	**15**	41578	
Total income	**19**	813367	836232
Expenditure			
Claims incurred	**21**	1027996	482572
Expenses payable	**22**	70233	30921
Interest payable before the deduction of tax	**23**		
Taxation	**24**	32415	(3657)
Other expenditure	**25**	40000	(542)
Transfer to (from) non technical account	**26**	348546	55555
Total expenditure	**29**	1519190	564849
Business transfers - in	**31**	18329103	2196403
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	17623280	2467786
Fund brought forward	**49**	6581046	4113260
Fund carried forward (39+49)	**59**	24204326	6581046

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**21 Britannic Industrial Branch Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11		
Investment income receivable before deduction of tax	12		
Increase (decrease) in the value of non-linked assets brought into account	13	1937	
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	1937	
Expenditure			
Claims incurred	21		
Expenses payable	22		
Interest payable before the deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	215	
Total expenditure	29	215	
Business transfers - in	31	634421	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	636143	
Fund brought forward	49		
Fund carried forward (39+49)	59	636143	

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11		
Investment income receivable before deduction of tax	12		
Increase (decrease) in the value of non-linked assets brought into account	13	82774	
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	82774	
Expenditure			
Claims incurred	21		
Expenses payable	22		
Interest payable before the deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	9189	
Total expenditure	29	9189	
Business transfers - in	31	4105636	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	4179221	
Fund brought forward	49		
Fund carried forward (39+49)	59	4179221	

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	**11**	3366	
Investment income receivable before deduction of tax	**12**	5267	
Increase (decrease) in the value of non-linked assets brought into account	**13**	(2500)	
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**	6133	
Expenditure			
Claims incurred	**21**	9228	
Expenses payable	**22**	739	
Interest payable before the deduction of tax	**23**		
Taxation	**24**	339	
Other expenditure	**25**		
Transfer to (from) non technical account	**26**	575	
Total expenditure	**29**	10881	
Business transfers - in	**31**	48623	84460
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	43875	84460
Fund brought forward	**49**	84460	
Fund carried forward (39+49)	**59**	128335	84460

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	**11**	3523	
Investment income receivable before deduction of tax	**12**	14024	
Increase (decrease) in the value of non-linked assets brought into account	**13**	23537	
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**	41084	
Expenditure			
Claims incurred	**21**	66936	
Expenses payable	**22**	1119	
Interest payable before the deduction of tax	**23**		
Taxation	**24**	8504	
Other expenditure	**25**		
Transfer to (from) non technical account	**26**		
Total expenditure	**29**	76559	
Business transfers - in	**31**		153488
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	(35475)	153488
Fund brought forward	**49**	153488	
Fund carried forward (39+49)	**59**	118013	153488

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	**11**	3567	
Investment income receivable before deduction of tax	**12**		
Increase (decrease) in the value of non-linked assets brought into account	**13**	350	
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**	3917	
Expenditure			
Claims incurred	**21**		
Expenses payable	**22**		
Interest payable before the deduction of tax	**23**		
Taxation	**24**		
Other expenditure	**25**	40000	
Transfer to (from) non technical account	**26**	39	
Total expenditure	**29**	40039	
Business transfers - in	**31**	1854032	
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	1817910	
Fund brought forward	**49**		
Fund carried forward (39+49)	**59**	1817910	

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	**11**		
Investment income receivable before deduction of tax	**12**		
Increase (decrease) in the value of non-linked assets brought into account	**13**	21884	
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**	21884	
Expenditure			
Claims incurred	**21**		
Expenses payable	**22**		
Interest payable before the deduction of tax	**23**		
Taxation	**24**		
Other expenditure	**25**		
Transfer to (from) non technical account	**26**	1528	
Total expenditure	**29**	1528	
Business transfers - in	**31**	5948251	
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	5968607	
Fund brought forward	**49**		
Fund carried forward (39+49)	**59**	5968607	

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	170528	114417
Investment income receivable before deduction of tax	12	225833	148385
Increase (decrease) in the value of non-linked assets brought into account	13	(66547)	(1384)
Increase (decrease) in the value of linked assets	14	284246	574814
Other income	15	41578	
Total income	19	655638	836232
Expenditure			
Claims incurred	21	951832	482572
Expenses payable	22	68375	30921
Interest payable before the deduction of tax	23		
Taxation	24	23572	(3657)
Other expenditure	25		(542)
Transfer to (from) non technical account	26	337000	55555
Total expenditure	29	1380779	564849
Business transfers - in	31	5738140	1958455
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	5012999	2229838
Fund brought forward	49	6343098	4113260
Fund carried forward (39+49)	59	11356097	6343098

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	158698	43916	1690	204304	84367
Single premiums	12	5242	41039		46281	47259
Reinsurance - external						
Regular premiums	13	55201	1974	680	57855	1701
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	8179			8179	15508
Single premiums	16	3567			3567	
Net of reinsurance						
Regular premiums	17	95318	41942	1010	138270	67158
Single premiums	18	1675	41039		42714	47259
Total						
Gross	19	163940	84955	1690	250585	131626
Reinsurance	20	66947	1974	680	69601	17209
Net	21	96993	82981	1010	180984	114417

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	2232		7	2239	
Single premiums	12	1132			1132	
Reinsurance - external						
Regular premiums	13	4		1	5	
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17	2228		6	2234	
Single premiums	18	1132			1132	
Total						
Gross	19	3364		7	3371	
Reinsurance	20	4		1	5	
Net	21	3360		6	3366	

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	**11**	1648	1962		3610	
Single premiums	**12**					
Reinsurance - external						
Regular premiums	**13**	87			87	
Single premiums	**14**					
Reinsurance - intra-group						
Regular premiums	**15**					
Single premiums	**16**					
Net of reinsurance						
Regular premiums	**17**	1561	1962		3523	
Single premiums	**18**					
Total						
Gross	**19**	1648	1962		3610	
Reinsurance	**20**	87			87	
Net	**21**	1561	1962		3523	

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11					
Single premiums	12	3567			3567	
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17					
Single premiums	18	3567			3567	
Total						
Gross	19	3567			3567	
Reinsurance	20					
Net	21	3567			3567	

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	**11**	154818	41954	1683	198455	84367
Single premiums	**12**	543	41039		41582	47259
Reinsurance - external						
Regular premiums	**13**	55110	1974	679	57763	1701
Single premiums	**14**					
Reinsurance - intra-group						
Regular premiums	**15**	8179			8179	15508
Single premiums	**16**	3567			3567	
Net of reinsurance						
Regular premiums	**17**	91529	39980	1004	132513	67158
Single premiums	**18**	(3024)	41039		38015	47259
Total						
Gross	**19**	155361	82993	1683	240037	131626
Reinsurance	**20**	66856	1974	679	69509	17209
Net	**21**	88505	81019	1004	170528	114417

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	87398	8069	(2783)	92684	32602
Disability periodic payments	12	38935			38935	16
Surrender or partial surrender	13	158899	623696	3869	786464	392121
Annuity payments	14	179	46415	15	46609	6612
Lump sums on maturity	15	73633	56028		129661	57062
Total	16	359044	734208	1101	1094353	488413
Reinsurance - external						
Death or disability lump sums	21	17610	2749		20359	1113
Disability periodic payments	22	37862			37862	
Surrender or partial surrender	23	529			529	490
Annuity payments	24	1	1121		1122	
Lump sums on maturity	25					
Total	26	56002	3870		59872	1603
Reinsurance - intra-group						
Death or disability lump sums	31	3818			3818	3401
Disability periodic payments	32					
Surrender or partial surrender	33	1880			1880	289
Annuity payments	34		286		286	312
Lump sums on maturity	35	501			501	236
Total	36	6199	286		6485	4238
Net of reinsurance						
Death or disability lump sums	41	65970	5320	(2783)	68507	28088
Disability periodic payments	42	1073			1073	16
Surrender or partial surrender	43	156490	623696	3869	784055	391342
Annuity payments	44	178	45008	15	45201	6300
Lump sums on maturity	45	73132	56028		129160	56826
Total	46	296843	730052	1101	1027996	482572

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Gross

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Death or disability lump sums	11	1644		15	1659	
Disability periodic payments	12					
Surrender or partial surrender	13	3929		3	3932	
Annuity payments	14					
Lump sums on maturity	15	3637			3637	
Total	16	9210		18	9228	

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	1644		15	1659	
Disability periodic payments	42					
Surrender or partial surrender	43	3929		3	3932	
Annuity payments	44					
Lump sums on maturity	45	3637			3637	
Total	46	9210		18	9228	

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	6185	5		6190	
Disability periodic payments	12					
Surrender or partial surrender	13	15527			15527	
Annuity payments	14					
Lump sums on maturity	15	50021	16		50037	
Total	16	71733	21		71754	
Reinsurance - external						
Death or disability lump sums	21	4818			4818	
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	4818			4818	
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					
Net of reinsurance						
Death or disability lump sums	41	1367	5		1372	
Disability periodic payments	42					
Surrender or partial surrender	43	15527			15527	
Annuity payments	44					
Lump sums on maturity	45	50021	16		50037	
Total	46	66915	21		66936	

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	79569	8064	(2798)	84835	32602
Disability periodic payments	12	38935			38935	16
Surrender or partial surrender	13	139443	623696	3866	767005	392121
Annuity payments	14	179	46415	15	46609	6612
Lump sums on maturity	15	19975	56012		75987	57062
Total	16	278101	734187	1083	1013371	488413
Reinsurance - external						
Death or disability lump sums	21	12792	2749		15541	1113
Disability periodic payments	22	37862			37862	
Surrender or partial surrender	23	529			529	490
Annuity payments	24	1	1121		1122	
Lump sums on maturity	25					
Total	26	51184	3870		55054	1603
Reinsurance - intra-group						
Death or disability lump sums	31	3818			3818	3401
Disability periodic payments	32					
Surrender or partial surrender	33	1880			1880	289
Annuity payments	34		286		286	312
Lump sums on maturity	35	501			501	236
Total	36	6199	286		6485	4238
Net of reinsurance						
Death or disability lump sums	41	62959	5315	(2798)	65476	28088
Disability periodic payments	42	1073			1073	16
Surrender or partial surrender	43	137034	623696	3866	764596	391342
Annuity payments	44	178	45008	15	45201	6300
Lump sums on maturity	45	19474	56012		75486	56826
Total	46	220718	730031	1083	951832	482572

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11	811	365	1027	2203	986
Commission - other	12	5302	326	20	5648	2385
Management - acquisition	13	2563	1256		3819	1866
Management - maintenance	14	27894	17558	161	45613	23270
Management - other	15	4359	9516		13875	2807
Total	16	40929	29021	1208	71158	31314
Reinsurance - external						
Commission - acquisition	21	209	17	33	259	
Commission - other	22	397	19		416	5
Management - acquisition	23					
Management - maintenance	24					114
Management - other	25					
Total	26	606	36	33	675	119
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32	250			250	274
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	250			250	274
Net of reinsurance						
Commission - acquisition	41	602	348	994	1944	986
Commission - other	42	4655	307	20	4982	2106
Management - acquisition	43	2563	1256		3819	1866
Management - maintenance	44	27894	17558	161	45613	23156
Management - other	45	4359	9516		13875	2807
Total	46	40073	28985	1175	70233	30921

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	178			178	
Management - other	15	561			561	
Total	16	739			739	
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	178			178	
Management - other	45	561			561	
Total	46	739			739	

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11					
Commission - other	12	467			467	
Management - acquisition	13					
Management - maintenance	14	636			636	
Management - other	15	16			16	
Total	16	1119			1119	
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42	467			467	
Management - acquisition	43					
Management - maintenance	44	636			636	
Management - other	45	16			16	
Total	46	1119			1119	

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	**11**	811	365	1027	2203	986
Commission - other	**12**	4835	326	20	5181	2385
Management - acquisition	**13**	2563	1256		3819	1866
Management - maintenance	**14**	27080	17558	161	44799	23270
Management - other	**15**	3782	9516		13298	2807
Total	**16**	39071	29021	1208	69300	31314
Reinsurance - external						
Commission - acquisition	**21**	209	17	33	259	
Commission - other	**22**	397	19		416	5
Management - acquisition	**23**					
Management - maintenance	**24**					114
Management - other	**25**					
Total	**26**	606	36	33	675	119
Reinsurance - intra-group						
Commission - acquisition	**31**					
Commission - other	**32**	250			250	274
Management - acquisition	**33**					
Management - maintenance	**34**					
Management - other	**35**					
Total	**36**	250			250	274
Net of reinsurance						
Commission - acquisition	**41**	602	348	994	1944	986
Commission - other	**42**	4188	307	20	4515	2106
Management - acquisition	**43**	2563	1256		3819	1866
Management - maintenance	**44**	27080	17558	161	44799	23156
Management - other	**45**	3782	9516		13298	2807
Total	**46**	38215	28985	1175	68375	30921

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

Units **£000**

		Financial year 1	Previous year 2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	**11**	5096153	3508424
Directly held assets in collective investment schemes of connected companies	**12**	2326632	28893
Directly held assets in other collective investment schemes	**13**	313762	1014399
Total assets (excluding cross investment) (11+12+ 13)	**14**	7736546	4551716
Provision for tax on unrealised capital gains	**15**	33027	31103
Secured and unsecured loans	**16**	327	
Other liabilities	**17**	86280	32207
Total net assets (14-15-16-17)	**18**	7616913	4488406
Directly held linked assets			
Value of directly held linked assets	**21**	37583	35308
Total			
Value of directly held linked assets and units held (18+21)	**31**	7654495	4523714
Surplus units	**32**	22159	39077
Deficit units	**33**		
Net unit liability (31-32+33)	**34**	7632336	4484637

Form 45

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

Name of insurer	**Phoenix Life Limited**
Total business	
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Value of total creation of units	**11**	237724	135183
Investment income attributable to the funds before deduction of tax	**12**	129803	129831
Increase (decrease) in the value of investments in the financial year	**13**	282681	592665
Other income	**14**	3526357	327042
Total income	**19**	4176565	1184721
Expenditure			
Value of total cancellation of units	**21**	730375	488638
Charges for management	**22**	37370	35301
Charges in respect of tax on investment income	**23**	4525	6414
Taxation on realised capital gains	**24**	12097	6088
Increase (decrease) in amount set aside for tax on capital gains not yet realised	**25**	1009	18884
Other expenditure	**26**	8596	1798
Total expenditure	**29**	793972	557123
Increase (decrease) in funds in financial year (19-29)	**39**	3382593	627598
Internal linked fund brought forward	**49**	4234319	3860808
Internal linked funds carried forward (39+49)	**59**	7616912	4488406

Form 46

Long-term insurance business : Summary of new business

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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**	221	4		225	32
Single premium business	**12**	1	862		863	654
Total	**13**	222	866		1088	686
Amount of new regular premiums						
Direct insurance business	**21**	1476	301	1	1777	39
External reinsurance	**22**	15			15	
Intra-group reinsurance	**23**	1361	1092		2453	769
Total	**24**	2851	1393	1	4245	808
Amount of new single premiums						
Direct insurance business	**25**	51	26143		26194	6434
External reinsurance	**26**					
Intra-group reinsurance	**27**		10275		10275	685
Total	**28**	51	36418		36469	7119

Form 47
(Sheet 1)

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix Life Limited**
Total business	
Financial year ended	**31 December 2006**
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
105	Conventional whole life with-profits IB		0		
120	Conventional endowment with-profits OB savings		0		
125	Conventional endowment with-profits OB target cash	1	0		
300	Regular Premium non-profit WL/EA OB	1	4		
310	Non-profit IB		0		
325	Level term assurance	73	272		
330	Decreasing term assurance	17	6		
340	Accelerated critical illness (guaranteed premiums)	33	17		
345	Accelerated critical illness (reviewable premiums)	17	98		
350	Stand-alone critical illness (guaranteed premiums)	13	2		
355	Stand-alone critical illness (reviewable premiums)	27	406		
360	Income protection non-profit (guaranteed premiums)	1			
380	Miscellaneous protection rider		0		
395	Annuity non-profit (PLA)			1	51
710	Life property linked whole life regular premium	24	323		

Form 47
(Sheet 2)

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix Life Limited**
Total business	
Financial year ended	**31 December 2006**
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
715	Life property linked endowment regular premium - savings		9		
720	Life property linked endowment regular premium - target cash		80		
910	Miscellaneous index linked	14	258		

Long-term insurance business : Analysis of new business

Name of insurer	**Phoenix Life Limited**
Total business	
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance accepted external	

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
340	Accelerated critical illness (guaranteed premiums)	1	0		
360	Income protection non-profit (guaranteed premiums)	1			
380	Miscellaneous protection rider		0		
910	Miscellaneous index linked	7	15		

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

Units **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance		177		
355	Stand-alone critical illness (reviewable premiums)		1176		
360	Income protection non-profit (guaranteed premiums)		0		
385	Income protection claims in payment		5		
710	Life property linked whole life regular premium		2		

Form 47

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
325	Level term assurance	1	61		
390	Deferred annuity non-profit			4	643
400	Annuity non-profit (CPA)			827	9203
725	Individual pensions Property-linked	3	216	20	16115
735	Group money purchase pensions Property-linked		10		
905	Index linked annuity			11	182
910	Miscellaneous index linked		14		

Form 47

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
725	Individual pensions Property-linked	197	732	41	9542
735	Group money purchase pensions Property-linked	45	360	9	733

Form 47

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

Units **£000**

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business: Number of policyholders / scheme members	Regular premium business: Amount of premiums	Single premium business: Number of policyholders / scheme members	Single premium business: Amount of premiums
1	2	3	4	5	6
105	Conventional whole life with-profits IB		0		
310	Non-profit IB		0		
710	Life property linked whole life regular premium		1		
720	Life property linked endowment regular premium - target cash		0		

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2006**
Units	**£000**

		Unadjusted assets 1	Economic exposure 2	Expected income from assets in column 2 3	Yield before adjustment 4	Return on assets in financial year 5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	11	3558	17231	603	3.50	
Approved fixed interest securities	12	2437893	2435647	119556	4.72	
Other fixed interest securities	13	2345910	2344330	131254	5.52	
Variable interest securities	14	190781	190781	5000	3.49	
UK listed equity shares	15	29430	30455	869	2.85	
Non-UK listed equity shares	16	3532	20828			
Unlisted equity shares	17	51426	51426			
Other assets	18	528585	500415	16814	3.36	
Total	19	5591114	5591114	274095	4.81	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	1243188	1527005	67281	4.41	15.73
Approved fixed interest securities	22	5149446	5141016	262700	4.83	0.51
Other fixed interest securities	23	2321414	2317537	129512	5.61	0.99
Variable interest securities	24	133170	133170	6498	2.12	0.74
UK listed equity shares	25	2838653	2947071	125986	4.70	15.85
Non-UK listed equity shares	26	710308	941348	21746	2.73	7.78
Unlisted equity shares	27	43827	20990			
Other assets	28	1541611	953479	20967	2.21	4.59
Total	29	13981617	13981617	634689	4.53	6.26
Overall return on with-profits assets						
Post investment costs but pre-tax	31					6.38
Return allocated to non taxable 'asset shares'	32					6.87
Return allocated to taxable 'asset shares'	33					5.48

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**11 100% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Unadjusted assets 1	Economic exposure 2	Expected income from assets in column 2 3	Yield before adjustment 4	Return on assets in financial year 5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	11					
Approved fixed interest securities	12					
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					
Total	19					
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	815	23653	772	3.26	15.62
Approved fixed interest securities	22	107413	107413	5415	4.73	(0.32)
Other fixed interest securities	23	23434	23434	1481	5.23	(0.32)
Variable interest securities	24	12009	12009	3723	3.14	
UK listed equity shares	25	121309	130028	6482	4.99	16.02
Non-UK listed equity shares	26	23807	52649	1447	2.75	9.45
Unlisted equity shares	27	22848	11			
Other assets	28	46385	8825	230	2.73	
Total	29	358021	358021	19550	4.37	8.12
Overall return on with-profits assets						
Post investment costs but pre-tax	31					8.90
Return allocated to non taxable 'asset shares'	32					8.90
Return allocated to taxable 'asset shares'	33					7.29

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**12 Non-Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Unadjusted assets 1	Economic exposure 2	Expected income from assets in column 2 3	Yield before adjustment 4	Return on assets in financial year 5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	**11**	3558	3558			
Approved fixed interest securities	**12**	1419147	1419147	66450	4.57	
Other fixed interest securities	**13**	1668351	1668351	94134	5.50	
Variable interest securities	**14**	190745	190745	4998	3.49	
UK listed equity shares	**15**	29430	30455	869	2.85	
Non-UK listed equity shares	**16**	3532	20828			
Unlisted equity shares	**17**	51426	51426			
Other assets	**18**	491953	473631	16341	3.45	
Total	**19**	3858141	3858141	182793	4.68	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	**21**					
Approved fixed interest securities	**22**					
Other fixed interest securities	**23**					
Variable interest securities	**24**					
UK listed equity shares	**25**					
Non-UK listed equity shares	**26**					
Unlisted equity shares	**27**					
Other assets	**28**					
Total	**29**					
Overall return on with-profits assets						
Post investment costs but pre-tax	**31**					
Return allocated to non taxable 'asset shares'	**32**					
Return allocated to taxable 'asset shares'	**33**					

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**13 90% With-Profits Fund**
Financial year ended	**31 December 2006**
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	6256	6256	315	5.09	
Other fixed interest securities	13	3484	3484	109	5.48	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	9740	9740	424	5.23	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21					
Approved fixed interest securities	22	52969	52969	2675	5.07	(0.10)
Other fixed interest securities	23	36650	36650	2140	5.55	(0.08)
Variable interest securities	24	4089	4089	204	4.97	
UK listed equity shares	25	76804	79835	3925	4.95	16.70
Non-UK listed equity shares	26	38	22479	177		9.70
Unlisted equity shares	27	8689	8689			
Other assets	28	43661	18190	336	1.70	0.86
Total	29	222900	222900	9457	4.12	7.00
Overall return on with-profits assets						
Post investment costs but pre-tax	31					7.81
Return allocated to non taxable 'asset shares'	32					7.94
Return allocated to taxable 'asset shares'	33					6.75

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**14 Britannic Industrial Branch Fund**
Financial year ended	**31 December 2006**
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	51342	51342	2632	5.06	
Other fixed interest securities	13	9916	9916	547	5.57	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	61257	61257	3179	5.14	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21		28096	1059	3.77	11.22
Approved fixed interest securities	22	303688	303688	15459	5.14	1.46
Other fixed interest securities	23	122596	122596	6926	5.78	0.97
Variable interest securities	24					
UK listed equity shares	25	187518	193267	9531	4.93	16.50
Non-UK listed equity shares	26		45575	161	0.35	8.56
Unlisted equity shares	27					
Other assets	28	114732	35313	633	1.98	4.57
Total	29	728534	728534	33769	4.69	6.34
Overall return on with-profits assets						
Post investment costs but pre-tax	31					7.63
Return allocated to non taxable 'asset shares'	32					7.74
Return allocated to taxable 'asset shares'	33					6.66

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**15 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
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	150138	150138	7728	5.07	
Other fixed interest securities	13	42918	42918	2345	5.61	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	193056	193056	10073	5.19	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	344382	363147	14000	3.86	14.18
Approved fixed interest securities	22	1231202	1231202	63311	4.84	(0.67)
Other fixed interest securities	23	758139	758139	43197	5.68	1.27
Variable interest securities	24					
UK listed equity shares	25	1525733	1607062	78329	4.87	16.17
Non-UK listed equity shares	26	346598	437775	12141	2.77	8.89
Unlisted equity shares	27	12290	12290			
Other assets	28	795114	603845	8866	1.47	4.63
Total	29	5013460	5013460	219844	4.31	7.57

Overall return on with-profits assets

Post investment costs but pre-tax	31					7.29
Return allocated to non taxable 'asset shares'	32					7.42
Return allocated to taxable 'asset shares'	33					6.37

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**16 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
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	666576	664330	34993	4.83	
Other fixed interest securities	13	468796	467217	25654	5.58	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	(3825)				
Total	19	1131547	1131547	60647	5.14	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	876770	885170	41295	4.67	16.67
Approved fixed interest securities	22	2502525	2494095	130907	4.83	0.90
Other fixed interest securities	23	1150784	1146908	62975	5.58	0.90
Variable interest securities	24	110101	110101	2220	1.72	0.90
UK listed equity shares	25	927288	936880	27719	4.31	15.08
Non-UK listed equity shares	26	339865	382870	7820	3.13	6.08
Unlisted equity shares	27					
Other assets	28	226178	177488	7274	4.13	5.20
Total	29	6133511	6133511	280209	4.68	5.79
Overall return on with-profits assets						
Post investment costs but pre-tax	31					4.50
Return allocated to non taxable 'asset shares'	32					5.10
Return allocated to taxable 'asset shares'	33					3.60

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**17 Alba with-Profits Fund**
Financial year ended	**31 December 2006**
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	0	13673	603	4.41	
Approved fixed interest securities	12	144435	144435	7437	5.15	
Other fixed interest securities	13	152445	152445	8464	5.55	
Variable interest securities	14	36	36	2	5.04	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	40457	26784	473	1.76	
Total	19	337373	337373	16978	5.03	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	21220	226940	10155	4.47	15.14
Approved fixed interest securities	22	951650	951650	44933	4.72	0.85
Other fixed interest securities	23	229810	229810	12793	5.57	0.81
Variable interest securities	24	6971	6971	351	5.04	
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	315540	109820	3628	3.30	4.35
Total	29	1525191	1525191	71861	4.71	3.22
Overall return on with-profits assets						
Post investment costs but pre-tax	31					3.19
Return allocated to non taxable 'asset shares'	32					4.27
Return allocated to taxable 'asset shares'	33					3.41

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	5530794	8.60	4.79	4.77
Other approved fixed interest securities	**21**	2056544	10.53	4.80	4.79
Other fixed interest securities					
AAA/Aaa	**31**	743069	11.29	5.20	5.10
AA/Aa	**32**	933277	7.77	5.40	5.23
A/A	**33**	2263302	8.94	5.66	5.40
BBB/Baa	**34**	621078	8.65	5.95	5.25
BB/Ba	**35**	22362	12.73	5.33	3.45
B/B	**36**	10541	0.93	7.34	0.12
CCC/Caa	**37**				
Other (including unrated)	**38**	73695	11.26	5.74	4.52
Total other fixed interest securities	**39**	4667324	9.08	5.58	5.26
Approved variable interest securities	**41**	202074	12.48	1.82	1.82
Other variable interest securities	**51**	121877	9.11	4.77	4.32
Total (11+21+39+41+51)	**61**	12578613	9.16	5.04	4.90

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**11 100% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	80448	9.27	4.75	4.75
Other approved fixed interest securities	**21**	26965	13.06	4.68	4.68
Other fixed interest securities					
AAA/Aaa	**31**	11467	14.12	5.09	5.01
AA/Aa	**32**	5810	11.96	5.21	5.07
A/A	**33**	5212	11.07	5.45	5.18
BBB/Baa	**34**	91	16.51	6.24	5.70
BB/Ba	**35**				
B/B	**36**				
CCC/Caa	**37**				
Other (including unrated)	**38**	854	10.32	5.72	5.48
Total other fixed interest securities	**39**	23434	12.78	5.23	5.08
Approved variable interest securities	**41**	8532	10.76	2.20	2.20
Other variable interest securities	**51**	3477	10.94	5.46	5.30
Total (11+21+39+41+51)	**61**	142856	10.69	4.68	4.65

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**12 Non-Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	1076225	13.65	4.46	4.46
Other approved fixed interest securities	**21**	342922	12.50	4.72	4.72
Other fixed interest securities					
AAA/Aaa	**31**	245895	11.42	5.11	5.03
AA/Aa	**32**	351349	8.60	5.30	5.17
A/A	**33**	885261	8.78	5.63	5.39
BBB/Baa	**34**	130960	8.95	5.73	5.08
BB/Ba	**35**				
B/B	**36**	799	0.93	7.34	0.12
CCC/Caa	**37**				
Other (including unrated)	**38**	54086	9.69	5.82	5.07
Total other fixed interest securities	**39**	1668351	9.17	5.50	5.25
Approved variable interest securities	**41**	114230	8.18	2.21	2.21
Other variable interest securities	**51**	76515	9.38	5.42	5.25
Total (11+21+39+41+51)	**61**	3278243	10.96	4.96	4.83

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**

Category of assets **13 90% With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	49068	6.28	5.05	3.12
Other approved fixed interest securities	**21**	10157	5.44	5.14	2.88
Other fixed interest securities					
AAA/Aaa	**31**	7003	7.10	5.33	3.19
AA/Aa	**32**	10841	7.60	5.50	1.52
A/A	**33**	16842	10.27	5.50	3.09
BBB/Baa	**34**	2431	12.98	5.92	3.12
BB/Ba	**35**				
B/B	**36**				
CCC/Caa	**37**				
Other (including unrated)	**38**	3017	8.85	2.38	2.28
Total other fixed interest securities	**39**	40134	9.05	5.26	2.62
Approved variable interest securities	**41**				
Other variable interest securities	**51**	4089	8.67	4.97	4.66
Total (11+21+39+41+51)	**61**	103448	7.37	5.14	2.96

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**14 Britannic Industrial Branch Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	269569	4.12	5.11	5.11
Other approved fixed interest securities	**21**	85460	3.92	5.22	5.22
Other fixed interest securities					
AAA/Aaa	**31**	15027	10.47	5.29	5.21
AA/Aa	**32**	21509	6.12	5.86	5.74
A/A	**33**	60816	9.80	5.75	5.51
BBB/Baa	**34**	33313	8.99	5.99	5.33
BB/Ba	**35**				
B/B	**36**	1847	0.93	7.34	0.12
CCC/Caa	**37**				
Other (including unrated)	**38**				
Total other fixed interest securities	**39**	132511	8.95	5.80	5.39
Approved variable interest securities	**41**				
Other variable interest securities	**51**				
Total (11+21+39+41+51)	**61**	487540	5.40	5.32	5.20

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**15 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	731466	5.97	4.95	4.95
Other approved fixed interest securities	**21**	649874	12.62	4.76	4.76
Other fixed interest securities					
AAA/Aaa	**31**	109837	11.33	5.25	5.17
AA/Aa	**32**	113372	8.84	5.48	5.36
A/A	**33**	356355	10.39	5.75	5.51
BBB/Baa	**34**	208430	8.94	6.03	5.37
BB/Ba	**35**	334	6.06	4.85	2.31
B/B	**36**	7894	0.93	7.34	0.12
CCC/Caa	**37**				
Other (including unrated)	**38**	4835	39.31	4.69	4.03
Total other fixed interest securities	**39**	801057	10.00	5.72	5.34
Approved variable interest securities	**41**				
Other variable interest securities	**51**				
Total (11+21+39+41+51)	**61**	2182397	9.43	5.18	5.04

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**16 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	2364250	8.13	4.84	4.84
Other approved fixed interest securities	**21**	804851	8.72	4.87	4.87
Other fixed interest securities					
AAA/Aaa	**31**	318016	11.09	5.25	5.17
AA/Aa	**32**	374711	5.96	5.48	5.36
A/A	**33**	756194	7.91	5.69	5.45
BBB/Baa	**34**	170659	7.46	6.02	5.37
BB/Ba	**35**				
B/B	**36**				
CCC/Caa	**37**				
Other (including unrated)	**38**				
Total other fixed interest securities	**39**	1619580	8.04	5.59	5.37
Approved variable interest securities	**41**	79312	18.85	1.23	1.23
Other variable interest securities	**51**	30789	9.19	3.00	2.85
Total (11+21+39+41+51)	**61**	4898782	8.38	5.02	4.95

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Phoenix Life Limited**
Category of assets	**17 Alba with-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	959769	7.45	4.83	4.83
Other approved fixed interest securities	**21**	136316	10.31	4.44	4.44
Other fixed interest securities					
AAA/Aaa	**31**	35823	12.25	5.23	5.02
AA/Aa	**32**	55685	12.87	5.24	5.00
A/A	**33**	182622	10.70	5.52	5.18
BBB/Baa	**34**	75194	9.71	5.97	4.97
BB/Ba	**35**	22029	12.83	5.34	3.46
B/B	**36**				
CCC/Caa	**37**				
Other (including unrated)	**38**	10903	7.33	6.69	2.59
Total other fixed interest securities	**39**	382256	11.00	5.56	4.93
Approved variable interest securities	**41**				
Other variable interest securities	**51**	7007	5.21	5.04	
Total (11+21+39+41+51)	**61**	1485348	8.61	4.98	4.79

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11	3750278	1488620	103937	5342835	125537
Form 51 - non-profit	12	1090390	5336299	88692	6515380	1538352
Form 52	13	1662466	3703310	112589	5478365	99019
Form 53 - linked	14	2334642	5769501	7389	8111533	4495649
Form 53 - non-linked	15	119768	179536	117	299421	170463
Form 54 - linked	16	261362	482189	171	743722	441002
Form 54 - non-linked	17	80008	5843		85852	93773
Total	18	9298914	16965299	312895	26577108	6963795
Reinsurance - external						
Form 51 - with-profits	21	2260			2260	1838
Form 51 - non-profit	22	386465	1531573	165	1918204	257031
Form 52	23	3	0		3	
Form 53 - linked	24	11211			11211	11014
Form 53 - non-linked	25	1163	44		1207	(437)
Form 54 - linked	26	115674	2511		118185	104519
Form 54 - non-linked	27	5499	11		5510	6630
Total	28	522275	1534139	165	2056579	380595
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32	1427	2771		4198	10691
Form 52	33					
Form 53 - linked	34	112513	382570		495084	
Form 53 - non-linked	35	20			20	(3657)
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	113961	385341		499302	7034
Net of reinsurance						
Form 51 - with-profits	41	3748018	1488620	103937	5340575	123699
Form 51 - non-profit	42	702497	3801955	88526	4592979	1270630
Form 52	43	1662463	3703310	112589	5478362	99019
Form 53 - linked	44	2210918	5386931	7389	7605238	4484635
Form 53 - non-linked	45	118585	179493	117	298195	174557
Form 54 - linked	46	145688	479678	171	625537	336483
Form 54 - non-linked	47	74509	5832		80341	87143
Total	48	8662679	15045819	312729	24021227	6576166

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**21 Britannic Industrial Branch Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11	541293			541293	
Form 51 - non-profit	12	59234			59234	
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	600527			600527	
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41	541293			541293	
Form 51 - non-profit	42	59234			59234	
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	600527			600527	

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	**11**	607696	130984		738680	
Form 51 - non-profit	**12**	25968	111129		137097	
Form 52	**13**	419755	2654637	91271	3165662	
Form 53 - linked	**14**	112513	336517		449030	
Form 53 - non-linked	**15**	8578	42853		51431	
Form 54 - linked	**16**					
Form 54 - non-linked	**17**					
Total	**18**	1174510	3276120	91271	4541900	
Reinsurance - external						
Form 51 - with-profits	**21**	1127			1127	
Form 51 - non-profit	**22**	191			191	
Form 52	**23**	3	0		3	
Form 53 - linked	**24**					
Form 53 - non-linked	**25**					
Form 54 - linked	**26**					
Form 54 - non-linked	**27**					
Total	**28**	1321	0		1322	
Reinsurance - intra-group						
Form 51 - with-profits	**31**					
Form 51 - non-profit	**32**					
Form 52	**33**					
Form 53 - linked	**34**	112513	336517		449030	
Form 53 - non-linked	**35**	20			20	
Form 54 - linked	**36**					
Form 54 - non-linked	**37**					
Total	**38**	112534	336517		449051	
Net of reinsurance						
Form 51 - with-profits	**41**	606568	130984		737552	
Form 51 - non-profit	**42**	25777	111129		136906	
Form 52	**43**	419752	2654636	91271	3165659	
Form 53 - linked	**44**					
Form 53 - non-linked	**45**	8558	42853		51411	
Form 54 - linked	**46**					
Form 54 - non-linked	**47**					
Total	**48**	1060655	2939603	91271	4091528	

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11	114326	2135	264	116725	72560
Form 51 - non-profit	12	8902	278	186	9365	10849
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	123228	2412	450	126090	83409
Reinsurance - external						
Form 51 - with-profits	21	9			9	3
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	9			9	3
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41	114317	2135	264	116716	72557
Form 51 - non-profit	42	8902	278	186	9365	10849
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	123219	2412	450	126081	83406

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	**11**	28584			28584	52977
Form 51 - non-profit	**12**					
Form 52	**13**		86584		86584	99019
Form 53 - linked	**14**					
Form 53 - non-linked	**15**					
Form 54 - linked	**16**					
Form 54 - non-linked	**17**					
Total	**18**	28584	86584		115168	151996
Reinsurance - external						
Form 51 - with-profits	**21**	327			327	1835
Form 51 - non-profit	**22**					
Form 52	**23**					
Form 53 - linked	**24**					
Form 53 - non-linked	**25**					
Form 54 - linked	**26**					
Form 54 - non-linked	**27**					
Total	**28**	327			327	1835
Reinsurance - intra-group						
Form 51 - with-profits	**31**					
Form 51 - non-profit	**32**					
Form 52	**33**					
Form 53 - linked	**34**					
Form 53 - non-linked	**35**					
Form 54 - linked	**36**					
Form 54 - non-linked	**37**					
Total	**38**					
Net of reinsurance						
Form 51 - with-profits	**41**	28257			28257	51142
Form 51 - non-profit	**42**					
Form 52	**43**		86584		86584	99019
Form 53 - linked	**44**					
Form 53 - non-linked	**45**					
Form 54 - linked	**46**					
Form 54 - non-linked	**47**					
Total	**48**	28257	86584		114842	150161

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11	559563	587392	25635	1172590	
Form 51 - non-profit	12	56355	1400290	23558	1480203	
Form 52	13	8859	258991	8674	276524	
Form 53 - linked	14	3962	2319		6281	
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	628739	2248992	57867	2935598	
Reinsurance - external						
Form 51 - with-profits	21	23			23	
Form 51 - non-profit	22	9878	1108035	100	1118013	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	9901	1108035	100	1118036	
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41	559540	587392	25635	1172567	
Form 51 - non-profit	42	46478	292255	23457	362190	
Form 52	43	8859	258991	8674	276524	
Form 53 - linked	44	3962	2319		6281	
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	618839	1140957	57766	1817562	

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	1898815	768110	78038	2744963	
Form 51 - non-profit	12	247631	846141	62964	1156736	
Form 52	13	1233853	703098	12644	1949595	
Form 53 - linked	14	4675			4675	
Form 53 - non-linked	15	119	46		164	
Form 54 - linked	16		190740	171	190911	
Form 54 - non-linked	17					
Total	18	3385093	2508135	153816	6047044	
Reinsurance - external						
Form 51 - with-profits	21	773			773	
Form 51 - non-profit	22	99988	17	43	100047	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	100761	17	43	100821	
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41	1898042	768110	78038	2744190	
Form 51 - non-profit	42	147643	846124	62921	1056689	
Form 52	43	1233853	703098	12644	1949595	
Form 53 - linked	44	4675			4675	
Form 53 - non-linked	45	119	46		164	
Form 54 - linked	46		190740	171	190911	
Form 54 - non-linked	47					
Total	48	3284332	2508118	153774	5946223	

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
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	692300	2978460	1984	3672745	1527504
Form 52	13					
Form 53 - linked	14	2213491	5430666	7389	7651546	4495649
Form 53 - non-linked	15	111072	136637	117	247826	170463
Form 54 - linked	16	261362	291449		552811	441002
Form 54 - non-linked	17	80008	5843		85852	93773
Total	18	3358233	8843056	9491	12210780	6728391
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22	276409	423521	22	699953	257031
Form 52	23					
Form 53 - linked	24	11211			11211	11014
Form 53 - non-linked	25	1163	44		1207	(437)
Form 54 - linked	26	115674	2511		118185	104519
Form 54 - non-linked	27	5499	11		5510	6630
Total	28	409956	426087	22	836065	378757
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32	1427	2771		4198	10691
Form 52	33					
Form 53 - linked	34		46053		46053	
Form 53 - non-linked	35					(3657)
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	1427	48824		50251	7034
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	414464	2552168	1962	2968594	1259782
Form 52	43					
Form 53 - linked	44	2202280	5384612	7389	7594282	4484635
Form 53 - non-linked	45	109909	136594	117	246620	174557
Form 54 - linked	46	145688	288938		434626	336483
Form 54 - non-linked	47	74509	5832		80341	87143
Total	48	2946850	8368145	9469	11324464	6342600

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **21 Britannic Industrial Branch Fund**

Financial year ended **31 December 2006**

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
105	Conventional whole life with-profits IB	222316	169703	6727				131414
130	Conventional endowment with-profits IB	271474	557691	37312				395880
215	Additional reserves with-profits IB							14000
310	Non-profit IB	430702	50241					59234

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	8328	32452	1250				13140
120	Conventional endowment with-profits OB savings	95145	525617	31133				317544
125	Conventional endowment with-profits OB target cash	24433	492615	12885				245060
165	Conventional deferred annuity with-profits	19	38					65
165	Conventional deferred annuity with-profits	992	1963	295				15553
175	Group conventional deferred annuity with-profits	44	233					386
205	Miscellaneous conventional with-profits	72	446	4				279
210	Additional reserves with-profits OB			12				15669
300	Regular premium non-profit WL/EA OB	14195	23607					20905
305	Single premium non-profit WL/EA OB	303	10					18
390	Deferred annuity non-profit	835	529					5045

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		599	7				369
120	Conventional endowment with-profits OB savings		936	10				749
125	Conventional endowment with-profits OB target cash		5856	38				7
210	Additional reserves with-profits OB			2				3
435	Miscellaneous non-profit		9543					191

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	845	5979	18				8356
165	Conventional deferred annuity with-profits	5066	9872	1060				105442
175	Group conventional deferred annuity with-profits	19	799					595
175	Group conventional deferred annuity with-profits		8	2				80
200	Annuity with-profits (CPA)	645	1188					15658
205	Miscellaneous conventional with-profits	20	492	1				90
210	Additional reserves with-profits OB							764
390	Deferred annuity non-profit	16107	7926					88627
435	Miscellaneous non-profit	14284						22502

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **23 90% With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	1736	5577	149				3491
105	Conventional whole life with-profits IB	108018	10493	142				7971
120	Conventional endowment with-profits OB savings	2924	50583	1105				42546
125	Conventional endowment with-profits OB target cash	4969	95746	1984				57704
130	Conventional endowment with-profits IB	913	378	9				280
145	Income protection with-profits	84	20	0				20
210	Additional reserves with-profits OB			3				2314
300	Regular premium non-profit WL/EA OB	1018	3308					2983
310	Non-profit IB	378140	5759	6				5843
440	Additional reserves non-profit OB							76

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **23 90% With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		6	0				4
120	Conventional endowment with-profits OB savings							5

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **23 90% With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
165	Conventional deferred annuity with-profits	3	3					52
165	Conventional deferred annuity with-profits	149	382					2083
440	Additional reserves non-profit OB							278

Form 51

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
Overseas / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
105	Conventional whole life with-profits IB	1317	323	3				247
130	Conventional endowment with-profits IB	66	36	1				17
310	Non-profit IB	1960	310	2				186

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **24 100% Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	553	11041	72				6933
120	Conventional endowment with-profits OB savings	901	27773	534				21423
175	Group conventional deferred annuity with-profits	5	8					130
210	Additional reserves with-profits OB							98

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **24 100% Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		2205	23				294
120	Conventional endowment with-profits OB savings		37	1				32

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	8928	17603	227				11083
120	Conventional endowment with-profits OB savings	11223	121519	2469				91829
125	Conventional endowment with-profits OB target cash	48366	1027575	21316				454716
165	Conventional deferred annuity with-profits	146	115					1934
300	Regular premium non-profit WL/EA OB	8753	33218	301				18705
325	Level term assurance	5159	167122	625				984
330	Decreasing term assurance	4240	76648	662				486
360	Income protection non-profit (guaranteed premiums)	118	1462	37				166
385	Income protection claims in payment							627
390	Deferred annuity non-profit	794	128					2754
395	Annuity non-profit (PLA)	415	525					6458
395	Annuity non-profit (PLA)	2727	1501					11442
410	Group Life	7121	38104	223				146
435	Miscellaneous non-profit	1372	8612	26				3136
440	Additional reserves non-profit OB							11450

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
120	Conventional endowment with-profits OB savings		2194	23				23
300	Regular premium non-profit WL/EA OB		18	0				9
360	Income protection non-profit (guaranteed premiums)		798	16				93
385	Income protection claims in payment							177
395	Annuity non-profit (PLA)		1324					9404
435	Miscellaneous non-profit		31497	189				195

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	21182	380092	1427				365013
165	Conventional deferred annuity with-profits p.a.	5601	11562	579				130389
175	Group conventional deferred annuity with-profits	518	8289	29				15315
175	Group conventional deferred annuity with-profits	5606	6693	556				76475
205	Miscellaneous conventional with-profits	421	13023	48				199
325	Level term assurance	1650	56572	208				767
390	Deferred annuity non-profit	1056	29393					10024
390	Deferred annuity non-profit	18877	79885	113				472329
400	Annuity non-profit (CPA)	35875	79447	58				875189
410	Group Life	57	1342	6				3
435	Miscellaneous non-profit	883	38366	129				286
440	Additional reserves non-profit OB							41691

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit		17100	6				385
390	Deferred annuity non-profit		42179					391511
400	Annuity non-profit (CPA)		56873					716105
435	Miscellaneous non-profit		6154	18				34

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	70	445	8				285
120	Conventional endowment with-profits OB savings	246	1415	23				1151
165	Conventional deferred annuity with-profits	926	1268	27				16098
175	Group conventional deferred annuity with-profits	1973	469	7				8101
300	Regular premium non-profit WL/EA OB	577	2448	32				1366
325	Level term assurance	98	2040	9				31
330	Decreasing term assurance	21	45	1				1
360	Income protection non-profit (guaranteed premiums)	299	3240	61				1746
385	Income protection claims in payment							666
390	Deferred annuity non-profit	155	77					756
395	Annuity non-profit (PLA)	2	0					2
400	Annuity non-profit (CPA)	688	1723	44				18011
435	Miscellaneous non-profit	181	5794	26				978

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
360	Income protection non-profit (guaranteed premiums)		64	2				5
385	Income protection claims in payment							96

Form 51
(Sheet 1)

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	6773	114659	933				67917
120	Conventional endowment with-profits OB savings	10095	77369	1244				60604
125	Conventional endowment with-profits OB target cash	205660	2642396	91259				1722199
175	Group conventional deferred annuity with-profits	295	2018	561				16754
205	Miscellaneous conventional with-profits	25	86	2				83
210	Additional reserves with-profits OB							31259
300	Regular premium non-profit WL/EA OB	14701	104496	751				87461
305	Single premium non-profit WL/EA OB	462	3930					3783
325	Level term assurance	57670	4519397	22003				100149
330	Decreasing term assurance	13865	2410191	10266				14221
345	Accelerated critical illness (reviewable premiums)		53164	176				184
350	Stand-alone critical illness (guaranteed premiums)	6128	281730	1322				4678
355	Stand-alone critical illness (reviewable premiums)		19246	67				70
390	Deferred annuity non-profit	857	51					912
395	Annuity non-profit (PLA)	3468	4501					26264

Form 51
(Sheet 2)

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
410	Group Life		181033					4148
425	Group income protection claims in payment	11	116					1270
435	Miscellaneous non-profit	411	231915	1446				1806
440	Additional reserves non-profit OB							2685

Form 51

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		1047	1				772
205	Miscellaneous conventional with-profits		101					1
300	Regular premium non-profit WL/EA OB		209	2				163
325	Level term assurance		4303387	21938				90174
330	Decreasing term assurance		2374483	10005				12999
350	Stand-alone critical illness (guaranteed premiums)		567					1
425	Group income protection claims in payment		25					416
435	Miscellaneous non-profit		37530	60				98
440	Additional reserves non-profit OB							(3863)

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
165	Conventional deferred annuity with-profits	32482	82499					443618
175	Group conventional deferred annuity with-profits	3635	21514	983				236804
185	Group conventional pensions endowment with-profits	1506	11706	51				13428
205	Miscellaneous conventional with-profits	2230	55522	108				1538
210	Additional reserves with-profits OB							72722
325	Level term assurance	4018	106612	356				2065
390	Deferred annuity non-profit	12996	33645	2				415041
400	Annuity non-profit (CPA)	7553	24273					299998
435	Miscellaneous non-profit	2720	82464					128473
440	Additional reserves non-profit OB							564

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		1209	7				10
435	Miscellaneous non-profit		752	5				7

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	509	4903	58				2704
120	Conventional endowment with-profits OB savings	282	2394	32				1854
125	Conventional endowment with-profits OB target cash	1526	23035	720				17310
165	Conventional deferred annuity with-profits	1576	5463	446				39065
175	Group conventional deferred annuity with-profits	656	1409	103				16873
205	Miscellaneous conventional with-profits	159	2510	6				82
210	Additional reserves with-profits OB							151
300	Regular premium non-profit WL/EA OB	586	2051	7				1794
325	Level term assurance	761	30099	144				455
330	Decreasing term assurance	252	14255	88				141
390	Deferred annuity non-profit	199	91	3				1332
400	Annuity non-profit (CPA)	1312	4222					41876
435	Miscellaneous non-profit	436	10099	7				17365

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
300	Regular premium non-profit WL/EA OB		35	0				35
325	Level term assurance		964	4				5
330	Decreasing term assurance		341	11				2
435	Miscellaneous non-profit		153	0				0

Form 51
(Sheet 1)

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
300	Regular premium non-profit WL/EA OB	296911	676582	43201				78909
305	Single premium non-profit WL/EA OB	722	8151					8032
320	Group deposit administration non-profit		586					578
325	Level term assurance	116970	14041490	42434				40345
330	Decreasing term assurance	53549	3054297	14072				23299
330	Decreasing term assurance		5613					
335	Decreasing term assurance (rider benefits)	906	1223	18				58
340	Accelerated critical illness (guaranteed premiums)	25020	1706542	13476				14262
345	Accelerated critical illness (reviewable premiums)	8270	1545565	8229				10392
350	Stand-alone critical illness (guaranteed premiums)	7132	585422	3485				18356
355	Stand-alone critical illness (reviewable premiums)	14194	1650114	7303				19650
355	Stand-alone critical illness (reviewable premiums)		64					
360	Income protection non-profit (guaranteed premiums)	15948	573531	15145				119775
360	Income protection non-profit (guaranteed premiums)	691	1959	45				337
365	Income protection non-profit (reviewable premiums)	937	28374	330				1749

Form 51
(Sheet 2)

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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
370	Long-term care policy	62	1	5				5
380	Miscellaneous protection rider		868965	2855				2898
385	Income protection claims in payment	18	5556					44352
385	Income protection claims in payment	1151	4655	116				(221)
390	Deferred annuity non-profit	1678	282					2534
395	Annuity non-profit (PLA)	1819	1435					13241
395	Annuity non-profit (PLA)	108	472					6141
400	Annuity non-profit (CPA)	1247	1272					10930
410	Group Life	371	1142819	419				19022
420	Group income protection	9	2899	66				119
425	Group income protection claims in payment		21382					175367
430	Group critical illness	9	95716	160				15512
435	Miscellaneous non-profit	14928	295316	2209				2392
435	Miscellaneous non-profit		75713					
440	Additional reserves non-profit OB			432				64268

Form 51
(Sheet 1)

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
300	Regular premium non-profit WL/EA OB		50592	2871				13601
305	Single premium non-profit WL/EA OB		64					47
325	Level term assurance		2984823	6222				7386
330	Decreasing term assurance		2083009	5852				11107
330	Decreasing term assurance		2720					
340	Accelerated critical illness (guaranteed premiums)		1381589	6870				12929
345	Accelerated critical illness (reviewable premiums)		371009	1808				3005
350	Stand-alone critical illness (guaranteed premiums)		514311	2123				12669
355	Stand-alone critical illness (reviewable premiums)		295820	960				4402
360	Income protection non-profit (guaranteed premiums)		131639	3165				5917
365	Income protection non-profit (reviewable premiums)		14038	161				706
370	Long-term care policy		1	2				2
380	Miscellaneous protection rider		162206	565				2222
385	Income protection claims in payment		119					5283
385	Income protection claims in payment		3103	32				(27)

Form 51
(Sheet 2)

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		4					9
400	Annuity non-profit (CPA)		1006					8648
410	Group Life		398418	87				3052
420	Group income protection		1792	54				47
425	Group income protection claims in payment		21309					169967
430	Group critical illness		37166					14547
435	Miscellaneous non-profit		139772	524				725
435	Miscellaneous non-profit		303	5				48
440	Additional reserves non-profit OB			58				115

Form 51

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		495161	958				958
345	Accelerated critical illness (reviewable premiums)		58148	257				338
355	Stand-alone critical illness (reviewable premiums)		25994	92				132

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
315	Individual deposit administration non-profit	6777	1096	349				88132
320	Group deposit administration non-profit	4540	16547	209				61240
325	Level term assurance	28623	2080167	6610				19928
330	Decreasing term assurance	78	837	4				6
380	Miscellaneous protection rider	140	33500	80				71
390	Deferred annuity non-profit	27890	9850	13				199295
390	Deferred annuity non-profit	47	11562					385
400	Annuity non-profit (CPA)	56102	96342					1361239
400	Annuity non-profit (CPA)	38844	27564					471840
405	Annuity non-profit (CPA impaired life)	22433	58222					696102
410	Group Life	3254	32540	27				62
435	Miscellaneous non-profit	266	197038	507				392
440	Additional reserves non-profit OB			2				79769

Form 51

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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	4446	965586	1704				3954
330	Decreasing term assurance		768	4				0
380	Miscellaneous protection rider		40	11				11
400	Annuity non-profit (CPA)	8454	31098					386908
405	Annuity non-profit (CPA impaired life)							32593
410	Group Life	13	6835	50				50
435	Miscellaneous non-profit		50	0				0
440	Additional reserves non-profit OB			3				4

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		356					2771

Form 51

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
300	Regular premium non-profit WL/EA OB	121	227	11				76
325	Level term assurance	262	46540	192				161
330	Decreasing term assurance	22	12137	62				(76)
360	Income protection non-profit (guaranteed premiums)	13	413	5				92
390	Deferred annuity non-profit	11	27					226
395	Annuity non-profit (PLA)	9	36					670
400	Annuity non-profit (CPA)	1	2					50
410	Group Life		737					632
440	Additional reserves non-profit OB			1				154

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
Overseas / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		43	5				5
325	Level term assurance		565	2				12
360	Income protection non-profit (guaranteed premiums)		45	0				5

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	45901	339216		328330	328330	4803	333133
506	Life UWP whole life regular premium (ISA)	20302	21692	1273	21097	21097	6574	27671
510	Life UWP endowment regular premium - savings	2584	37957	3292	21917	21917	120	22037
515	Life UWP endowment regular premium – target cash	352	18541	434	3314	3314	160	3474
525	Individual pensions UWP	853	4483	397	4483	4483	27	4510
610	Additional reserves UWP						28930	28930

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
515	Life UWP endowment regular premium – target cash	38	724	6			3	3

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	248581	2567270	24122	2562729	2562729	17338	2580066
610	Additional reserves UWP						74570	74570

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

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
525	Individual pensions UWP	4	16	0			0	0

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	3230	91271		91271	91271		91271

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **24 100% Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP				40442	39833		39833
535	Group money purchase pensions UWP			336	36393	28503	11089	39593
610	Additional reserves UWP						7159	7159

Form 52

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
510	Life UWP endowment regular premium - savings		178		178	197		197
515	Life UWP endowment regular premium – target cash		7663		7663	8517		8517
555	Group deposit administration with-profits	1	144		144	144		144

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP		25660		25660	28995		28995
535	Group money purchase pensions UWP		26369		26369	26493		26493
555	Group deposit administration with-profits	7935	160075	953	177224	166126		166126
565	DWP National Insurance rebates UWP		33436		33436	37378		37378

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
555	Group deposit administration with-profits	181	150	71	8674	8674		8674

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	45193	1319569		1306504	1191312	55056	1246368
575	Miscellaneous UWP	8	396		396	396		396
610	Additional reserves UWP				(12911)	(12911)		(12911)

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	32546	671451	5123	668684	561713	40098	601811
535	Group money purchase pensions UWP	9774	131307	4728	135431	94956	6114	101070
575	Miscellaneous UWP		892		1303	1356	3	1358
610	Additional reserves UWP				(1142)	(1142)		(1142)

Form 52

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	150	8575		8490	8402		8402
575	Miscellaneous UWP	846	7014	314	7108	4479	18	4498
610	Additional reserves UWP				(255)	(255)		(255)

Form 53

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	18387	78987		78987	78987	8356	87344
715	Life property linked endowment regular premium - savings	8560	30845	3403	30845	30845		30845
720	Life property linked endowment regular premium – target cash	573	2682	287	2682	2682	222	2903

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	18387	78987		78987	78987		78987
715	Life property linked endowment regular premium - savings	8560	30845	3403	30845	30845		30845
720	Life property linked endowment regular premium – target cash	573	2682	287	2682	2682	20	2702

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	102292	336517	10218	336517	336517	42853	379370

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	102292	336517	10218	336517	336517		336517

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium				341	341		341
710	Life property linked whole life regular premium				0	0		0
720	Life property linked endowment regular premium – target cash				908	908		908
800	Additional reserves property linked				2714	2714		2714

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked				2319	2319		2319

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
715	Life property linked endowment regular premium - savings	155	4675	13	4675	4675	119	4794

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		25588		25588		46	46

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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	39898	797832	1	792068	790583	8042	798625
710	Life property linked whole life regular premium	83380	2574663	23841	358218	356019	45228	401247
715	Life property linked endowment regular premium - savings	40846	425471	10122	375615	375092	4353	379444
720	Life property linked endowment regular premium – target cash	73670	1541072	34945	659019	652423	18082	670505
780	Stand-alone critical illness rider	2232	100215	757	2348	2348	697	3045
785	Income protection rider	7811	16116	3135	3021	3021	66	3087
785	Income protection rider	520	6016	205	288	288	2742	3030
790	Miscellaneous protection rider			137			829	829
795	Miscellaneous property linked	1278	67640	318	1066	1066	72	1138
795	Miscellaneous property linked	33	216		1257	1257	81	1338
800	Additional reserves property linked	8709	31370	3487	31394	31394	30880	62274

Form 53

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	16	251		27	27	0	27
710	Life property linked whole life regular premium	2021	324405	1532	11184	11184	(320)	10864
715	Life property linked endowment regular premium - savings	1	1065	17			0	0
720	Life property linked endowment regular premium – target cash	1739	59858	334			(1)	(1)
785	Income protection rider		9733	232				
785	Income protection rider		3008	103			1222	1222
790	Miscellaneous protection rider			0			10	10
795	Miscellaneous property linked	49	175714	1421			245	245
800	Additional reserves property linked			5			7	7

Form 53

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	292359	3886753	58698	4190247	4078233	102337	4180570
735	Group money purchase pensions property linked	24566	320669	5137	322318	311313	17001	328314
745	DWP National Insurance rebates property linked	38860	334861	230	333771	333771	731	334502
750	Income drawdown property linked				1945	1945		1945
755	Trustee investment plan	1691	31510	98	251313	249745		249745
765	Group managed fund		18497	100	96220	117881	517	118399
790	Miscellaneous protection rider			88	(0)	(0)	801	801
795	Miscellaneous property linked	93040	311437	7677	308891	308891	1969	310860
800	Additional reserves property linked	9296	28853	2556	28886	28886	13281	42168

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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
725	Individual pensions property linked	206	6323	28				
770	Term assurance rider		1864				1	1
790	Miscellaneous protection rider						18	18
795	Miscellaneous property linked		33608	40			25	25

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
765	Group managed fund				46053	46053		46053

Form 53

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	189	3443		3441	3441	39	3480
710	Life property linked whole life regular premium	75	5671	44	893	851	75	926
715	Life property linked endowment regular premium - savings	140	2800	22	2798	2798	0	2798
720	Life property linked endowment regular premium – target cash	9	311	7	110	107	1	108
725	Individual pensions property linked	26	194		196	192	2	194

Form 54

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	6309	8224			190740		190740

Form 54

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	2	10			171		171

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
900	Life index linked single premium	130	586		585	585	9	594
901	Index linked income protection claims in payment				31828	31828	162	31990
902	Group Index linked income protection claims in payment		6060		53863	53863	1894	55758
905	Index linked annuity	4	10		235	235	3	238
905	Index linked annuity	11	32		401	401	5	406
910	Miscellaneous index linked	72179	4600211	30880	174450	174450	68289	242739
915	Additional reserves index linked						9646	9646

Form 54

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

Name of insurer **Phoenix Life Limited**

Total business / subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment				19164	19164	99	19262
902	Group Index linked income protection claims in payment		6056		53824	53824	539	54363
910	Miscellaneous index linked		3837540	16401	42686	42686	4861	47548

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	1379	6936		173847	173847	4105	177952
905	Index linked annuity	1429	3280		64367	64367	956	65323
910	Miscellaneous index linked	1445	174477	558	54171	53235	783	54018

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

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		2		2015	2015	0	2015
910	Miscellaneous index linked		151425	248	496	496	11	507

Form 55

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

(Sheet 1)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Abbey National	5	1845	PGA Ordinary	0.50	8.6093	9.3056	8.09
Cautious Managed	5	556	Series LS		1.2166	1.2889	5.94
Deposit	5	24702	Series 44 B Soc	0.75	3.3939	3.5097	3.41
Emerging Companies	5	2090	Series A	1.00	9.4826	11.3458	19.65
Equity Income	5	4312	Salli Series 2	1.00	5.3407	6.1640	15.42
Equity	5	78269	ULA Series	1.00	11.1390	12.3422	10.80
European	6	12304	Salli Series 2	1.00	5.0292	5.6104	11.56
Euro Tech	6	50	Series LS		0.4537	0.5524	21.75
Extra Income Bond	5	3138	Series LS		1.0793	1.0733	(0.56)
All Share Tracker	5	183	Series LS		1.0491	1.2196	16.26
Fixed Interest	5	11779	ULA Series	1.00	6.7728	6.7267	(0.68)
Far East	6	7731	ULA Series	1.00	3.7802	4.0027	5.88
High Income Bond	5	623	Series LS		1.0567	1.0235	(3.13)
Index Linked	5	1290	Salli Series 2	1.00	6.1208	6.2156	1.55
Income Distribution I	5	80570	Series A	1.00	2.8804	2.9052	0.86
Income Distribution II	5	21381	Series A	1.00	2.9707	2.9934	0.76
International	6	32863	PGA 'A'	0.75	12.2272	12.8579	5.16
Japan Growth	6	72	Series LS		1.2471	1.0572	(15.22)

Form 55

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

(Sheet 2)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Managed	1	626298	ULA Series	1.00	7.3955	8.0154	8.38
Maximum Income Bond	5	571	Series LS		1.0780	1.0860	0.74
Multiple Growth Fund	5	155562	Series O	1.00	14.5080	15.6173	7.65
Money	5	1988	ULA Series	1.00	3.2905	3.4024	3.40
North America	6	3131	ULA Series	1.00	5.1878	5.1185	(1.34)
Pacific Growth	6	163	Series LS		1.5226	1.8088	18.80
Property	7	46787	Series LS		1.7625	2.0191	14.56
U.K. Smaller Companies	5	213	Series LS		1.0240	1.2909	26.07
U.K. Leader	5	9569	Salli Series 2	1.00	2.4545	2.7225	10.92
Worldwide Bond	5	277	Salli Series 2	1.00	2.1473	1.9921	(7.22)
Baring Eastern	1	1865	Series A	1.00	4.4110	5.4580	23.74
Baring Managed	1	621	Series A	1.00	3.4148	3.3188	(2.81)
Gartmore Global Bond 'A'	1	139	Series A	1.00	1.3595	1.2363	(9.06)
Gartmore British 'A'	1	865	Series A	1.00	6.1548	6.8648	11.54
Gartmore Emerging Markets 'A'	1	295	Series A	1.00	3.0511	3.6559	19.83
Gartmore Gold and Intl Reserves 'A'	1	182	Series A	1.00	0.5353	0.5784	8.06
Gartmore Hong Kong 'A'	1	426	Series A	1.00	6.8597	9.6652	40.90
Gartmore Japan 'A'	1	570	Series A	1.00	3.4727	3.1567	(9.10)

Form 55

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

(Sheet 3)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Gartmore Managed 'A'	1	3958	Series A	1.00	7.7522	8.4170	8.58
Gartmore UK Smaller Companies 'A'	1	584	Series A	1.00	9.0127	10.4408	15.84
Invesco European Smaller Companies	1	1515	Series A	1.00	5.7662	7.4923	29.93
Invesco Japanese Smaller Companies	1	232	Series A	1.00	5.0868	3.0923	(39.21)
Invesco Managed Growth	1	593	Series A	1.00	5.0399	5.5728	10.57
Perpetual International Growth	1	650	Series A	1.00	2.8609	3.0857	7.85
Perpetual International Emerging Companies	1	709	Series A	1.00	5.7283	6.4429	12.48
Perpetual Managed	1	2698	Series A	1.00	4.4440	5.0833	14.39
Perpetual American	1	657	Series A	1.00	2.8157	2.7129	(3.65)
Gartmore Global I & G 'B'	1	2483	Series A	1.00	3.1898	3.4490	8.13
Broker Funds	1	15295	DA046		4.0502	4.3800	8.14
Personal Bond Fund	1	134041					
Aberdeen Ethical World	1	180	External LS		1.4130	1.5780	11.68
Aberdeen Technology	1	46	External LS		0.8291	0.7711	(6.99)
Framlington Absolute Growth	1	72	External LS		1.2347	1.2881	4.33
Framlington Health	1	81	External LS		1.0270	0.8958	(12.77)
Framlington UK Growth	1	158	External LS		1.2447	1.3508	8.53
Gartmore American Growth	1	103	External LS		1.0225	1.0439	2.09

Form 55

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

(Sheet 4)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Gartmore European Selected Opportunities	1	134	External LS		1.4359	1.7079	18.95
Gartmore UK & Irish Smaller Companies	1	127	External LS		1.5915	1.8675	17.34
Newton Balanced	1	242	External LS		1.3267	1.4527	9.50
Newton Continental Europe	1	82	External LS		1.4040	1.6457	17.21
Newton Managed	1	1174	External LS		1.3481	1.5033	11.52
Balanced Growth	15	13576	S Series	0.50	1.8607	1.9621	5.45
Credit Fixed Interest	15	13047	SAPL Group	0.24	157.9935	156.1536	(1.16)
Deposit	15	33791	Series 15 B Soc	0.75	15.5925	16.1926	3.85
Equity Income	15	10004	SAPL New	0.50	2.6466	3.0554	15.45
Equity	15	189454	ULPF Accum	1.13	17.2850	19.3782	12.11
European	16	9956	SAPL New	0.50	1.4065	1.5926	13.23
EuroTech	16	157	Series PS		0.7866	0.9790	24.45
Far East	16	3257	SAPL New	0.50	1.7461	1.9330	10.71
Fixed Interest	16	18742	ULPF Accum	1.13	9.4242	9.3426	(0.86)
Global Equity	16	58	SAPL Group	0.24	140.5318	155.0704	10.35
Group Managed	21	114274	SAPL Group	0.24	1107.7806	1211.2382	9.34
Index Linked	21	4271	SAPL Group	0.24	1010.2260	1025.9934	1.56
Index Tracker	21	7360	SAPL Group	0.24	111.9060	129.5441	15.76

Form 55

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

(Sheet 5)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
International	21	43850	SAPL New	0.50	1.8197	1.9346	6.31
Long Dated Bond	21	4706	SAPL Group	0.24	155.1839	154.5062	(0.44)
Managed Growth	21	1948823	ULPF Accum	1.13	9.3056	10.0846	8.37
Money	21	17960	ULPF Accum	1.13	5.0437	5.2293	3.68
Old Building Society	21	15012	PGP & A Accum	0.75	19.2498	20.5850	6.94
Pensions Protector	21	12201	S Series	0.50	2.0190	2.0051	(0.69)
Property	27	122145	SAPL Group	0.24	1275.7345	1435.3857	12.51
U.K. Leader	21	4137	SAPL New	0.50	1.9311	2.1861	13.20
Worldwide Bond	21	175	SAPL Individual	1.00	2.4595	2.2913	(6.84)
Worldwide Equity	21	2987	SAPL Group	0.24	1217.3186	1295.0170	6.38
Framlington American Turnaround	11	166	SAPL Individual	1.00	1.6955	1.5214	(10.27)
Framlington American Smaller Companies	11	128	SAPL Individual	1.00	1.7326	1.5546	(10.28)
Framlington Capital Trust	11	1211	SAPL Individual	1.00	4.5148	5.0872	12.68
Framlington International Growth	11	445	SAPL Individual	1.00	2.7932	2.7512	(1.50)
Framlington Japan & General	11	1425	SAPL Individual	1.00	3.6077	3.0300	(16.01)
Framlington Recovery Trust	11	948	SAPL Individual	1.00	2.6582	2.6245	(1.27)
Framlington Special Managed	11	18473	SAPL Individual	1.00	3.5140	3.6769	4.63
Gartmore American Special Situations	11	237	SAPL Individual	1.00	2.8068	2.5846	(7.92)

Form 55

Long-term insurance business : Unit prices for internal linked funds **(Sheet 6)**

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Gartmore European	11	2871	SAPL Individual	1.00	3.1849	3.6864	15.75
Gartmore Far East & General	11	1186	SAPL Individual	1.00	1.6608	1.8783	13.10
Gartmore International	11	380	EBOR Accum	0.75	2.7917	2.9842	6.89
Gartmore Japan & General	11	851	SAPL Individual	1.00	1.5152	1.4223	(6.13)
Gartmore Special Managed	11	13406	SAPL Individual	1.00	3.0736	3.4035	10.73
Gartmore UK Capital	11	1081	SAPL Individual	1.00	3.0066	3.5354	17.59
Gartmore US & General	11	157	SAPL Individual	1.00	1.5829	1.4979	(5.37)
Pension Framlington	21	6256	Series D		4.7956	5.0474	5.25
Pension Gartmore European	21	7566	Series D		6.0459	7.1533	18.32
Pension Gartmore Global	21	3767	Series B	0.88	4.4246	4.6363	4.78
Pension Gartmore Managed	21	9196	Series D		5.4745	6.1588	12.50
Pension Gartmore Pacific	21	3343	Series D		3.4940	3.3341	(4.58)
Pension Gartmore North American	21	1634	Series D		5.1889	5.2526	1.23
Pension Henderson	21	6713	Series D		4.7013	5.4293	15.48
Pension Perpetual	21	20845	Series D		6.6409	7.7937	17.36
Exclusive Pension Portfolio: EPP9	21	269	Series B		4.5428	4.8934	7.72
Exclusive Pension Portfolio: EPP16	21	314	Series B		3.3341	3.6171	8.49
Exclusive Pension Portfolio: EPP147	21	674	Series D		2.6754	2.9398	9.88

Form 55

Long-term insurance business : Unit prices for internal linked funds (Sheet 7)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Aberdeen Ethical World	24	97	External PS		1.3967	1.5749	12.76
Aberdeen Technology	24	38	External PS		0.8139	0.7580	(6.88)
Baille Gifford Managed	24	252	External PS		1.2467	1.3730	10.13
Framlington Absolute Growth	24	81	External PS		1.4531	1.5170	4.40
Framlington Health	24	97	External PS		1.0870	0.9355	(13.93)
Framlington UK Growth	24	113	External PS		1.2193	1.3378	9.72
Gartmore American Growth	24	95	External PS		0.9833	1.0046	2.16
Gartmore European Selected Opportunities	24	175	External PS		1.4057	1.7158	22.06
Gartmore UK & Irish Smaller Companies	24	94	External PS		1.5584	1.8604	19.38
Newton Balanced	24	131	External PS		1.2943	1.4257	10.15
Newton Continental Europe	24	145	External PS		1.3903	1.6659	19.82
Newton Managed	24	302	External PS		1.3258	1.4966	12.89
Self Managed Fund	24	15821					
Broker Direct Investment: DP023	21	2771	Series 1		2.5719	2.7838	8.24
Broker Direct Investment: DP030	21	506	Series 1		1.8754	1.9774	5.44
Broker Direct Investment: DP031	21	56	Series 8		2.2975	2.5636	11.58
Personal Bond Fund (SAPL)	11	361					
Equity Endowment	5	92	Accumulation	0.50	22.2584	27.3600	22.92

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

Name of insurer	**Phoenix Life Limited**
Total business	
Financial year ended	**31 December 2006**
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
Managed Fund (ex-Swiss Life)	15	13508	Pension Income	1.00	11.7562	12.5061	6.38
Money Fund (ex-Swiss Life)	4	24	Money	1.00	2.3474	2.4051	2.46
Pension Managed Fund (ex-Swiss Life)	15	50972	Pension Accumulation	0.88	5.9996	6.5069	8.46
Pension Overseas Managed Fund (ex-Swiss Life)	16	9864	Pension Accumulation	0.88	2.4462	2.5982	6.21
Pension Fixed Interest Fund (ex-Swiss Life)	14	1017	Pension Accumulation	0.88	4.2669	4.2156	(1.20)
Pension Deposit Fund (ex-Swiss Life)	14	744	Pension Accumulation	0.88	3.2430	3.3644	3.74
North America	26	47	F1	0.50	97.9500	97.2910	(0.67)
First State Asia Pacific Fund	24	134	AUT		3.0540	3.5350	15.75
HSBC Balanced Fund	24	18	OEIC		1.2120	1.3010	7.34
Norwich Union Smaller Companies	24	37	AUT		1.2130	1.4890	22.75
Norwich Union World Class Leaders	24	30	OEIC		0.7020	0.7740	10.26
New Star Global Equity	24	106	OEIC		0.9540	1.0670	11.84
Scottish Widow UK Growth	24	683	AUT		1.1510	1.3710	19.11
Scottish Widow Global Growth	24	611	AUT		0.7740	0.7860	1.55
Scottish Widow UK Equity Income	24	503	AUT		31.0300	37.4700	20.75
Gartmore American 'O'	24	68	AUT	1.00	2.8343	2.8343	
Gartmore British Growth 'O'	24	119	AUT	1.00	0.9991	0.9991	
Gartmore Global Income and Growth 'O'	24	0	AUT	1.00	0.9022	0.9022	

Form 55

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Gartmore High Income 'O'	24.00	3628	AUT	1.00	1.9724	1.9724	
Gartmore Pacific 'O'	24	55	AUT	1.00	1.9016	1.9016	
Gartmore UK Equity Income 'O'	24	182	AUT	1.00	1.9724	1.9724	
Save and Prosper	0	6111					
Phoenix BULA (ACI) Capital Life	4 - -	4625			10.1975	11.6359	14.11
Phoenix BULA (ACI) G & S Special Life	4 - -	551			4.4409	4.7813	7.67
Phoenix BULA (ACI) Managed Equity Life (Series A)	2 - -	74244	A	0.50	19.0086	20.6567	8.67
Phoenix BULA (ACI) Managed Equity Life (Series B)	2 - -	231456	B	1.00	17.8523	19.3865	8.59
Phoenix BULA (ACI) UK Equity Life (Series A)	5 - -	750	A	0.50	11.0292	12.5184	13.50
Phoenix BULA (ACI) UK Equity Life (Series B)	5 - -	25885	B	1.00	10.2690	11.6404	13.36
Phoenix BULA (ACI) Fixed Interest Life (Series A)	4 - -	32	A	0.50	5.2801	5.2599	(0.38)
Phoenix BULA (ACI) Fixed Interest Life (Series B)	4 - -	1101	B	1.00	4.9154	4.8871	(0.58)
Phoenix BULA (ACI) Money Life (Series A)	4 - -	107	A	0.50	3.8287	3.9423	2.97
Phoenix BULA (ACI) Money Life (Series B)	4 - -	954	B	1.00	3.5663	3.6705	2.92
Phoenix BULA (ACI) Property Life (Series A)	7 - -	439	A	0.50	9.5632	14.0215	46.62
Phoenix BULA (ACI) Property Life (Series B)	7 - -	19496	B	1.00	8.9095	13.0742	46.74
Phoenix BULA (ACI) North American Equity Life (Series A)	6 - -	84	A	0.50	3.3109	3.1502	(4.85)
Phoenix BULA (ACI) North American Equity Life (Series B)	6 - -	733	B	1.00	3.0831	2.9268	(5.07)

Form 55

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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 BULA (ACI) Far Eastern Equity Life (Series A)	6 - -	193	A	0.50	4.9734	5.0962	2.47
Phoenix BULA (ACI) Far Eastern Equity Life (Series B)	6 - -	1829	B	1.00	4.6294	4.7348	2.28
Phoenix BULA (ACI) European Equity Life (Series B)	6 - -	2369		0.50	4.1188	4.6024	11.74
Phoenix BULA (ACI) Managed Pension	12 - -	190384		1.25	3.7011	4.0241	8.73
Phoenix BULA (ACI) UK Equity Pension	15 - -	32659		1.25	3.5106	3.8746	10.37
Phoenix BULA (ACI) Fixed Interest Pension	14 - -	1722		1.25	3.6827	3.6509	(0.86)
Phoenix BULA (ACI) Money Pension	14 - -	1894		1.25	2.8917	2.9600	2.36
Phoenix BULA (ACI) Property Pension	17 - -	32526		1.25	5.1253	7.7834	51.86
Phoenix Alba BLA (Crusader) Growth Property-Series 1 Life	7	4521	AL Property Life	1.00	3.7572	3.9650	5.53
Phoenix Alba BLA (Crusader) UK Opportunity Life	5	277	AL UK Equity Life	1.00	3.9421	4.6100	16.94
Phoenix Alba BLA (Crusader) European Opportunity Life	6	547	AL European Life	1.00	4.7985	5.3359	11.20
Phoenix Alba BLA (Crusader) Far East Opportunity Life	6	324	AL Far East Life	1.00	3.6585	3.9447	7.82
Phoenix Alba BLA (Crusader) North American Life	6	97	AL North Amer Life	1.00	3.7524	3.5369	(5.74)
Phoenix Alba BLA (Crusader) Cash Life	4	8	AL Cash Life	1.00		2.3381	
Phoenix Alba BLA (Crusader) Growth Property 2 Life	7	138	AL Property Life	1.00	5.4299	5.9781	10.10
Phoenix Alba BLA (Crusader) Fixed Interest Life	4	31	AL Fixed Interest Life	1.00	3.3552	4.0511	20.74
Phoenix Alba BLA (Crusader) Performance Plus Life	6	902	AL International Life	1.00	3.1478	3.4162	8.53
Phoenix Alba BLA (Crusader) Measured Performance Life	4	15213	AL Managed Life	1.00	3.3644	3.7465	11.36

Form 55

Long-term insurance business : Unit prices for internal linked funds **(Sheet 8)**

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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 Alba BLA (Crusader) With Profit Performance Life	4.00	1377	AL Managed Life	1.00	2.9696	3.1834	7.20
Phoenix Alba BLA (Crusader) Overseas Life	6	186	AL International Life	1.00	3.6288	3.9382	8.52
Phoenix Alba BLA (Crusader) Mixed Pension	14	10179	AL Managed Pension	1.00	3.8170	4.1796	9.50
Phoenix Alba BLA (Crusader) With Profits Pension	1	2905	AL Managed Pension	1.00	3.6284	3.9086	7.72
Phoenix Alba BLA (Crusader) UK Pension	15	112	AL UK Equity Pension	1.00	3.4292	3.9047	13.87
Phoenix Alba BLA (Crusader) European Pension	16	189	AL European Pension	1.00	5.5123	6.2124	12.70
Phoenix Alba BLA (Crusader) Far East Pension	16	194	AL Far East Pension	1.00	3.7093	4.0274	8.57
Phoenix Alba BLA (Crusader) North American Pension	16	33	AL North Amer Pension	1.00	5.1225	4.8256	(5.80)
Phoenix Alba BLA (Crusader) Fixed Interest Pension	15	20	AL Fixed Interest Pension	1.00	2.0599	2.8336	37.56
Phoenix Alba BLA (Crusader) Cash Pension	14	5	AL Cash Pension	1.00		0.7127	
Phoenix Alba BLA (Crusader) RJT St James Global Life	5	28	AL UK Equity Life	1.00	4.1565	4.6187	11.12
Phoenix Alba BLA (Crusader) Secure Income	14	35	Secure income pension	1.00	6.7734	3.2760	(51.63)
Phoenix Alba PMF Property Fund	17	46053	External	1.00	2.8000	3.4438	22.99
Phoenix Alba Genesis (BL) Managed Acc-Pension	11	61237	AL Managed Pension	1.00	0.9831	1.0786	9.71
Phoenix Alba Genesis (BL) Equity Acc-Pension	15	45618	AL UK Equity Pension	1.00	1.5395	1.7525	13.84
Phoenix Alba Genesis (BL) International Acc-Pension	16	1719	AL International Pension	1.00	1.1448	1.2536	9.50
Phoenix Alba Genesis (BL) European Acc-Pension	16	1147	AL European Pension	1.00	0.9268	1.0479	13.06
Phoenix Alba Genesis (BL) Building Society Acc-Pension	14	7981	AL Money Market Pension	1.00	0.7761	0.7936	2.26

Form 55

Long-term insurance business : Unit prices for internal linked funds (Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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 Alba Genesis (BL) American Acc-Pension	16.00	481	AL North Amer Pension	1.00	1.7847	1.6818	(5.77)
Phoenix Alba Managed Life	1	108208	AL UK Equity Life	1.00	7.0632	7.8714	11.44
Phoenix Alba UK Equity Life	1	68338	Britannic Asset Managemen	1.00	11.9508	13.9633	16.84
Phoenix Alba Money Market Life	1	24051	Britannic Asset Managemen	1.00	3.6075	3.7073	2.77
Phoenix Alba Japan Life	6	5022	Britannic Asset Managemen	1.00	4.5449	4.1571	(8.53)
Phoenix Alba European Life	6	12767	Britannic Asset Managemen	1.00	6.1242	6.8332	11.58
Phoenix Alba International Life	6	12321	Britannic Asset Managemen	1.00	5.5987	6.0451	7.97
Phoenix Alba Property Life	7	7994	Britannic Asset Managemen	1.00	5.5813	6.1593	10.36
Phoenix Alba North American Life	6	7205	Britannic Asset Managemen	1.00	3.2754	3.0899	(5.66)
Phoenix Alba Far East Life	6	7767	Britannic Asset Managemen	1.00	2.6258	2.8414	8.21
Phoenix Alba Lasia Managed Pension	14	359667	AL UK Equity Pension	1.00	5.0172	5.5720	11.06
Phoenix Alba LASIA International Pension	16	15342	Britannic Asset Managemen	1.00	4.4888	4.9234	9.68
Phoenix Alba LASIA Property Pension	17	17681	Britannic Asset Managemen	1.00	5.4860	6.3565	15.87
Phoenix Alba LASIA Money Market Pension	11	36303	Britannic Asset Managemen	1.00	4.1178	4.2726	3.76
Phoenix Alba 2c Fixed Interest Pension	14	60065	Britannic Asset Managemen	1.00	8.5650	8.7103	1.70
Phoenix Alba LASIA Far East Pension	16	29908	Britannic Asset Managemen	1.00	1.9805	2.1592	9.02
Phoenix Alba 2c UK Equity Pension	15	260603	Britannic Asset Managemen	1.00	3.4130	3.9167	14.76
Phoenix Alba LASIA North American Pension	16	30706	Britannic Asset Managemen	1.00	4.0312	3.7940	(5.88)

Form 55

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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 Alba LASIA Japan Pension	16.00	15354	Britannic Asset Managemen	1.00	2.3268	2.0904	(10.16)
Phoenix Alba 2c European Pension	16	46270	Britannic Asset Managemen	1.00	5.5430	6.3237	14.08
Phoenix Alba 2c Long Gilt Pension	14	551	Britannic Asset Managemen	1.00	3.2110	3.2166	0.17
Phoenix Alba BLA (Crusader) Secure Income Pension	14	39	AL Secure Income Penson	1.00	3.5760	3.6122	1.01
Phoenix Alba LASPEN Discretionary Pooled Pension	14	655	AL Manage Pension	1.00	19.2452	21.4991	11.71
Phoenix Alba LASPEN Cash Pooled Pension	14	508	AL Money Market Pension	1.00	5.7675	5.9859	3.79
Phoenix Alba LASPEN Property Pooled Pension	17	132	AL Property Pension	1.00	7.3497	8.5125	15.82
Phoenix Alba LASPEN Mixed Pooled Pension	14	1630	Laspen UK Equity	1.00	36.2639	40.2104	10.88
Phoenix Alba LASPEN UK Equity Pooled Pension	15	1586	AL UK Equity Pension	1.00	18.5489	20.9145	12.75
Phoenix Alba LASPEN Fixed Interest Pooled Pension	14	284	AL Fixed Interest Pension	1.00	12.1126	12.2657	1.26
Phoenix Alba LASPEN Overseas Equity Pooled Pension	16	341	AL International Pension	1.00	5.0944	5.2450	2.96
Phoenix Alba LASIA Managed Retirement Pension	14	2190	AL Management retirement	1.00	2.0328	2.1518	5.85
Personal Bond Funds	4	6375	External	1.00	2.2841	2.4718	8.22
Phoenix Alba PIFC Jade Pension Fund	11	18531	External	1.00	1.3051	1.3274	1.70
Personalised Pension Bonds	4	32	External	1.00			
MacIntyre Hudson	14	779	External	0.38	7.6203	7.8849	3.47
Blakehopehead	14	85	Laspen Property	0.38	2.7753	2.9399	5.93
Edwards & Keeping	17	1254	External	0.38	14.8809	16.1124	8.28

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Bell Watson	14.00	38	External	0.38	6.3024	6.2941	(0.13)
Eric Potter Clarkson	11	1724	External	0.38	9.1893	10.8060	17.59
S R T Mailing	17	145	Laspen Property	0.38	1.8047	1.9301	6.95
Malcolm J Wright	14	150	External	0.38	5.9958	6.1481	2.54
Gates Tyres	14	173	External	0.38	3.6548	3.7516	2.65
C H Cole & Sons	11	2629	External	0.38	3.3769	3.8763	14.79
Kingston Smith	17	1829	External	0.38	7.2070	7.9729	10.63
Copley Clark & Bennet	17	1446	External	0.38	6.1453	6.9337	12.83
Arelle	17	816	External	0.38	4.1416	4.3575	5.21
O'Donnell Vaughan & Co	17	163	External	0.38	2.0372	1.9284	(5.34)
Wadsworth	17	1074	External	0.38	0.3679	0.4022	9.32
Collins	17	1360	External	0.38	7.3236	9.9805	36.28
Brian Dadd	17	1029	External	0.38	15.5833	20.3835	30.80
Stephen Dalton & Sons	11	2749	External	0.38	21.8361	26.5839	21.74
Charles Robb	17	218	External	0.38	4.0221	6.1727	53.47
W P McLucas	11	97	External	0.38	0.0630	0.0829	31.72
Herbert & Gowers	14	46	External	0.38	5.5833	5.5316	(0.93)
Crerar & Partners	17	621	External	0.38	6.0805	7.4839	23.08

Form 55

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Accountancy Solutions	14.00	115	External	0.38	2.4717	2.5373	2.65
The Montgomery Private Fund	16	230	External	0.38	1.5343	1.4529	(5.31)
S A Fraser	14	22	External	0.38	1.6162	1.6150	(0.08)
F Cunningham & Co.	17	312	External	0.38	7.8956	8.8567	12.17
Thomas Andrews & Partners	17	13	External	0.38	0.6908	2.3938	246.54
Sound Video Centre Partners	14	189	External	0.38	4.0503	4.1484	2.42
Crewe Johns (1984) & Jones Bros Ltd	14	50	External	0.38	1.7546	1.8097	3.14
AFD Concrete Pumps Ltd	14	35	External	0.38	0.3590	0.3632	1.17
Holmes Lamb & Strathearn	14	58	External	0.38	1.9307	1.9696	2.02
Neejam 39 Ltd	17	1048	External	0.38	8.2659	12.3728	49.68
Gisela Ingeborg Carleton	16	303	External	0.38	1.5812	1.6884	6.78
Mr & Mrs Stewart	11	143	External	0.38	2.4939	2.6183	4.99
Condies	17	721	External	0.38	26.8019	30.4399	13.57
Graham D Robb	17	88	External	0.38	2.7057	2.9489	8.99
Gareth Thomas Pension Fund	14	71	External	0.38	1.2589	1.2488	(0.80)
4D Facrications	14	12	External	0.38	0.7325	0.6918	(5.55)
Stephen Dalton Jnr	11	283	External	0.38	1.4479	1.3676	(5.54)
City Bikes Ltd	17	384	External	0.38	0.6754	0.8015	18.67

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Long-term insurance business : Unit prices for internal linked funds (Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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 Alba GPS Cash	14.00	2975	AL Money Market Pension	1.00	2.4481	2.3410	(4.37)
Phoenix Alba GPS Fixed Interest	14	4251	AL Fixed Interest Pension	1.00	2.7619	1.9836	(28.18)
Phoenix Alba GPS Overseas Equity	16	635	AL International Pension	1.00	1.3711	1.4753	7.60
Phoenix Alba GPS UK Equity	15	2282	AL UK Equity Pension	1.00	1.4543	1.7597	21.00
Phoenix Alba GPS Managed	11	24311	AL Managed Pension	1.00	1.8809	1.8150	(3.50)
Hill Samuel Unit Trust Managers Ltd British Trust	5	2163	External	1.00	1.4100	2.2357	58.56
Trustwin	5	1149	External	1.00	20.0300	28.7250	43.41
Lloyds TSB Offshore Fund Managers Ltd UK Fund	6	578	External	1.00	4.6000	6.3981	39.09
Phoenix BULA Managed Life	2	78629	Series 2	1.00	1109.6554	1220.6066	10.00
Phoenix BULA Fixed Interest Life	4	2006	Series 2	1.00	313.5589	312.9898	(0.18)
Phoenix BULA European Equity Life	6	49869	Series 2	1.00	335.6720	381.3129	13.60
Phoenix BULA Property Life	7	2171	Series 2	1.00	634.3134	989.4240	55.98
Phoenix BULA Pension Property	17	18280	Series 2	1.50	664.7682	1023.7854	54.01
Phoenix BULA Pension Managed	12	283458	Series 2	1.50	502.5537	551.6299	9.77
Phoenix BULA Pension Deposit	4	9876	Series 2	1.50	273.7179	291.1285	6.36
Pensions Managed (Umbrella)	12	288972		0.15	2489.9107	2779.4019	11.63
UK Equity Pension	15	256054	PMF	0.15	228.6986	266.3764	16.47
UK Equity Select Pension	15		PMF	0.65	128.7954		(100.00)

Form 55

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Overseas Equity Pension (Umbrella)	16.00	9830	GE	0.25	147.0135	146.2057	(0.55)
Fixed Interest Pension (Umbrella)	14	41366	PMF	0.15	225.6783	228.1190	1.08
UK Gilt Pension Fund	14	23391	FI	0.15	128.3620	129.6117	0.97
Corporate Bond Pension Fund	14	22638	FI	0.15	140.5959	142.0013	1.00
Long Corporate Bond Pension Fund	14	5176	PMF	0.30	125.5552	124.8899	(0.53)
Property Pension	17	14843	PMF	0.25	296.3415	344.3760	16.21
Long Gilt Pension	14	34141		0.15	250.7096	250.8556	0.06
Cash Pension	14	12822		0.15	166.7598	174.5181	4.65
North American Equity Pension	16	31021	PMF	0.15	108.6779	104.1456	(4.17)
European Equity Pension	16	51154	PMF	0.15	137.5869	157.2686	14.30
Japanese Equity Pension	16	18888	PMF	0.25	113.4251	103.1815	(9.03)
Far Eastern Equity Pension	16	20085	PMF	0.15	140.6117	170.1600	21.01
Index Linked Pension	14	6853	PMF	0.15	181.8543	187.6689	3.20
Global Bond Pension	14	6085	PMF	0.15	119.5722	110.3298	(7.73)
Global Equity Pension (Umbrella)	14	2741		0.65	106.8967	127.5257	19.30
Global Focus	14	1	O/S	0.75		135.2300	
Argonaut European Alpha	25	2	O/S	0.75		167.9950	
Argonaut European Income	25	1	O/S	0.75		121.7840	

Form 55

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

(Sheet 8)

Name of insurer **Phoenix Life Limited**

Total business

Financial year ended **31 December 2006**

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
Cartesian UK Opportunities	25.00	2540	GE	0.75		130.1358	
Global Emerging Markets Fund	24	6214	PMF	0.75		103.5675	
Reliability Credit Collateral	24	31857		0.50		101.5811	
Fund of Funds Cash	24	12848	PMF	1.00	106.5896	114.9661	7.86

Form 56

Long-term insurance business : Index linked business

Name of insurer	**Phoenix Life Limited**
Total business	
Financial year ended	**31 December 2006**
Units	**£000**

Type of assets and liabilities	Name of index link 1	Value of assets or liabilities 2	Gross derivative value 3
Approved fixed interest assets	AEI	3	
Equities in FT Ordinary Share Index	FT30	191499	
Cash	FT30	6198	
Other assets not producing income	FT30	512	
Approved Index Linked Securities	RPI	105898	
Other Index Linked Securities	RPI	56744	
Treasury 2% IL 2009	RPI	7410	
RPI linked assets	RPI	3582	
Approved Variable Interest Securities	LPI	0	
Other Variable Interest Securities	LPI	91	
Approved Variable Interest Securities	RPI	170	
Other Variable Interest Securities	RPI	39612	
INDEX LINKED ANNUITY	RPI	22905	
Index Linked Approved Securities	RPI	190911	
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
0	0		
Total assets		625536	
Total liabilities			
Net total assets		625536	

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **21 Britannic Industrial Branch Fund**

Financial year ended **31 December 2006**

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 L&GA WP Form 51 assurances	543415	3.00	3.60	4.90
UK L&GA NP Form 51 assurances	59234	3.00	3.75	5.13
Total	602649			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **22 Britannic With-Profits Fund**

Financial year ended **31 December 2006**

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 L&GA WP Form 51 assurances - Britannic OB	484676	3.00	3.75	4.87
UK L&GA NP Form 51 assurances - Britannic OB	20732	3.00	3.75	4.87
UK Pensions WP Form 51 annuities - Britannic OB	105895	3.75	3.75	5.24
UK Pensions NP Form 51 annuities - Britannic OB	88551	3.75	3.75	5.24
UK L&GA WP Form 52 assurances - Britannic OB	392212	3.00	3.75	4.84
UK Other WP Form 52 assurances - Britannic OB	27671	3.25	3.25	4.15
UK Pensions WP Form 52 pensions - Britannic OB	2730442	3.25	3.25	3.75
UK L&GA WP Form 53 assurances - Britannic OB	8558	3.00	3.75	4.87
UK Pensions WP Form 53 pensions - Britannic OB	42853	3.80	3.80	4.15
Miscellaneous - Britannic OB	161853			3.75
UK L&GA WP Form 51 Assurances - Century	95960	3.00	3.75	4.80
UK L&GA WP Form 51 Annuities - Century	483	3.00	3.75	4.92
UK Pens WP Form 51 Annuities - Century	9151	3.00	3.75	4.86
Miscellaneous - Century	5185			
Total	4174221			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **23 90% With-Profits Fund**

Financial year ended **31 December 2006**

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 L&GA WP Form 51 With Profit Assurances - PLL	68524	3.10	3.88	4.64
UK L&GA WP Form 51 Non-Profit Assurances - PLL	5843	3.10	3.88	4.01
Miscellaneous - PLL	3814			4.12
UK L&GA WP Form 51 assurances - BULA	47582	3.00	3.75	4.98
UK Pens WP Form 51 pensions - BULA	2162		3.75	4.98
Total	127925			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **24 100% Fund**

Financial year ended **31 December 2006**

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 L&GA WP Form 51 With Profit Assurances	26105	3.05	3.81	3.82
UK L&GA WP Form 58 Cost of Rev Bonus	1882	3.05	3.81	3.82
UK Pens WP Form 52 UWP Group Pensions	39961		3.85	4.09
Form 52 UK Pens	46992		3.88	3.99
Misc	2152			3.46
Total	117092			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **25 Alba With-Profits Fund**

Financial year ended **31 December 2006**

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 L&GA WP Form 51 Assurances	557606	3.50		4.36
UK L&GA NP Form 51 Assurances	14085			
UK L&GA NP Form 51 Assurances	20620	3.80		4.92
UK Pens WP Form 52 With Profit Funds	70249		3.65	4.84
UK Pens WP Form 52 Deposit Administration	86097		3.80	5.02
UK Pens WP Form 52 With Profit Funds	22616		4.00	5.26
UK Pens WP Form 51 Annual Premium Deferred Annuities	11607		4.20	4.67
UK Pens WP Form 51 Single Premium Deferred Annuities	36095		4.20	4.46
UK Pens WP Form 51 Annual Premium Deferred Annuities	232034		4.55	4.80
UK Pens WP Form 51 Single Premium Deferred Annuities	284538		4.70	4.92
UK Pens WP Form 51 Growth Pension Deferred Annuities	22920		4.70	4.92
UK Pens NP Form 51 Non Interest	42103			4.41
UK Pens NP Form 51 Deposit Administration : Group Pension Plan	52741		3.90	5.17
UK Pens NP Form 51 Annual Premium Assurances and Deferred Annuities	9198		4.95	5.16
UK Pens NP Form 51 Immediate Annuities	155389		5.05	5.26
UK Pens NP Form 51 Single Premium Assurances and Deferred Annuities	77228		5.10	5.31
Miscellaneous	116504			
Total	1811629			

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **26 Phoenix With-Profits Fund**

Financial year ended **31 December 2006**

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 L&GA WP Form 51 Endowment Assurances	1788606	3.50	4.38	4.90
UK L&GA NP Form 51 Endowment Assurances	73788	3.70	4.63	5.37
UK Pensions WP Form 51 Deferred Annuity (RP)	301594		3.71	4.90
UK Pensions WP Form 51 Deferred Annuity (SP/PUP)	395118		4.40	5.13
UK Pensions NP Form 51 Deferred Annuity	417276		3.71	4.84
UK Pensions NP Form 51 Annuities in Payment	299998		4.70	5.37
UK L&GA WP Form 52 With Profit Bond	1246620	2.97	3.71	4.71
UK Pensions WP Form 52 UWP Pensions	695522		3.71	4.89
Misc	554000			
Total	5772522			

Form 57
(Sheet 1)

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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 L&GA NP Form 51 Individual Term Assurances - PLL	2117	3.10	3.88	4.25
UK L&GA NP Form 51 Other Assurances - PLL	14565	3.10	3.88	4.25
UK L&GA NP Form 51 Int Insensitive Assurances - PLL	21551			5.63
UK L&GA NP Form 51 Non Profit Assurances - PLL	20741	3.10	3.88	4.25
UK L&GA NP Form 51 Additional Reserves - PLL	21985			1.24
UK PHI NP Form 51 - PLL	105874		3.85	4.73
UK PHI NP Form 51 - PLL	35446		4.35	4.76
UK PHI NP Form 51 Interest Insensitive - PLL	13910			4.76
UK PHI NP Form 51 Individual Business - PLL	17630		3.85	5.63
UK PHI NP Form 51 Group IP - PLL	5195		4.35	4.80
UK Pens NP Form 51 Annuities in Payment - PLL	670810		4.35	4.83
UK Pens NP Form 51 Interest Insensitive Pensions - PLL	56988			3.31
UK Pens NP Form 51 Deposit Administration - PLL	15168		4.35	5.63
UK Pens NP Form 51 Deferred Annuities - PLL	39435		3.85	4.25
UK Pens NP Form 51 Additional Reserves - PLL	18828			1.27
UK L&GA NP Form 53 Mort & Exp Linked Life - PLL	36643	3.10	3.88	4.25
UK L&GA NP Form 53 Additional Reserves - PLL	8800			1.24
UK Pens NP F53 Mort & Exp Linked Pensions - PLL	56621		4.35	4.84
UK Pens NP Form 53 Additional Reserves - PLL	5337		3.85	4.25
Total				

Form 57
(Sheet 2)

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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 L&GA NP Form 54 Non-Unit Liability - PLL	12563	3.10	3.88	4.25
UK L&GA NP Form 54 Annuity Options - PLL	9623	3.85	4.81	5.63
UK PHI NP Form 54 Non-Unit Liability - PLL	49045		3.85	5.63
Miscellaneous - PLL	133691			4.28
UK L&GA NP Form 51 assurances - temporary - BA LNP	9699	3.00	3.75	5.05
UK L&GA NP Form 51 assurances - other - BA LNP	3606	3.00	3.75	5.05
UK L&GA NP Form 51 annuities - BA LNP	6934	3.45	3.45	5.05
UK L&GA NP Form 51 permanent health insurance - BA LNP	2075	3.50	3.50	5.05
Miscellaneous - BA LNP	2671			5.05
UK Pensions NP Form 51 annuities Direct - BRS	700368		4.77	5.40
UK Pens NP Form 51 annuities ex-BA PNP - BRS	398835		4.26	4.65
Miscellaneous - BRS	76268			3.30
UK Pensions NP Form 51 annuities - BULA UL	967	3.45	3.45	4.57
UK L&GA NP Form 53 assurances - BULA UL	2248	3.00	3.75	4.57
UK Pensions NP Form 53 annuities - BULA UL	519	3.80	3.80	4.57
UK L&GA NP Form 51 assurances - BULA NP	5791	3.10	3.88	4.63
UK L&GA NP Form 51 G'teed Bonus Bond - BULA NP	5483	3.10	3.88	5.22
UK L&GA NP Form 51 annuity in payment - BULA NP	4734	3.35	4.19	4.42
UK Pens NP Form 51 pension in payment - BULA NP	31297		4.20	4.42
Total				

Form 57
(Sheet 2)

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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 L&GA NP Form 53 all classes - BULA NP	10749	3.00	3.75	4.63
UK Pens NP Form 53 all classes - BULA NP	6036		3.80	4.63
UK Pens NP Form 54 all classes - BULA NP	248		1.30	1.47
Miscellaneous - BULA NP	2966			4.63
UK L&GA NP Form 51 Assurances - CENTURY NP	31409	3.10	3.88	
UK L&GA NP Form 51 Assurances - CENTURY NP	11866	3.10	3.88	
UK L&GA NP Form 51 Annuities - CENTURY NP	138	3.08	3.85	
UK L&GA NP Form 51 Annuities - CENTURY NP	324	3.60	4.50	
UK L&GA NP Form 51 Annuities in payment - CENTURY NP	2798	3.80	4.75	
UK L&GA NP Form 51 PHI - CENTURY NP	4999	3.08	3.85	
UK L&GA NP Form 51 miscellaneous - CENTURY NP	5014	3.04	3.80	
UK Pens NP Form 51 Annuities - CENTURY NP	57110	3.08	3.85	
UK Pens NP Form 51 Annuities - CENTURY NP	61008	3.60	4.50	
UK Pens NP Form 51 GAO - CENTURY NP	23637	3.12	3.90	
UK Pens NP Form 51 Annuities in payment - CENTURY NP	239784	3.80	4.75	
UK Pens NP Form 53 GG - CENTURY NP	65218	3.11	3.88	
UK Pens NP Form 51 PHI - CENTURY NP	36	3.08	3.85	
UK Pens NP Form 51 Assurances - CENTURY NP	1636	3.08	3.85	
UK Pens NP Form 51 Deferred Annuities - CENTURY NP	68882	3.60	4.50	
Total				

Form 57
(Sheet 2)

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**

Subfund **31 Non - Profit Fund**

Financial year ended **31 December 2006**

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 miscellaneous - CENTURY NP	2585	3.04	3.80	
UK Life NP Form 53 mortality and expenses - CENTURY NP	1717	3.10	3.88	
UK Life NP Form 53 miscellaneous - CENTURY NP	3436	3.04	3.80	
UK Pens NP Form 53 Guaranteed Growth - CENTURY NP	14017	3.08	3.85	
UK Pens NP Form 53 mortality and expenses - CENTURY NP	20301	3.04	3.80	
UK Pens NP Form 53 miscellaneous - CENTURY NP	6376	3.04	3.80	
UK Pens NP Form 54 mortality and expenses - CENTURY NP	171	1.16	1.45	
Miscellaneous - CENTURY NP	24709			
Miscellaneous - ALBA LTAF	892			
UK Pens NP Form 51 Immediate Annuities - ALBA CRF	7		5.05	5.26
UK L&GA NP Form 53 Assurances - ALBA UL	10967			5.32
UK L&GA NP Form 53 Assurances - ALBA UL	3221	3.10		5.28
UK Pens NP Form 53 - ALBA UL	3998			5.00
UK Pens NP Form 53 - ALBA UL	17649		3.90	4.95
UK PHI NP Form 51 - ALBA UL	765		2.00	4.95
Total	3328731			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**10 Summary**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	24204327	6581046
Bonus payments in anticipation of a surplus	**12**	40513	
Transfer to non-technical account	**13**	348545	55555
Transfer to other funds / parts of funds	**14**	40000	
Subtotal (11 to 14)	**15**	24633385	6636601
Mathematical reserves	**21**	24021228	6576166
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	612157	60435
Composition of surplus			
Balance brought forward	**31**	1800	5939
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**	372433	39066
Surplus arising since the last valuation	**34**	237923	15430
Total	**39**	612156	60435
Distribution of surplus			
Bonus paid in anticipation of a surplus	**41**	40513	
Cash bonuses	**42**	(0)	
Reversionary bonuses	**43**	110986	3045
Other bonuses	**44**	0	35
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	151499	3080
Net transfer out of fund / part of fund	**47**	388545	55555
Total distributed surplus (46+47)	**48**	540044	58635
Surplus carried forward	**49**	72112	1800
Total (48+49)	**59**	612156	60435
Percentage of distributed surplus allocated to policyholders			
Current year	**61**		9.98
Current year - 1	**62**		
Current year - 2	**63**		
Current year - 3	**64**		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**21 Britannic Industrial Branch Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	**11**	636143	
Bonus payments in anticipation of a surplus	**12**		
Transfer to non-technical account	**13**	215	
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	636358	
Mathematical reserves	**21**	600527	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	35831	

Composition of surplus

		Financial year 1	Previous year 2
Balance brought forward	**31**		
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**	33894	
Surplus arising since the last valuation	**34**	1937	
Total	**39**	35831	

Distribution of surplus

		Financial year 1	Previous year 2
Bonus paid in anticipation of a surplus	**41**		
Cash bonuses	**42**		
Reversionary bonuses	**43**	1937	
Other bonuses	**44**		
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	1937	
Net transfer out of fund / part of fund	**47**	215	
Total distributed surplus (46+47)	**48**	2152	
Surplus carried forward	**49**	33679	
Total (48+49)	**59**	35831	

Percentage of distributed surplus allocated to policyholders

		Financial year 1	Previous year 2
Current year	**61**	90.00	
Current year - 1	**62**		
Current year - 2	**63**		
Current year - 3	**64**		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**22 Britannic With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	4179220	
Bonus payments in anticipation of a surplus	**12**		
Transfer to non-technical account	**13**	9189	
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	4188409	
Mathematical reserves	**21**	4091528	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	96881	
Composition of surplus			
Balance brought forward	**31**		
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**	14189	
Surplus arising since the last valuation	**34**	82692	
Total	**39**	96881	
Distribution of surplus			
Bonus paid in anticipation of a surplus	**41**		
Cash bonuses	**42**		
Reversionary bonuses	**43**	82692	
Other bonuses	**44**		
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	82692	
Net transfer out of fund / part of fund	**47**	9189	
Total distributed surplus (46+47)	**48**	91881	
Surplus carried forward	**49**	5000	
Total (48+49)	**59**	96881	
Percentage of distributed surplus allocated to policyholders			
Current year	**61**	90.00	
Current year - 1	**62**		
Current year - 2	**63**		
Current year - 3	**64**		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**23 90% With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	128335	84460
Bonus payments in anticipation of a surplus	**12**	3373	
Transfer to non-technical account	**13**	575	255
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	132283	84715
Mathematical reserves	**21**	126081	83407
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	6202	1308
Composition of surplus			
Balance brought forward	**31**	450	
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**	135	1308
Surplus arising since the last valuation	**34**	5617	
Total	**39**	6202	1308
Distribution of surplus			
Bonus paid in anticipation of a surplus	**41**	3373	
Cash bonuses	**42**		
Reversionary bonuses	**43**	1804	603
Other bonuses	**44**		
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	5177	603
Net transfer out of fund / part of fund	**47**	575	255
Total distributed surplus (46+47)	**48**	5752	858
Surplus carried forward	**49**	450	450
Total (48+49)	**59**	6202	1308
Percentage of distributed surplus allocated to policyholders			
Current year	**61**	90.00	70.29
Current year - 1	**62**	70.29	
Current year - 2	**63**		
Current year - 3	**64**		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**24 100% Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	118013	153488
Bonus payments in anticipation of a surplus	**12**	37140	
Transfer to non-technical account	**13**		
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	155154	153488
Mathematical reserves	**21**	114842	150161
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	40312	3327
Composition of surplus			
Balance brought forward	**31**	850	
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**		3327
Surplus arising since the last valuation	**34**	39462	
Total	**39**	40312	3327
Distribution of surplus			
Bonus paid in anticipation of a surplus	**41**	37140	
Cash bonuses	**42**		
Reversionary bonuses	**43**	2321	2442
Other bonuses	**44**		35
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	39462	2477
Net transfer out of fund / part of fund	**47**		
Total distributed surplus (46+47)	**48**	39462	2477
Surplus carried forward	**49**	850	850
Total (48+49)	**59**	40312	3327
Percentage of distributed surplus allocated to policyholders			
Current year	**61**	100.00	100.00
Current year - 1	**62**	100.00	
Current year - 2	**63**		
Current year - 3	**64**		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**25 Alba With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	1817910	
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	39	
Transfer to other funds / parts of funds	14	40000	
Subtotal (11 to 14)	15	1857949	
Mathematical reserves	21	1817562	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	40387	
Composition of surplus			
Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33	40039	
Surplus arising since the last valuation	34	348	
Total	39	40387	
Distribution of surplus			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42	(0)	
Reversionary bonuses	43	348	
Other bonuses	44	0	
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	348	
Net transfer out of fund / part of fund	47	40039	
Total distributed surplus (46+47)	48	40387	
Surplus carried forward	49		
Total (48+49)	59	40387	
Percentage of distributed surplus allocated to policyholders			
Current year	61	0.86	
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**26 Phoenix With-Profits Fund**
Financial year ended	**31 December 2006**
Units	**£000**

Valuation result

		Financial year 1	Previous year 2
Fund carried forward	**11**	5968607	
Bonus payments in anticipation of a surplus	**12**		
Transfer to non-technical account	**13**	1528	
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	5970135	
Mathematical reserves	**21**	5946223	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	23912	

Composition of surplus

Balance brought forward	**31**		
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**	2028	
Surplus arising since the last valuation	**34**	21884	
Total	**39**	23912	

Distribution of surplus

Bonus paid in anticipation of a surplus	**41**		
Cash bonuses	**42**		
Reversionary bonuses	**43**	21884	
Other bonuses	**44**		
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	21884	
Net transfer out of fund / part of fund	**47**	1528	
Total distributed surplus (46+47)	**48**	23412	
Surplus carried forward	**49**	500	
Total (48+49)	**59**	23912	

Percentage of distributed surplus allocated to policyholders

Current year	**61**	91.02	
Current year - 1	**62**		
Current year - 2	**63**		
Current year - 3	**64**		

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Phoenix Life Limited**
Total business / subfund	**31 Non - Profit Fund**
Financial year ended	**31 December 2006**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	11356097	6343098
Bonus payments in anticipation of a surplus	**12**		
Transfer to non-technical account	**13**	337000	55300
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	11693097	6398398
Mathematical reserves	**21**	11324464	6342598
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	368633	55800
Composition of surplus			
Balance brought forward	**31**	500	5939
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**	282150	34431
Surplus arising since the last valuation	**34**	85983	15430
Total	**39**	368633	55800
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**	337000	55300
Total distributed surplus (46+47)	**48**	337000	55300
Surplus carried forward	**49**	31633	500
Total (48+49)	**59**	368633	55800
Percentage of distributed surplus allocated to policyholders			
Current year	**61**		
Current year - 1	**62**		
Current year - 2	**63**		
Current year - 3	**64**		

Form 59A

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

Name of insurer **Phoenix Life Limited**

Original insurer **41 Life Association of Scotland**

Date of maturity value / open market option **01 March 2007**

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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10057.74	245.68	-	CWP	No	Sum assured plus bonuses
Endowment assurance	20	18133	1866.96	-	CWP	No	Sum assured plus bonuses
Endowment assurance	25	24779.87	573.33	-	CWP	No	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	116873.83	-	-	CWP	No	Return of Premiums
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	68102.83	-	-	CWP	No	Return of Premiums

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **41 Life Association of Scotland**

Date of surrender value **01 March 2007**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	8400.17	-	N/A	CWP	No	Sum assured plus bonuses
Endowment assurance	20	14105.12	-	N/A	CWP	No	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Form 59A

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

Name of insurer **Phoenix Life Limited**

Original insurer **42 Britannia Life**

Date of maturity value / open market option **01 March 2007**

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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10972.63	838.69	-	CWP	No	Sum assured plus bonuses
Endowment assurance	20	19748.21	2596.23	-	CWP	No	Sum assured plus bonuses
Endowment assurance	25	32342.61	4172.45	-	CWP	No	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	22949.26	-	-	CWP	No	Return of Fund
Regular premium pension	15	47581.88	-	-	CWP	No	Return of Fund
Regular premium pension	20	106463	-	-	CWP	No	Return of Premiums
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	13718.51	-	-	CWP	No	Return of Fund
Single premium pension	15	25608.23	77	N/A	CWP	No	Return of Fund
Single premium pension	20	51829	-	-	CWP	No	Return of Premiums

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **42 Britannia Life**

Date of surrender value **01 March 2007**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	8245.03	-	-	CWP	No	Sum assured plus bonuses
Endowment assurance	20	15474.43	-	-	CWP	No	Sum assured plus bonuses
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	8184	-	-	CWP	No	Return of Fund

Form 59A

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

Name of insurer **Phoenix Life Limited**

Original insurer **43 Crusader**

Date of maturity value / open market option **01 March 2007**

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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	11545.26	1924.21	-	CWP	No	Sum assured plus bonuses
Endowment assurance	20	17982.04	1408.73	-	CWP	No	Sum assured plus bonuses
Endowment assurance	25	28084.66	0	-	CWP	No	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	94406.44	-	-	CWP	No	Return of Prems
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	46553.94	-	-	CWP	No	Return of Prems

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **43 Crusader**

Date of surrender value **01 March 2007**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	7914.27	-	-	CWP	No	Sum assured plus bonuses
Endowment assurance	20	14115.15	-	-	CWP	No	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Form 59A

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

Name of insurer **Phoenix Life Limited**

Original insurer **44 Britannic Assurance**

Date of maturity value / open market option **01 March 2007**

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	6126	0	0	CWP	N	Sum assured plus bonuses
Endowment assurance	15	12172.8	0	0	CWP	N	Sum assured plus bonuses
Endowment assurance	20	23236.2	2853.76	0	CWP	N	Sum assured plus bonuses
Endowment assurance	25	47213.23	14637.07	0	CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	27732.66	1567.62	0	UWP	N	Return of Fund
Regular premium pension	15	51948.86	5633.74	0	UWP	N	Return of Fund
Regular premium pension	20	142884.28	0	0	CWP	N	Return of Premiums
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14780.96	752.02	0	UWP	N	Return of Fund
Single premium pension	15	28703.46	7147.8	0	UWP	N	Return of Fund
Single premium pension	20	65798.24	0	0	CWP	N	Return of Premiums

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **44 Britannic Assurance**

Date of surrender value **01 March 2007**

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	1940	635.8	0	CWP	N	Sum assured plus bonuses
Endowment assurance	10	6354.44	1907.4	0	CWP	N	Sum assured plus bonuses
Endowment assurance	15	11800.43	2676.38	0	CWP	N	Sum assured plus bonuses
Endowment assurance	20	21731.79	6056.67	0	CWP	N	Sum assured plus bonuses
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	10796	796	0	UWP	N	Multiple of higher of smoothed and guaranteed value
With-profits bond	10	14078.42	2137.14	0	UWP	N	Multiple of Fund
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	14780.96	752.02	0	UWP	Y	Return of Fund

Form 59A

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

Name of insurer **Phoenix Life Limited**

Original insurer **45 Royal Life Insurance Limited**

Date of maturity value / open market option **01 March 2007**

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	5691	166	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	15	10856	517	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	20	21671	3612	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	25	41815	10137	n/a	CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	51834	8996	n/a	CWP	N	Return of Fund
Regular premium pension	20	106272	23891	n/a	CWP	N	Return With Interest
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	31060	6012	n/a	CWP	N	Return of Fund
Single premium pension	20	50059	14556	n/a	CWP	N	Return With Interest

Form 59B

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

Name of insurer **Phoenix Life Limited**

Original insurer **45 Royal Life Insurance Limited**

Date of surrender value **01 March 2007**

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	5321	155	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	15	10277	455	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	20	22283	3639	n/a	CWP	N	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Form 60

Long-term insurance capital requirement

Name of insurer	**Phoenix Life Limited**
Global business	
Financial year ended	**31 December 2006**
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%	7654927	6709504			
Classes I (other), II and IX	12	0.1%	502950	442511		399	224
Classes I (other), II and IX	13	0.15%	800548	469526	0.79	954	621
Classes I (other), II and IX	14	0.3%	27788741	22191383		66205	40594
Classes III, VII and VIII	15	0.3%	7845103	3708968	0.50	11768	8978
Total	16		44592269	33521891		79325	50417
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					8159	8295
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	13867899	12162062	0.88	121621	12724
Classes III, VII and VIII (investment risk)	33	1%	4077458	4069202	1.00	40692	5731
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1536433	1189065	0.85	13060	9220
Classes III, VII and VIII (other)	35	25%				9064	3127
Class IV (other)	36	1%	455467	122171	0.85	3871	4945
Class V	37	1%					
Class VI	38	1%	7	7	1.00	0	
Total	39					188308	35747
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%	155161	152458			
Classes I (other), II and IX	42	3%	13867899	12162062	0.88	364862	38171
Classes III, VII and VIII (investment risk)	43	3%	4077458	4069202	1.00	122076	17193
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1536433	1189065			
Classes III, VII and VIII (other)	45	0%	4725797	4725753			
Class IV (other)	46	3%	455467	122171	0.85	11614	14836
Class V	47	0%					
Class VI	48	3%	7	7	1.00	0	
Total	49		24818223	22420719		498553	70200
Long term insurance capital requirement	51					774345	164659

APPENDIX 9.4

PHOENIX LIFE LIMITED

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2006.

(2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2005.

On 31 December 2006, all the business within the long term funds of Britannic Assurance Plc ("BA"), Alba Life Limited ("Alba"), Britannic Retirement Solutions Limited ("BRS"), Britannic Unit Linked Assurance Limited ("BULA"), Century Life Plc ("Century"), and Phoenix Life & Pensions Limited ("PLP") was transferred to the Company, Phoenix Life Limited ("PLL"), under Part VII of the Financial Services and Markets Act 2000. At the same time, additional funds were created in the Company.

The table below shows the sources and destinations of the various types of business:

SOURCE	DESTINATION
PLL Non-Profit Fund	Non-Profit Fund ("NP Fund")
PLL 90% Fund	90% With Profit Fund ("90% Fund")
PLL 100% Fund	100% With Profit Fund ("100% Fund")
BRS Non Profit Fund	Non-Profit Fund
BULA With Profit Fund	90% With Profit Fund
BULA Non-Profit Fund	Non-Profit Fund
BULA Unit Linked Fund	Non-Profit Fund
BA IB With Profit Fund	Britannic Industrial Branch Fund ("BA IB Fund")
BA OB With Profit Fund	Britannic With Profit Fund ("BA WP Fund")
BA LNP Fund	Non-Profit Fund
BA PNP Fund	Non-Profit Fund
Century Non-Profit Fund	Non-Profit Fund
Century With Profit Fund	Britannic With Profit Fund for with profit business and the Non-Profit Fund for non-profit business
Alba Ordinary Long Term Business Fund	Alba With Profits Fund ("Alba WP Fund")
Alba Capital Redemption Fund	Non-Profit Fund
Alba Long Term Accident Fund	Non-Profit Fund
Alba Unit Linked Fund	Non-Profit Fund
PLP Ordinary Long Term Fund	Phoenix With Profit Fund ("Phoenix WP Fund")

Where reference is made to a previous valuation in respect of business transferred into the Company on 31 December 2006, it refers to the valuation carried out in the transferor company.

(3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2005.

2. PRODUCT RANGE

The product range increased on 31 December 2006 due to the transfer of business into the Company described in paragraph 1 (2) above.

In the remainder of this Appendix and Appendix 9.4A, the products are identified by their current fund and / or their originating fund as defined above or, in respect of products that were already in PLL, by their originating company prior to the 2005 fund merger (see the Company's 2005 FSA Returns):

"PAL"	Phoenix Assurance Limited
"SLUK"	Swiss Life (UK) Plc
"Bradford"	Bradford Insurance Company Limited

For other products transferred into PLL that had been transferred previously, the descriptions previously used in the transferor's returns are still used.

The new business status of each of the with profits subfunds during the year was:

FUND	STATUS
Alba WP Fund	(d) closed to new business except by increment
Britannic IB Fund	(d) closed to new business except by increment
Britannic WP Fund	(d) closed to new business except by increment
Phoenix WP Fund	(d) closed to new business except by increment
90% Fund	(d) closed to new business except by increment
100% Fund	(d) closed to new business except by increment

The remaining questions are answered in respect of each fund in turn.

Alba WP Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

During 2006, market value reductions were applied to accumulating with profits business as described below.

(a) Unitised with profits business

1 January 2006 to 30 June 2006

Final bonus and market value reductions as a percentage of unit allocations by calendar year of purchase are shown in the tables below. Market value reductions (negative final bonuses) do not apply on maturity or death and the overall final bonus is subject to an overall minimum of nil, and the minimum payout is the face value of the units. For all other claims, the overall final bonus can be negative and a market value reduction of that amount will have been applied to the face value of the units.

Applicable 1 January 2006 to 30 June 2006:

Calendar year of purchase of units	Old BLAS business (Life System Company 2)		New BL business (Life System Company 4)	
	Life	Pension	Life Fund	Pension
<=1992		0.0%		
1993	2.0%	-4.5%	15.0%	23.5%
1994	5.5%	15.5%	19.0%	28.0%
1995	12.5%	15.0%	26.0%	35.5%
1996	9.0%	10.0%	21.0%	28.5%
1997	5.5%	5.5%	17.0%	22.5%
1998	0.0%	-2.5%	10.0%	13.5%
1999	-6.5%	-12.0%	3.0%	4.5%
2000	-8.0%	-10.0%	1.5%	2.5%
2001	-3.0%	-2.0%	6.0%	8.0%
2002	5.5%	5.0%	12.0%	15.0%
2003	12.0%	12.5%	13.5%	17.5%
2004	9.0%	10.5%	9.0%	11.5%
2005	5.0%	5.5%	3.5%	4.5%
2006	1.5%	1.0%	1.5%	1.5%

Applicable 1 July 2006 to 31 December 2006:

Calendar year of purchase of units	Old BLAS business (Life System Company 2)		New BL business (Life System Company 4)	
	Life	Pension	Life Fund	Pension
<=1992		1.0%		
1993	2.5%	-3.5%	17.5%	26.0%
1994	6.5%	18.5%	21.5%	31.0%
1995	13.5%	16.5%	29.0%	40.0%
1996	9.5%	12.0%	24.0%	33.0%
1997	6.5%	7.0%	19.5%	26.5%
1998	0.5%	-0.5%	12.5%	17.0%
1999	-6.0%	-11.0%	5.5%	8.0%
2000	-7.5%	-8.5%	4.0%	6.0%
2001	-2.5%	0.5%	8.5%	11.5%
2002	8.0%	10.0%	14.5%	19.5%
2003	13.0%	15.5%	16.0%	21.5%
2004	10.5%	12.5%	11.5%	15.0%
2005	6.0%	7.0%	5.0%	6.5%
2006	1.5%	1.5%	1.5%	2.0%

(b) Other with profits business

For the following classes, the market value adjustments apply irrespective of the year of entry.

For the Unitised Capital Guaranteed Fund business, from 1 January 2006 to 8 March 2006 a market value reduction of 8% was applied and from 9 March 2006 to 31 December 2006 no market value reduction was applied.

For the Nestegg (post 1988) business, from 1 January 2006 to 8 March 2006 a market value reduction of 10% was applied and from 9 March 2006 to 31 December 2006 a market value reduction of 9% was applied.

For the ex BLA / Crusader With Profits Performance Fund business, from 1 January 2006 to 8 March 2006 a market value reduction of 13% was applied and from 9 March 2006 to 31 December 2006 no market value reduction was applied.

For the ex BLA / Crusader With Profits Pension Fund business, from 1 January 2006 to 8 March 2006 a market value reduction of 2% was applied and from 9 March 2006 to 31 December 2006 no market value reduction was applied.

For the Assured Growth Scheme business, individual scheme specific market value reductions were applied, where applicable, throughout 2006.

(2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

(3) Non-profit Deposit Administration

No non-profit deposit administration business is transacted.

(4) Service Charges on Linked Policies

There are no linked policies.

(5) Benefit Charges on Linked Policies

There are no linked policies.

(6) Accumulating With Profits Charges

There were no changes to unit management charges or notional charges to accumulating with-profits policies since the last valuation.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

Subject to the exceptions specified below, liabilities have been valued using the gross premium valuation method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made except implicitly in setting the per policy expenses.

The mathematical reserve for all accumulating with profit policies has been calculated as the face value of units, which is the number of units including attaching bonus units allocated up to the valuation date, less a market value adjustment where applicable.

Exceptions:

(a) No negative reserves have been included and no contract of insurance has been treated as an asset.

(b) As a result of realised losses brought forward, no provision for the prospective liability with respect to tax on unrealised capital gains on non linked assets was considered necessary for the purpose of this valuation.

(c) No specific reserve has been made for investment performance guarantees for property linked and deposit administration contracts, apart from ex-BLAS pension policies in the With Profit Pension Fund, where the 4% guaranteed growth rate has been allowed for.

The With Profit Fund guarantee on policies arising from BLA is provided for by valuing units at the higher of the underlying asset price or the quoted bid price.

(d) A prospective method of valuation has not been used for the following contracts.

Policies Arising From BLA

Economic Mortgage and Low Start Economic Mortgage policies were valued as endowment contracts but with a death benefit equal to the greater of the guaranteed minimum death benefit and the sum assured and declared bonuses.

For group life assurances, the reserve held was the proportion of premium due in respect of the period from the valuation date to the date when the next premium falls due. For schemes where a premium rebate is given on account of favourable experience, an additional reserve was held in respect of the estimated rebate accrued to the valuation date. A reserve was held to provide for claims incurred but not reported.

Inward reassurances of term assurance benefits were valued with the reserve being a proportion of current annual premium, the proportion being not less than one half.

Where extra premiums are payable for assurances, one half of the current extra annual premiums was reserved.

Where the office premium charged was for an age higher than the actual age at entry, in respect of an under average life, the assurance was dealt with according to the rated up age. Any debts imposed on account of extra risks were ignored in the valuation.

In respect of permanent disability benefits attaching to life policies, the whole of the premium received was reserved.

Claims payable by instalments were valued on an interest only basis by discounting the future repayments.

For deposit administration contracts, the valuation liability was taken as the amounts held to the credit of policyholders before adding the current year's bonus interest.

The liabilities of Growth Pension business were obtained by valuing the paid up pensions and annuities in payment secured by each policy at the valuation date.

The reserve in respect of fatal accident benefits was not less than one half of the current annual premium.

In respect of long term permanent health policies, other than those valued on the gross premium method, the reserve held was the proportion of premium due in respect of the period from the valuation date to the date when the next premium falls due, together with additional reserves in respect of the estimated amount of rebate accrued to the valuation date where appropriate.

A reserve was held for claims in course of payment and to provide for claims incurred but not reported.

<u>Policies Arising From BLL</u>

(i) Group life assurances costed on a unit rate risk premium basis: a reserve equal to the proportion of the premium relating to the unexpired risk subject to a minimum of one quarter of the annual premium is held.

(ii) Group life assurances associated with pension schemes and costed on a risk premium basis: a reserve equal to 75% of the risk premium is held.

No specific tests of adequacy were considered necessary for the bases used in (i) and (ii) as the underlying premium rates are tested annually for adequacy and the chargeable premium rate is guaranteed for not more than two years in either case.

<u>Policies Arising From BLAS</u>

Liabilities for group term assurance are calculated on the basis of a year's risk cost, the provision being 75% of the office annual premium or the recurrent single premium.

For deferred annuities under the Long Term Accumulation System the liabilities are the aggregate amounts of the deposit accounts, for the schemes concerned as at the valuation date after crediting interest to the daily balances, at the valuation rate.

For deferred retirals the liabilities are the cash options at normal retirement ages accumulated with interest.

In the light of these provisions tests for adequacy were not considered appropriate.

(e) Other specific reserves have been set up for the following contracts:

(i) Growth equity contracts have been valued as non linked with profits, plus, on Type A policies only, the full undiscounted value of capital appreciation to 31 December 2006 including the reserve for capital gains tax.

(ii) Genesis pension contracts have been valued by a cash flow method for linked benefits and by a gross premium method for non linked benefits.

The assumptions used in the cash flow method are as stated at the start of this section.

(2) Valuation Interest Rates

The following table shows the valuation interest rates.

	Current Valuation	**Previous Valuation**
Life Assurance Fund		
With Profit	3.50%	3.10%
Non Profit	3.80%	3.75%
General Annuity Fund		
With profit Deferred Annuities	4.55%	4.15%
Non profit Deferred Annuities	4.95%	4.90%
Immediate Annuities	5.05%	4.95%
Pension Business Fund		
New With Profit AP Deferred Annuities	4.20%	3.95%
New With Profit SP Deferred Annuities	4.20%	3.95%
Old With Profit AP Deferred Annuities	4.55%	4.15%
Old With Profit SP Deferred Annuities	4.70%	4.35%
Non Profit AP Deferred Annuities	4.95%	4.90%
Non Profit SP Deferred Annuities	5.10%	5.00%
Immediate Annuities	5.05%	4.95%
Laserplan	4.70%	4.35%
Group Pension Plan	3.90%	3.85%
PHI Fund		
Non-claims	4.0%	4.00%
Claims in Payment	5.05%	4.95%

For deferred annuities, the stated valuation interest rate applies before and after vesting.

(3) Risk Adjustments

For Corporate Bonds a deduction is made from the Gross Redemption yield to allow for the risk of default based on analysis done by Moody's and the adjustment is based on the Credit rating of each individual bond.

The adjustments are as follows:

Rating	Adjustment to yield (in basis points)
SOV	0
AAA	8
AA	12
A	24
BBB	66
BB	254
B	722

For property each individual property is rated in terms of quality (A being the highest quality and F being the lowest quality) and the yield assumed on each property is based on a weighted average of the property yield and 2.5% Consols yield, the weights being applied as follows:

Rating	Percentage of property yield	Percentage of consols yield
A	90	10
B	80	20
C	70	30
D	60	40
E	50	50
F	0	100

For the property unit trust a deduction of 50 basis points is made to the yield to allow for the risk of default. This deduction is based on the property portfolio underlying the unit trust and is based on the difference between the risk adjusted yield as calculated above and the yield with no adjustment for risk.

(4) Mortality Basis

Product Type	Current Valuation	Previous Valuation
Life Fund Permanent Assurances	95% AM/AF92	95% AM/AF92 + 33% AIDSR6A
Term Assurances	95% TM/TF92	95% TM/TF92 + 33% AIDSR6A
GAF Annuities	90% IFA92 * 95% IMA92 **	90% IFA92 *** 85% IMA92 mc***
PBF Annuities	90% PFA92 * 95% PMA92 **	90% PFA92 *** 85% PMA92 mc***
PBF Deferred Annuities (In deferment)	55%AM/AF92	75%AM/AF92
GAF Deferred Annuities (In deferment)	55%AM/AF92	75%AM/AF92
PBF Deferred Annuities (In Payment)	90% PFA92 * 95% PMA92 **	90% PFA92 *** 85% PMA92mc***
GAF Deferred Annuities (In Payment)	90% IFA92 * 95% IMA92 **	90% IFA92 *** 85% IMA92 mc***
Group Pensions % of premium	0.15	0.15
Group Life % of premium	70	70

* 92 series of tables with improvement factors as below
** 92 series of tables with improvement factors as below
*** 92 series of tables with improvement factors as below but applied only from 2005

* improvement factors applicable to female lives

Females	1992 to 2005	2015	2025	2035	2045	2055
40	1.30%					
50	1.75%	1.30%				
60	2.70%	1.75%	1.30%			
70	3.25%	2.45%	1.75%	1.30%		
80	1.70%	2.20%	2.20%	1.75%	1.30%	
90	0.75%	1.00%	1.45%	1.60%	1.75%	1.30%
100	0.75%	0.75%	0.75%	0.80%	1.00%	1.30%

** improvement factors applicable to male lives

Males	1992 to 2005	2015	2025	2035	2045	2055
40	1.50%					
50	2.00%	1.50%				
60	3.40%	2.00%	1.50%			
70	4.00%	3.10%	2.00%	1.5%		
80	2.50%	2.70%	2.80%	2.0%	1.5%	
90	1.30%	1.50%	1.80%	2.0%	2.0%	1.5%
100	0.75%	0.75%	0.85%	1.00%	1.25%	1.5%

These factors are annual improvement factors applied from 1992 to the mortality specified in the 92 series tables (with interpolation between ages and between calendar years). The improvement factors are applied cumulatively to the mortality in 1992 from the base table.

For example the improvement factors applicable for a male aged 70 would be as follows (interpolating between 4.00% and 3.10%):

2005 4.00%
2006 3.91%
2007 3.82%
2008 3.73%
2009 3.64%
2010 3.55%
2011 3.46%
2012 3.37%
2013 3.28%
2014 3.19%
2015 3.10%

Expectation of Life resulting from these improvement factors:

	Current age	Expectation of life from age	Females 2006	Males 2006	Females 2005	Males 2005
Immediate annuities	65	65	25.18	23.26	25.13	23.13
	75	75	15.15	13.78	15.04	13.62
Deferred annuities	45	65	27.50	25.97	27.52	25.91
	55	65	26.26	24.50	26.58	24.52

(5) Morbidity Basis

Not required as below de minimis level.

(6) Expenses

The following table shows the gross attributable expenses per policy.

Product Group	**Per Policy Expense**	
	Current Valuation (£)	**Previous Valuation (£)**
CWP savings endowment (product code 120)	RP: 61.12 PUP: 30.56	RP: 54.92 PUP: 27.46
CWP target cash endowment (125)	RP: 61.12 PUP: 30.56	RP: 54.92 PUP: 27.46
CWP pensions (155/165)	RP: 101.87 SP/PUP: 30.56	RP: 91.54 SP/PUP: 27.46
Term assurance (325 / 330)	36.67	32.95
Income protection (360 / 365)	59.08	53.09
Income protection claims in payment (385)	0.00	0.00
Annuity (400)	36.67	32.95
UWP savings endowment (510)	RP: 61.12 PUP: 30.56	RP: 54.92 PUP: 27.46
UWP target cash endowment (515)	RP: 61.12 PUP: 30.56	RP: 54.92 PUP: 27.46
UWP regular premium pension (525 / 545)	RP: 101.87 PUP: 30.56	RP: 91.54 PUP: 27.46
UWP single premium pension (525 / 545)	30.56	27.46
UWP group regular premium pension (535)	55.15	52.74
UWP group single premium pension (535)	55.15	52.74

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Inflation assumptions

Future expenses are assumed to increase at 1.3% p.a. for contracts administered by Capita. In addition, expenses are assumed to increase by 32% followed by RPI+2% after the end of the agreement with Capita in 2013.

The following rates are used for contracts administered by RMS:

2007	4.8%
2008	5.6%
2009	6.2%
2010	6.7%
2011	7.4%
2012	8.3%
2013	9.0%
2014	9.2%
2015	-8.3%

and at RPI + 2% thereafter.

There are no unit growth rate assumptions as there is no unit linked business.

(8) Future Bonus Rates

The company is a realistic basis life firm and as such, in accordance with INSPRU 1.2.9(R), no allowance has generally been made for future annual bonuses.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date (but see (10) below).

(10) Other Material Assumptions

Expense assumptions do make an implicit allowance for the effect of expected future lapses. The inflation assumptions set out in 4(7) have been adjusted to implicitly allow for lapses.

Provision has been made in the value of liabilities held for guaranteed benefits included in the terms of contracts in force at the valuation date.

For with profit contracts, unitised with profit contracts and with profit deposit administration contracts the excess in the annual premium over the net premium not required to meet expenses is available to provide future bonuses.

For accumulating with profit contracts, the published reserve basis applies a market value adjustment where one applies in practice.

(11) Allowance for Derivatives

No contracts have liabilities that have been calculated by reference to derivative assets. We have a holding of swaptions to hedge against the risk of interest rate falls affecting the GAO reserves (referred to in 5(1)(a)).

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

(i) the cash amount, and

(ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

Product Name	GAO Reserve 000s	Minimum Duration	Maximum Duration	Guaranteed Annuity Rate	Type of annuity	Retirement Age
Individual Arrangements 1st and 2nd Series	7,936	0	31	6.02	Joint Life 50%	65
Individual Arrangements 1st and 2nd Series	7,348	0	29	4.86	Joint Life 50%	65
Individual Arrangements 1st and 2nd Series	6,946	0	24	3.99	Joint Life 50%	60
Individual Arrangements 1st and 2nd Series	6,671	0	31	8.02	Joint Life 50%	65
Individual Arrangements 1st and 2nd Series	6,163	0	29	5.33	Joint Life 50%	61
Individual Arrangements 1st and 2nd Series	4,618	0	29	6.41	Joint Life 50%	64
Individual Arrangements 1st and 2nd Series	4,542	0	30	7.62	Joint Life 50%	65
Individual Arrangements 1st and 2nd Series	2,770	0	28	4.50	Joint Life 50%	63
Individual Arrangements 1st and 2nd Series	2,699	0	21	9.46	Joint Life 50%	65
Individual Arrangements 1st and 2nd Series	2,572	0	28	9.53	Single Life	65
Individual Arrangements 1st and 2nd Series	1,769	0	28	8.80	Single Life	62
Individual Arrangements 1st and 2nd Series	829	0	27	7.33	Single Life	60
Individual Arrangements 1st and 2nd Series	669	0	23	7.25	Joint Life 50%	61
Individual Arrangements 1st and 2nd Series	626	0	20	11.11	Single Life	65
Individual Arrangements 1st and 2nd Series	613	0	24	7.03	Joint Life 50%	60
Seda Series 3 - Individual	20,861	0	37	5.60	Single Life	75
Seda Series 3 - Individual	2,193	1	37	6.79	Single Life	75

A portfolio of Swaptions is held to hedge against the risk of falling interest rates.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Guaranteed surrender values – the reserves for these do not exceed the materiality limits.

(3) Guaranteed Insurability Options

Guaranteed insurability options - the reserves for these do not exceed the materiality limits.

(4) Other Guarantees and Options

(a) Provision was made for any guarantees and options (other than investment performance guarantees) on the following basis.

Flexible endowment policies were valued at the higher of the net liabilities assuming maturity at:

(i) the next early maturity option with the relevant guarantees, or

(ii) the maximum term.

Conversion and guaranteed insurability options under convertible term policies have been provided for by increasing reserves over those that would have been required for term policies.

<u>Policies Arising From BLAS</u>

Mortality reserves in respect of guaranteed and other death benefits were set up as follows:

Pre 1982 series. Assuming a 25% fall in unit values, very few contracts would have a sum assured at risk. A nominal reserve is held.

Post 1981 series and pension business. With the exception specified below, the reserve is twice the monthly risk charge for the relevant benefits, adjusted for extra premiums.

The reserve set up for waiver of premium benefits under the Personal Pension Plan is the accumulation of premiums paid subject to a maximum of three years' premium, adjusted for extra premiums.

For permanent health insurance benefits the reserve set up is the accumulation of premiums paid subject to a maximum of three months' premiums, adjusted for extra premiums.

(b) For contracts with benefits expressed as an annuity but which have an option to secure a cash fund the reserve was calculated assuming that the benefit at maturity was the higher of:

(i) the annuity applied to the guaranteed cash option, and

(ii) the value of the annuity, using mortality rates appropriate for deferred annuities and the valuation interest as shown for that contract (but subject to a maximum of the reinvestment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
All products	2.0	0.0	12.2	5.4	19.6
All expenses attributable	2.0	0.0	12.2	n/a	14.2
Total	2.0	0.0	12.2	5.4	19.6

(2) Implicit Allowances

Implicit allowances cover investment expenses and are allowed for by a reduction in the valuation interest rate based on the rates actually charged by Resolution Asset Management.

Fixed interest	0.08%
Property	0.35%
Cash	0.03%

(3) Form 43 Comparison

The figure of £19.6m shown in (1) is made up of maintenance expenses of £12.2m, an implicit allowance of £2.0m plus explicit project costs of £5.4m. Excluding these project costs maintenance expenses are not significantly different from line 14 of Form 43 of the ALBA return (£14.0m for 2006).

(4) New Business Expense Overrun

As the office is closed to new business the expense incurred is not a material amount and as a result, it was not deemed necessary to hold a further specific reserve.

(5) Maintenance Expense Overrun

Specific expense reserves have not been calculated for LASPEN Managed Fund contracts.

As the basis of charging for both administrative and investment management services can be varied outside the period of guarantee, which covers only the first three years following the commencement of a policy, no explicit provision for future expenses was deemed necessary.

An additional reserve of £3m has been set up in respect of the Capita contract to allow for the potential cost of renegotiating the contract at the renewal date. No such reserve is considered necessary in respect of RMS contract since the contract allows for Alba IT costs to fall to Britannic With Profits business unit cost levels, which has not been allowed for in the expense assumptions.

No additional allowance has been made for redundancy costs or MSA termination costs.

(6) Non-attributable expenses

The non-attributable expenses relate to project costs which are high level estimates.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

		Matching Assets as Shown in Form 57		
Currency £m	**Liabilities ***	**Same Currency**	**Other Currency**	**Mismatching Percentage**
Sterling (£)	1,751.183	1,750.331	0.857	0.05%
Euro (€)	57.765	52.804	4.958	8.58%
US ($)	2.681	2.675	0.005	0.19%

* Includes liabilities in respect of the deposits received from reinsurers as shown in Form 14.

The Alba With Profits Fund has in total UK sterling denominated assets to the value of 102.66% of its UK sterling liabilities. The company has US Dollar assets to the value of 108.43% of its US Dollar liabilities and Euros assets to the value of 92.49% of its Euro liabilities.

The returns provided to Euro and US dollar with profit policyholders are determined by reference to the same assets as are used for its sterling with profit policies.

(2) Other Currency Exposures

“Other currency” grouping was not required in (1).

(3) Currency Mismatching Reserve

No explicit currency mismatching reserve is held.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No other reserves are held arising from the test on assets in INSPRU 1.2.34(2)(R).

8. OTHER SPECIAL RESERVES

There are no special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(a) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

<u>Immediate Annuities (Treaty 1)</u>

(d) The company has a reinsurance agreement with XL Re Ltd (UK Branch) to reinsure payments under certain immediate annuity contracts.

(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba WP Fund has a charge.

(f) No premiums were paid by the company during 2006 under this treaty.

(g) No deposit back arrangement was in force during the year.

(h) The treaty is closed to new business.

(i) The company has no undischarged obligations under the agreement.

(j) Total mathematical reserves ceded under the treaty amount to £437.4m as at 31/12/2006.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK

(m) The reinsurer is not connected to the company.

(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.

(o) No commission is payable on the reinsurance premium.

(p) This treaty is not a financing arrangement

Immediate Annuities (Treaty 2)

(d) The company has a reinsurance agreement with XL Re Ltd (UK Branch) to reinsure payments under certain immediate annuity contracts.

(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba WP Fund has a charge.

(f) No premiums were paid by the company during 2006 under this treaty.

(g) No deposit back arrangement was in force during the year.

(h) The treaty is closed to new business.

(i) The company has no undischarged obligations under the agreement.

(j) Total mathematical reserves ceded under the treaty amount to £181.8m as at 31/12/2006.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to transact business in the UK.

(m) The reinsurer is not connected to the company.

(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.

(o) No commission is payable on the reinsurance premium.

(p) This treaty is not a financing arrangement.

Immediate Annuities (Treaty 3)

(d) The company has a reinsurance agreement with Lehman Re Ltd to reinsure payments under certain immediate annuity contracts.

(e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba WP Fund has a charge.

(f) No premiums were paid by the company during 2006 under this treaty.

(g) No deposit back arrangement was in force during the year.

(h) The treaty is closed to new business.

(i) The company has no undischarged obligations under the agreement.

(j) Total mathematical reserves ceded under the treaty amount to £ 75.8m as at 31/12/2006

(k) There is no retention under the treaty.

(l) The reinsurer is not authorised to transact business in the UK.

(m) The reinsurer is not connected to the company.

(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.

(o) No commission is payable on the reinsurance premium.

(p) This treaty is not a financing arrangement.

<u>Non Profit Deferred Annuities</u>

(d) The company has a reinsurance agreement with American International Reinsurance Company Ltd (AIRCO) to reinsure payments under certain non profit deferred annuity contracts.

(e) The treaty reassures 100% of the liability under the closed book of non profit deferred annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba WP Fund has a charge.

(f) No premiums were paid by the company during 2006 under this treaty apart from a premium fund of £11.9m, which was received as the result of data corrections.

(g) No deposit back arrangement was in force during the year.

(h) The treaty is closed to new business.

(i) The company has no undischarged obligations under the agreement.

(j) Total mathematical reserves ceded under the treaty amount to £431.7m as at 31/12/2006.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to carry out such business in the UK.

(m) The reinsurer is not connected to the company.

(n) Loss mitigation techniques have been used to effectively eliminate credit risk through the ring-fencing of reassurance assets.

(o) No commission is payable on the reinsurance premium.

(p) This treaty is not a financing arrangement.

Guaranteed Annuity Options

(d) The company has a reinsurance agreement with Britannic WP Fund to reinsure guaranteed annuity options under with and non profit deferred annuity policies.

(e) The agreement reinsures the cost of meeting guaranteed annuity options not yet vested at 31 December 2006 exercised under with and non profit policies written with a cash benefit and guaranteed annuity option in the Ordinary Long Term fund in return for a premium of 75% of the cost of meeting any such option on the assumption that the option is exercised to the maximum extent and assuming all such options are exercised. The treaty reassures the company's liability in respect of guaranteed annuity options such that Alba WP Fund's liability is restricted to a maximum of 75% of the option.

(f) Premiums of £3.6m were paid by the company under this treaty during 2006.

(g) No deposit back arrangement was in force during the year.

(h) The treaty is open to new business.

(i) Not applicable

(j) Total mathematical reserves ceded under the treaty amount to £19.6m as at 31/12/2006.

(k) There is no retention under the treaty.

(l) The reinsurer is authorised to carry out such business in the UK.

(m) The reinsurer is not a connected company of the reassurer, but is a subfund of PLL.

(n) There are no material contingencies such as credit risk or legal risk, to which the treaty is subject.

(o) No commission is payable on the reinsurance premium.

(p) This treaty is not a financing arrangement.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus was allocated at the rates set out below at the date of this investigation.

Policies Arising From BLA

		Bonus rates for 2006		Bonus rates for 2005		Total g'tee bonus for 2006
	Mathematical reserves	Sum Assured	Bonus	Sum Assured	Bonus	
Assurances UK and overseas sterling life series A,B,H,D,K	£246.6m	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Annuities Annual Premium Self Employed Deferred Annuities Series 2 & 3	£94.5m	0.00%	0.00%	0.00%	0.00%	0.00%
Single Premium Self Employed Deferred Annuities Series 2 & 3	£27.2m	0.00%	0.00%	0.00%	0.00%	0.00%

Group Deposit Administration Contracts

The following rates were applied to these contracts for the period from 1 January to 31 December 2006:

	Nestegg	Nestegg 32
Mathematical reserve	£85.8m	£10.1m
Compounded annual rate for 2005	1.25%	1.25%
Compounded annual rate for 2006	1.00%	1.00%
Total guarantee bonus for 2006	0.00%	0.00%

Growth Pensions

A total of £0.00m was distributed to policyholders. The Mathematical reserves totalled £23.0m.

Growth Pension surplus is normally distributed annually by reference to an allocated share of assets to each group policy. The allocation of assets is adjusted each year according to the amount of new investment made in respect of each policy, and gives effect to changes in market value. Any bonus declared would be distributed to the policyholder as an amount of premium to be re-applied to the policy on “controlled funding” principles.

Bonuses, if payable, would be allocated in each case in respect of each annual premium due since the previous declaration subject, in the case of deferred life annuities (pension business) only, to payment of any premium outstanding at 31 December required to complete payment of a full year's premium.

Policies Arising From BLL

	Mathematical reserve	Basic Sum Assured	Bonus	Basic Sum Assured	Bonus	Total g'tee bonus for 2006
		2006		2005		
Life assurance All classes	£125.8m	0.00%	0.00%	0.00%	0.00%	0.00%
Non Genesis Annual Premium pension Contracts	£12.5m	0.00%	0.00%	0.00%	0.00%	0.00%
Genesis Premium Rate Annual Premium Contracts	£32.7m	0.00%	0.00%	0.00%	0.00%	0.00%
Buyouts and Genesis premium rate business Single Premium Contracts.	£259.0m	0.00%	0.00%	0.00%	0.00%	0.00%

Policies Arising From BLAS

	Mathematical reserve	Basic Sum Assured	Bonus	Basic Sum Assured	Bonus	Total g'tee bonus for 2006
		2006		2005		
UK Life Assurance Contracts	£135.1m					
UK Life Assurance Contracts – LAS low cost endowments	£50.2m	0.00%	0.00%	0.00%	0.00%	0.00%
UK Annual Premium Pension and Annuity Contracts	£104.9m	0.00%	0.00%	0.00%	0.00%	0.00%
UK Single Premium Pension and Annuity Contracts	£40.9m	0.00%	0.00%	0.00%	0.00%	0.00%
Republic of Ireland Annual Premium & Annuity Contracts	£12.3m	0.00%	0.00%	0.00%	0.00%	0.00%
Republic of Ireland Annual Premium & Annuity Contracts	£11.3m	0.00%	0.00%	0.00%	0.00%	0.00%

Unitised with profit contracts - bonus allocated to fund balances in addition to any guaranteed rate.

	Mathematical reserves	2006	2005	Total g'tee bonus for 2006
Life Fund (0% guarantee)	£8.7m	0.00%	0.00%	0.00%
Pension Fund (4% guarantee)	£22.6m	0.00%	0.00%	4.00%
Pension Fund (0% guarantee)	£44.8m	0.00%	0.00%	0.00%

Unitised Capital Guarantee Fund – bonus allocated to fund balances.

	Mathematical reserves	2006	2005	Total g'tee bonus for 2006
Unitised Capital Guarantee Fund	£25.5m	2.30%	1.43%	0.00%

Britannic IB Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

There are no policies to which market value reductions can be applied.

(2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

(3) Non-profit Deposit Administration

There are no deposit administration contracts.

(4) Service Charges on Linked Policies

There are no linked policies.

(5) Benefit Charges on Linked Policies

There are no linked policies.

(6) Accumulating With Profits Charges

There are no accumulating with profits policies.

(7) Unit Pricing of Internal Linked Fund

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

All policies are valued using a gross premium method. The mathematical reserves are calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The valuation data is grouped for certain policies where premiums ceased some years ago and individual policy data is not available. The data is grouped by age at entry, term and year of entry.

For additional benefits granted under the Industrial Assurance (Life Assurance Premium Relief) Regulations 1977, 95% of the premium relief due for the remainder of the tax year has been deducted from the value of the increased sum assured.

The reserves allow for the maturity guarantee of a return of premiums on certain endowment policies.

(2) Valuation Interest Rates

The valuation interest rates used are:

Product Group	31 December 2006	31 December 2005
With profit	3.00%	3.00%
Non profit	3.00%	3.00%

(3) Risk Adjustments

The risk adjusted yield in Form 57 is calculated by deducting the amounts in the table below from the gross redemption yields on fixed interest securities:

Bond rating	Deduction from yield for default risk (basis points)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
BB	2.54%
B	7.22%
Non- rated/unrated	0.66%

Equity and property yields are reduced by 2.5% of their yield and cash yields by 0.5% of their yield.

(4) Mortality Basis

The mortality bases are:

Product Group	31 December 2006	31 December 2005
With profit	100% ELT13	100% ELT13
Non profit	100% ELT13	100% ELT13

(5) Morbidity Basis

Not applicable

(6) Expenses

Product Group	Premium paying	Non-premium paying*
With profit (105 / 130)	34.34	6.92
Non profit (310)	n/a	6.92

(7) Unit Growth Rates and expense inflation

There are no unit growth rate assumptions as there is no linked business.

Product Group	31 December 2006		31 December 2005
Expense inflation			
With profit policies	4.25%		4.25%
Non profit policies	5.30%		5.00%

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

All policies subject to a contingent debt have been valued using true ages and the actual sums assured.

The mathematical reserve is not less than the surrender value or transfer value which a policyholder might reasonably expect to receive, but excluding any element relating to final bonus.

(11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities. In addition there are a few assets having the effect of a derivative contract and these do not impact the long term business insurance liabilities.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

There are no guaranteed annuity rate options.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Minimum surrender values are applied to both whole of life and endowment policies in accordance with the Industrial Assurance Act 1923. The mathematical reserves allow for policy surrender values as described in 4(10) above. These surrender values exceed the 1923 Act minimum amounts. The amount of the additional reserve included in Form 51 to ensure the mathematical reserve is no less than the current surrender value is shown in the table below.

These policies are conventional with profit products therefore an MVA does not apply. Policyholders may not make increments to these policies.

Product Name £000	Basic Reserve	Guarantee Reserve	In force premium per annum
IB policies	570,919	103	44,039

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

The maturity value of endowments issued from 6 April 1999 is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

These endowments are conventional with profit products therefore an MVA does not apply. Policyholders may not make increments to these policies

Product Name £000	Basic Reserve	Spread of outstanding durations	Guarantee Reserve	Guarantee Amount	In force premiums
Industrial Branch Endowment	37,366	2 to 19	15,506	111,532	8,992

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Endowment & whole life	0.8	0.0	15.6	0.2	16.6
All expenses attributable	0.8	0.0	15.6	n/a	16.4
Total	0.8	0.0	15.6	0.2	16.6

(2) Implicit Allowances

The implicit allowances represent the allowance for future investment expenses. These are calculated as the expected investment management charges based on the current asset mix and yields applied to the mathematical reserves.

(3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months is significantly different from the maintenance expense in Form 43 line 14, which is nil as a result of the transfer of business.

The expenses in line 14 of Form 43 of the BA FSA Returns in respect of the Industrial Branch subfund (£18.0m) are higher than the expenses in table 6(1). The number of policies in force is expected to reduce by 10% over the next year as policies mature. After adjusting for this and the valuation expense inflation assumption, the expense loadings are not materially different to the expenses in Form 43.

(4) New Business Expense Overrun

Since the company is not actively seeking new business, there is no new business strain and no additional reserve is required.

(5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. An additional reserve of £3.5m is established to cover the risk that there is a one-off 20% increase in per policy expenses when the current management services agreement is reviewed.

(6) Non-attributable expenses

The non attributable expenses represent the allowance for future project costs.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

All liabilities are denominated in sterling and are backed by sterling denominated assets

Currency £m	Mathematical Reserves	Matching assets
Sterling (£)	602.5	602.5
Euro (€)	0.0	0.0
Total	602.5	602.5

(2) Other Currency Exposures

All liabilities are denominated in sterling.

(3) Currency Mismatching Reserve

There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

PLL is a realistic basis reporting company and as such there is no resilience capital requirement.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

The size, currency and term of assets in respect of the fund are reviewed regularly. Since the fund can include property investments, UK and overseas equities as well as fixed interest, the suitability of the duration of fixed interest assets is reviewed by considering projections of liabilities that exclude future bonus. These assets are then managed according to a performance benchmark that reflects the required duration of the liabilities. Other investments of the funds, excepting direct property, are readily realisable to the extent that additional cashflow requirements can be met by the sale of assets when necessary.

In view of this, no additional reserves for cashflow or currency mismatching are regarded as appropriate in relation to INSPRU 1.1.34R.

8. OTHER SPECIAL RESERVES

There are no special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

There are no reinsurance treaties in force.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus series	Mathematical reserves £000	Annual bonus rate for 2006	Annual bonus rate for 2005	Total guaranteed bonus rate for 2006
Industrial Branch	541,293	0.428%	0.416%	0.000%

Britannic WP Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market value reductions may be applied to unitised with profits and smoothed return business for non-protected exits such as surrenders, transfers and early or late retirements. Market value reductions may not be applied for protected exits which generally include death, maturity, surrender at a guarantee date and retirement at the selected retirement date. The times at which a market value reduction may be applied have previously been fully described in the product range information provided in previous annual returns.

Market value reductions are applied and calculated on an individual policy basis, based on that particular policy's individual circumstances, including the policy's premium history and investment conditions over the duration of the policy and those prevailing at the time of the non-protected exit. Consequently, a statement of the period for which market value reductions were applied and a summary of the policy years of entry to which it was applied are not available.

During 2006, market value reductions were applied to claims to some degree for all types of unitised with profits and smoothed return business, other than the smoothed return Britannic Assurance With Profit Bond.

(2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

(3) Non-profit Deposit Administration

There are no deposit administration policies in force.

(4) Service Charges on Linked Policies

There have been no changes to service charges on linked policies

(5) Benefit Charges on Linked Policies

There have been no changes to benefit charges on linked policies.

(6) Accumulating With Profits Charges

There have been no changes to unit management charges or notional charges on accumulating with profits policies.

(7) Unit Pricing of Internal Linked Funds

The internal linked funds are held within the Non Profit Fund.

(8) Tax Deductions from Internal Linked Funds

The tax deductions are described in the Non Profit Fund Section.

(9) Tax Provisions for Internal Linked Funds

The tax provisions are described in the Non Profit Fund Section.

(10) Discounts on Unit Purchases

There are no units of the type referred to in paragraph 5 of Part I Appendix 3.2 in force.

4. VALUATION BASIS

(1) Valuation Methods

Policies previously written in BA

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Traditional Business

All main classes of traditional business fund are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The mathematical reserve for guaranteed annuity option business reinsured from the ALBA With Profit fund is based on the excess of the value of the deferred annuity compared to the cash amount. The underlying assumption is that 90% of policyholders exercise the option and that 20% of the policyholders exercising the option take the maximum tax-free cash. These assumptions are at least as prudent as the requirement in INSPRU 1.2.66(G).

The mathematical reserve includes reserves for lapsed policies which may be reinstated under the company's non-forfeiture regulations by payment of arrears. The mathematical reserves are reduced by the premium in arrears.

The reserves for contracts providing terminal illness benefit allow for the payment of death benefit a year early and for the loss of a year's premiums.

The reserves allow for the maximum estimated future cost of the concession granted to policies at the time of withdrawal of Life Assurance Premium Relief.

The mathematical reserves for the with profit annuity is the value of projected future cashflows allowing future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions. The future annuity payments allow for the smoothing of annuity payments down to the level supported by the valuation interest rate.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with profits fund has been calculated as the higher of (i) and (ii) below:

(i) The face value of units, which is the number of units including attaching bonus units allocated up to the valuation date valued at £1.00 each. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme.

(ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses. In the projection, there is no allowance for future annual bonuses. For regular premium paying policies, the reserves are based on :

  a. 50% of the higher of the reserve calculated assuming that regular premiums continue to be paid at the current level and the reserve if premiums increase automatically in line with policy conditions; and

  b. 50% of the reserve calculated assuming that premiums cease and the policy becomes paid up at the valuation date.

The non-unit reserve for mortality cover for regular premium policies is equal to at least eighteen times the current monthly charge for these benefits.

The mathematical reserve for the overseas with profit bond (series I) makes no allowance for future bonus.

For the smoothed return With Profit Bond invested in Series B2 units, the mathematical reserves allow for future regular bonus supported by the valuation interest rate after allowing for the management charges. Allowance is made for the period during which the regular bonus rates are reduced to supportable levels after allowing for the smoothed policy value and guaranteed policy value as appropriate and smoothed investment returns.

Mortality charges are not guaranteed and can be varied at short notice. Policyholders would reasonably expect any increases in charges to be justified by significant adverse actual experience. The reserves make no allowance for changes in future mortality charges.

Unit Linked Business

Policies investing in unitised with profit units may also invest in unit linked units in the Non Profit Fund. The sterling reserves covering future expenses and mortality costs for life policies are apportioned between the Britannic With Profit Fund and the Non Profit fund in proportion to the unit liabilities. The sterling reserve for pension policies is maintained in the Britannic With Profit fund. All unit liabilities are held in the Non Profit Fund.

The expense reserves are determined from projected cashflows and are such that no policy experiences future valuation strain.

For regular premium paying business, the aggregate expense reserves are based on 50% of the higher of the reserve calculated assuming that regular premiums continued to be paid at the current level and the reserve calculated assuming that regular premiums increased automatically in line with the policy conditions and 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

Where the annual management fees for the internal linked funds could be increased in the future, policyholders would reasonably expect that any such increase would be justified in terms of the company's own operating experience or external events outside the control of the company. The calculation of the non unit reserves makes no allowance for future increases in operating expenses other than RPI linked increases set out in the management services agreement.

Policies previously written in Century

For with profit whole life and endowment assurance contracts, the reserve was calculated using the net premium method of valuation with a Zillmer adjustment. The net premiums were limited to a maximum percentage of the office premium as follows:

Ex-NEL With Profit Assurances	95%
Ex-Prosperity Whole Life Assurances	85%
Ex-Prosperity Endowment Assurances	95%
Ex-Sentinel With-Profit Assurances	65%

Policies have been issued subject to a lien and under certain Endowment Assurance policies the sum payable on death may be less than the sum payable at maturity. In the valuation an amount equal to the sum payable on maturity has been assumed to be the sum payable at death.

The reserves calculated were tested against the guaranteed surrender value and if the latter was the greater then this amount was held as the valuation reserve.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

For policies where the extended term non-forfeiture provision was in operation on the valuation date, a reserve was held to cover the liability during the remaining period of non-forfeiture and, for endowment assurances, any maturity payment at the end of the period.

For lives accepted at non-standard rates, the additional reserve held was an amount equal to 150% of the annual office extra premium.

<u>Non Linked Deferred Annuities</u>

For Ex-Sentinel with profit deferred annuity contracts the reserve was calculated using the net premium method of valuation. The net premiums were limited to a maximum of 90% of the office premium.

For ex-NEL with profit 'untied' and 'tied' Deferred Annuities, the mathematical reserve has been ascertained for each policy by deducting from the present value of the cash option and annuity respectively and the present value of an amount not less than the return on death, if any, the present value of the net premiums receivable. The net premium method of valuation was used, the net premium so calculated being restricted to a maximum of 95% of the annualised office premium. No Zillmer adjustment was made.

For all policies, the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

The reserve for paid up or single premium policies was increased by 6.25% to provide for future expenses relating to those policies.

(2) Valuation Interest Rates

The valuation interest rates used for the main groups of policy are:

Product Group		31 December 2006	31 December 2005
Policies previously written in BA			
Traditional Life Business			
With profit and non profit assurances		3.00%	3.00%
With profit deferred annuity	in deferment / in payment	3.75% / 3.75%	3.75% / 3.75%
Traditional Pensions Business			
With profit deferred annuity	in deferment / in payment	3.75% / 3.75%	3.75% / 3.75%
Non profit deferred annuity	in deferment / in payment	3.75% / 3.75%	3.75% / 3.75%
With profits annuity		3.25%	3.25%
Guaranteed annuity options		3.75% / 3.75%	3.75% / 3.75%
Unitised Life Business			
Single premium whole life (portfolio)	unit growth / discount rate	3.00% / 3.00%	3.00% / 3.00%
Single premium whole life (series B2, FWL)	unit growth / discount rate	3.00% / 3.00%	3.00% / 3.00%
Regular premium endowment - savings	unit growth / discount rate	3.00% / 3.00%	3.00% / 3.00%
Regular premium ISA	unit growth / discount rate	3.25% / 3.25%	3.25% / 3.25%
Unitised Pensions Business			
Individual pensions	unit growth / discount rate	3.25% / 3.25%	3.25% / 3.25%
Overseas Business			
Single premium series I (Irish life)	unit growth / discount rate	3.25% / 3.25%	3.25% / 3.25%
Unit Linked Life Business			
Single premium whole life (portfolio)	unit growth / discount rate	4.35% / 3.00%	5.00% / 3.00%
Regular premium endowment - savings	unit growth / discount rate	4.35% / 3.00%	5.00% / 3.00%
Unit linked pensions			
Personal Pensions & FSAVCs	unit growth / discount rate	4.95% / 3.80%	5.30% / 3.75%
Stakeholder	unit growth / discount rate	4.95% / 3.80%	5.30% / 3.75%
Policies previously written in Century			
With profit whole life and endowments		3.00%	2.50%
Non linked deferred annuity with profits	in deferment/ in payment	3.75%/3.75%	3.50%/3.50%

(3) Risk Adjustments

The risk adjusted yield in Form 57 was calculated by deducting the amounts in the table below from the gross redemption yields on fixed interest securities:

	Policies previously written in BA	Policies previously written in Century
Rating	Deduction (d)	Deduction (d)
Sovereign	0.00%	0.00%
Aaa	0.08%	0.08%
Aa	0.12%	0.12%
A	0.24%	0.24%
BBB	0.66%	0.66%
BB	2.54%	
B	7.22%	
NR	0.66%	1.00%
NA	0.66%	1.00%

i.e. amended yield is y – d where y is the unadjusted yield

Policies previously written in BA

Equity and property yields are reduced by 2.5% of their yield and cash yields by 0.5% of their yield.

(4) Mortality Basis

Policies previously written in BA

The mortality bases for the main classes of business are:

Product Group	31 December 2006	31 December 2005
Traditional Life Business		
With profit and non profit assurances	AM80 ult	AM80 ult
With profit deferred annuity		
in deferment / in payment	60% AM80 ult / 70% PMA/PFA 92 C2020	60% AM80 ult / 70% PMA/PFA 92 C2020
Traditional Pensions Business		
With profit deferred annuity		
in deferment / in payment	60% AM80 ult / 70% PMA/PFA 92 C2020	60% AM80ult / 70% PMA/PMF 92 C2020
Non profit deferred annuity		
in deferment / in payment	60% AM80 ult / 70% PMA/PFA 92 C2020	60% AM80ult / 70% PMA/PMF 92 C2020
With Profit Annuity	Modified PMA / PFA 92	Modified PMA / PFA 92
Guaranteed annuity options	90% PMA92 / 85% PFA92 & medium cohort	90% PMA92 / 85% PFA92 & medium cohort
Unitised Life Business		
Single premium whole life	AM80 ult	AM80 ult
Single premium whole life series B2	AM80 ult	AM80 ult
Regular premium endowment savings	AM80 ult	AM80 ult
Unitised Pensions Business		
Individual pensions	AM80 ult	AM80 ult
Overseas Business		
Single premium series I	AM80 ult	AM80 ult
Unit Linked Life Business		
Single premium whole life (portfolio)	AM80 ult	AM80 ult
Regular premium endowment (savings)	AM80 ult	AM80 ult

The expectation of life and longevity improvement factors for the with profit annuity for 2005 and 2006 are:

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium impairment	High impairment	Seriously ill
Male aged 65	23.1	20.4	19.1	16.8	16.0	14.5	16.5
Male aged 75	14.4	12.2	11.2	9.5	9.0	8.9	10.8
Female aged 65	25.3	22.8	21.9	19.9	19.4	19.3	21.0
Female aged 75	16.4	14.3	13.7	12.2	12.1	13.0	13.4

The mortality tables used are PMA92/PFA92 projected to 2010 using calendar year CMI R17 longevity improvement factors.

Policies previously written in Century

The mortality bases used in the valuation of the significant groups of business are as follows

Product Group	**Current Valuation**	**Previous Valuation**
With Profit Whole Life and Endowment Assurance		
Base Table	75% A67/70 Ult	75% A67/70 Ult
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
With Profit Deferred Annuity – in deferment		
Base Table	55% A67/70 Ult	55% A67/70 Ult
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

(5) Morbidity Basis

There is not a significant amount of business with critical illness cover.

(6) Expenses

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	(£)	(£)
CWP savings endowment (120)		
Premium paying	39.48	36.83
Single premium/paid up	19.74	18.41
CWP target cash endowment (125)		
Premium paying	39.48	36.83
Single premium/paid up	19.74	18.41
CWP pensions (155/165)		
Premium paying	65.80	61.38
Single premium/paid up	19.74	18.41
UWP Bond (500)		
Premium paying	39.48	36.83
Single premium/paid up	19.74	18.41
UWP savings endowment (510)		
Premium paying	39.48	36.83
Single premium/paid up	19.74	18.41
UWP pension (525 / 545)		
Regular premium	65.80	61.38
Single premium/paid up	19.74	18.41
UL bond (700)		
Premium paying	45.01	43.79
Single premium/paid up	45.01	43.79
UL savings endowment (715)		
Premium paying	45.01	43.79
Single premium/paid up	45.01	43.79
UL pension (725)		
Regular premium	50.31	48.94
Single premium/paid up	50.31	48.94

The unit linked expenses in this table are the expenses charges by RMS. The Britannic WP Fund administers the unit linked policies on behalf of the Non-Profit Fund, the expenses being described in the Non-Profit Fund section of Appendix 9.4.

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply. The following table shows the zillmer adjustments for other premium paying policies where the reserve was calculated using the net premium method of valuation:

Product Group	Current Valuation	Previous Valuation
CWP savings endowment (product code 120)	3.0%	3.0%

The zillmer adjustments on life business are netted down for tax at 20%.

The expense assumptions for deferred annuities and non-premium paying assurances where the net premium method was used were as follows:

Product Group	Current Valuation	Previous Valuation
	% of reserve	% of reserve
CWP savings endowment (product code 120)	2.25%	2.25%
Deferred annuities (product code 390)	6.25%	6.25%

The expenses on life business are netted down for tax at 20%.

(7) Unit Growth Rates

Policies previously written in BA

Fund	Product Group	31 December 2006	31 December 2005
OB	**Unit growth rates**		
	Life business	4.35%	5.00%
	Pensions business	4.95%	5.30%
	Expense inflation		
	With profit policies	4.25%	4.25%
	Non profit policies	5.30%	5.00%
	Unit linked (1)		
	RMS expense charges	4.30%	4.00%
	BULA expense charges	3.30%	3.00%

(1) The Britannic WP Fund administers the unit linked element of the unitised policies on behalf of the Non Profit Fund. The expenses charged to the Non Profit Fund are specified in an expense agreement and inflate in line with RPI. BA is charged an expense per policy in respect of these policies by RMS, these expenses inflate in line with RPI plus 1%.

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for traditional and unitised with profits business other than for minor specific reserves for future bonuses for Century Ex-Prosperity contracts and the BA smoothed return with profit bond invested in Series B2 units.

The smoothed return allowed for in the valuation for Series B2 units is calculated in line with the policy terms and conditions. The smoothed return varies by unit series which is based on the policy date of commencement. The smoothed return reduces from 6.33% in 2006 to 3.00% in 2011 onwards.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

All policies subject to a contingent debt have been valued at true ages and the actual sums assured.
Policies issued subject to an extra premium have been valued at true ages and for policies previously written in BA an additional reserve of one year's extra premium

and for policies previously written in Century an additional reserve of 150% of one year's extra premium have been established.

The mathematical reserve is not less than the surrender value or transfer value that a policyholder might reasonably expect to receive, but excluding any element relating to final bonus.

(11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities except as described in 5(1) below.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

Policies previously written in BA

The reinsurance accepted in respect of guaranteed annuity options referred to in paragraph 4(1) and shown on Form 51 relates to the liability arising when the annuities vest in the Alba WP Fund in the future.

Policies previously written in Century

The liabilities for Guaranteed Annuity rate Options (GAOs) were calculated at policy level using a deterministic valuation interest rate. All the policies were significantly in the money at the valuation date and are likely to remain so in the future unless interest rates increase substantially. The value of the GAOs is therefore virtually all intrinsic value, and if a stochastic method had been used, the reserves thus calculated would not be materially different from the values reported.

The main assumptions used to value GAOs were:

(a) 20% of policies take 25% of their fund as cash at retirement leading to a 95% GAO take-up rate assumption for all outstanding durations;

(b) mortality was assumed to be on the same basis as for the underlying policy valuation;

(c) an expense allowance of 5% was included for payment expenses post vesting;

(d) a valuation interest rate of 3.85%; and

(e) the rate of interest used after vesting was 4.75%.

Details of GAOs that were in force at the valuation date are shown in the table below:

Product	Basic Reserve £000	O/S Durn Spread	Gtee Reserve £000	GAO Rate	Incrs Allowed?	Ann. Form	Ret. Ages
Ex-Sentinel Dfd.Ann	1,968	1-33	763	10.25%	No	*	60-75

*The GAO rates shown are for a male age 65, monthly level annuity, payable in advance with 5 year guarantee period – other options are available.

In general, where policyholders may make increments to the policy, the GAO does not apply to the regular premium increases or additional single premiums.

(2) Guaranteed Surrender and Unit-linked Maturity Values

There are no policies with a unit linked maturity guarantee in force. Details of policies with guaranteed surrender values are described below.

£'000 **Product Name**	**Basic Reserve**	**Guarantee Reserve**	**Guaranteed amount**	**In force premium per annum**
Portfolio investment Bond	304,373	0	304,373	0
With Profit Bond (Series B2)	22,556	0	22,556	0
With Profit Bond (series I)	88,982	0	88,982	0

<u>Portfolio Investment Bond</u>

(a) The general method and basis of valuation are described in paragraph 4. The policies are valued assuming the benefits are paid as death benefits at age 100 as this is more onerous than allowing for surrender on a guarantee date. No additional surrender guarantee reserve is required.

(b) (i) product name, (ii) basic reserve, (iv) guarantee reserve, (v) guaranteed amount and (vii) in force premiums are shown in the table above.

(iii) and (vi)

On surrender at a guarantee date, with profits units and bonus units have a guaranteed value of £1.00. In addition, for policies issued from 28 May 1997, the surrender value at the guarantee date in respect of the with profit benefits will not be less than the premium applied to purchase those benefits. The guarantee date varies by date of issue of the policy:

Date of issue	**Guarantee dates**
Prior to 12 July 1994	fifth and subsequent policy anniversaries
12 July 1994 to 6 April 1999	fifth and subsequent quinquennial policy anniveraries
from 6 April 1999	tenth and subsequent policy anniversaries

(viii) No increments can be made to the policy.

With Profits Bond (Series B2)

(a) The general method and basis of valuation are described in paragraph 4.

(b) (i) product name, (ii) basic reserve, (iv) guarantee reserve, (v) guaranteed amount and (vii) in force premiums are shown in the table above.

(iii) and (vi)

This policy invests in the with profit fund and participates in surplus in the with profits fund by the allocation of smoothed investment returns. Each contribution has two separate values, the smoothed value and the guaranteed value, together with an underlying unsmoothed value. The smoothed value is the contribution increased or decreased by the smoothed investment return net of the initial charge and annual management charge. The guaranteed value is initially 75% of the smoothed value and will be increased such that it is equal to 75% of the previous highest smoothed value.

The full or partial withdrawal value at a guarantee date is the higher of the smoothed value and the guaranteed value.

The guarantee dates are the 5th and subsequent quinquennial policy anniversaries.

(viii) No increments can be made to the policy.

With Profits Bond (Series I)

(a) The general method and basis of valuation are described in paragraph 4.

(b) (i) product name, (ii) basic reserve, (iv) guarantee reserve, (v) guaranteed amount and (vii) in force premiums are shown in the table above.

(iii) and (vi)

This policy invests in the with profit fund and regular bonus vests on a daily basis at a rate declared at the previous valuation date in anticipation of surplus that would otherwise emerge following the previous valuation.

The full withdrawal value at a guarantee date is the full value of the units including regular bonus added to date.

The guarantee dates are the 7th and subsequent policy anniversaries.

(viii) No increments can be made to the policy.

(3) Guaranteed Insurability Options

(a) For policies previously written in BA, a reserve of £0.7m is established to cover the cost of guaranteed insurability options. This is calculated as 5% of the office premiums plus 0.1% of the sum at risk for these policies.

No business that was previously written in Century contains any guaranteed insurability, continuation or conversion options.

(b) The total sum assured for policies with guaranteed insurability, continuation and conversion options is less than £1bn.

(4) Other Guarantees and Options

For BA Endowments issued from 6 April 2000, the maturity value is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

£'000 Product Name	Basic Reserve	Spread of outstanding durations	Guarantee Reserve	Guarantee Amount	In force premiums
Ordinary Branch Endowment	71,379	3 to 26	7,966	64,545	5,152

Policyholders may not make increments to these policies.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non – attributable expenses	Total
Policies previously written in BA	4.8	0.0	19.0	0.7	24.5
Policies previously written in Century Life	1.0	0.1	0.0	0.0	1.1
All expenses attributable	5.8	0.1	19.0	n/a	24.9
Total	5.8	0.1	19.0	0.7	25.6

(2) Implicit Allowances

The basis for calculating the implicit allowances within 6 (1) is outlined in section 4, the main elements of the calculation being:

(a) the margin between the office premium and the net premium for prospectively valued contracts where the net premium method has been employed;

(b) margins expressed as a percentage of certain non linked reserves e.g. certain single premium and paid up assurances where a net premium valuation method has been employed; and

(c) allowance for investment management charges which is calculated as the expected investment management charge for 2007 applied to the mathematical reserves in Form 50.

(3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months is significantly different from the maintenance expense in Form 43 line 14, which is nil as a result of the transfer of business.

The expenses in line 14 of Form 43 of the BA FSA Returns (28.4m) are significantly higher than the expenses in table 6(1). Form 43 includes £2.6m expenses relating to the maintenance of the Wythall Green Property. This is exceeded by the rental income from the property by a significant margin and the net amount is treated as investment income in the valuation rather than being included in the valuation expense allowances.

The expenses in line 14 of Form 43 of the Century FSA Returns in respect of the with profit policies in the With Profits Fund are not significantly different to the expenses in table 6(1).

(4) New Business Expense Overrun

Since the company is not actively seeking new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. As described in paragraph 8, an additional reserve of £24.7m is established to cover the risk that there is a one-off increase in per policy charges when the current management services agreement is reviewed.

(6) Non-attributable expenses

The non-attributable expenses represent the allowance for future project costs (£0.6m) and proposed changes to the charges under the management services agreement with Resolution Management Services (£0.1m). These expenses represent the expected level of expenses over 2007, having regard for the level of past project costs. No allowance has been made for benefits from future projects.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves (other than those for property linked liabilities) are mostly in sterling and are mostly matched by assets in sterling realisable in the United Kingdom.

Currency £m	Mathematical Reserves	Backed by assets
Sterling (£)	4,084.093	4,084.093
Euro (€)	90.149	90.149
Total	4,174.242	4,174.242

* Includes liabilities in respect of deposits received from reinsurers

(2) Other Currency Exposures

See 7 (1).

(3) Currency Mismatching Reserve

A subfund of euro-denominated assets is maintained in respect of euro-denominated liabilities. There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

PLL is a realistic basis company and therefore the resilience capital requirement does not apply.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

No applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required in respect of INSPRU 1.1.34(2)(R).

The size, currency and term of assets in respect of non profit and with profit business are reviewed regularly. A sub-fund of euro-denominated assets is maintained in respect of euro-denominated liabilities.

In the Fund, which can include property investments, UK and overseas equities as well as fixed interest, the suitability of the duration of fixed interest assets is reviewed by considering projections of liabilities both with and without future bonus which allow for voluntary discontinuance. These assets are then managed according to a performance benchmark that reflects the required duration of the liabilities. Other investments of the funds, excepting direct property, are readily realisable to the extent that additional cashflow requirements can be met by the sale of assets when necessary.

In view of this, no additional reserves for cashflow or currency mismatching are regarded as appropriate.

8. OTHER SPECIAL RESERVES

The special reserves exceeding £10m are:

Description	Reserve (£000)
Pensions Review Reserve	25,000
Expense Contingency Reserve	24,700
Data Contingency Reserve	15,400
Litigation Reserve	11,300
Pension Scheme Risk Reserve	15,000

Pension Review Reserve

This covers the expected additional benefits or compensation payable to certain personal pension policyholders where best advice rules may not have been adhered to.

The valuation basis for calculating the liability relating to the expected cost of guarantees where the value of the personal pension is promised to match the value of the associated occupational pension scheme is consistent with that set out in section 4.

The reserve for other compensation payments is based on prudent assumptions about the expected number of payments and the average compensation amount per case. The assumptions take into account current experience. No discounting to the date of settlement is applied.

Expense Contingency Reserve

This reserve covers the risk that per policy expenses are increased when the management services agreement is reviewed in 2014. The reserve assumes an increase of 20% in expenses at the time of the review, discounted to the valuation date at rates consistent with those set out in paragraph 4(2).

Data Contingency Reserve

A reserve of £20.0m for additional liabilities, which may arise in connection with data errors affecting the long-term business, is held and is calculated having regard to past experience.

Litigation Reserve

A reserves of £11.3m is held for future litigation settlements and other similar costs, which is calculated having regard to past experience.

Pension Scheme Risk Reserve

The Britannic with profit funds have a degree of exposure to the risks within the Resolution Group Pension Scheme. This includes exposure to longevity risk and potential pension scheme costs arising when the terms of the MSA are reviewed in eight years time.

These risks can be mitigated by the scheme surplus in the first instance, but there are some potential liabilities for the with profit funds. It is possible that the scheme actuary will strengthen the longevity assumptions in the scheme valuation at some point to bring assumptions more in line with longevity assumptions in the Peak 1 valuation increasing the risk.

An additional provision of £15.0m has been established to cover these risks for the Peak 1 valuation which has been allocated 100% to the former OB fund recognising the rapid run-off of the IB fund and the likely time horizon of any risk crystallising.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(a) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The relevant reinsurance treaties in force at the valuation date are described below.

(d) The reinsurer is the Non Profit fund of Phoenix Life Limited

(e) The treaty covers property linked benefits under unitised life and pensions contracts, including stakeholder pensions, on a 100% quota share basis.

The treaty is subject to an experience adjustment in respect of pensions business whereby the reinsurance premium to be paid is reduced by the product charges (i.e. management fee and difference between the policy premiums and the bid value of the units allocated) and increased by the policy related, investment management and other expenses the reinsurer incurs in respect of these policies

(f) The premiums payable by the insurer during the report period are £21.8m.

(g) There are no deposit back arrangements.

(h) The treaty is open to new business.

(i) The insurer has no undischarged obligations under the treaty.

(j) The mathematical reserves ceded under the treaty are £449.0m

(k) 0% of the property linked benefits relating to new policies being reinsured are retained by the insurer.

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(m) The reinsurer is not a connected company of the insurer, but is a subfund of PLL.

(n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.

(o) There is no reinsurance commission payable under the contract.

(p) The treaty is not a financing arrangement.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus series	Mathematical reserves £000	Annual bonus rate for 2006	Annual bonus rate for 2005	Total guaranteed bonus rate for 2006
Policies previously written in BA				
Traditional				
Assurances	482,623	0.429%	0.426%	0.000%
Life Deferred Annuities	15,553	0.614%	0.581%	0.000%
Pensions Deferred Annuities	105,522	0.840%	0.802%	0.000%
Unitised With Profits				
Life Regular Premium	25,511	0.000%	0.000%	0.000%
Life Single Premium	308,350	0.000%	0.000%	0.000%
Pensions	2,584,576	3.000%	3.000%	0.000%
Irish life - Euro denominated	88,982	3.750%	3.000%	0.000%
New WP bond (smoothed returns)	24,783	6.330%	4.800%	0.000%
WP annuity	15,658	6.010%	4.170%	0.000%
Policies previously written in Century				
Ex - Senital				
Simple Bonus	17,997	4.75%	4.75%	0.00%
Compound - assurances	5,425	3.80%/3.80%	3.80%/3.80%	0.00%
Compound - deferred annuities	2,552	3.80%/3.80%	3.80%/3.80%	0.00%
Ex-NAL				
Simple Bonus	47,220	6.00%	6.00%	0.00%
Compound Bonus	24,016	6.00%	6.00%	0.00%
Ex-Prosperity				
All contracts	10,910	3.35%/4.00%	3.35%/4.00%	0.00%

Notes

(a) The unitised with profits bonus is the percentage addition per annum to basic and bonus units in force as at 31 December and allows for the period the units had been in force during the year.

(b) The regular bonus for traditional business previously written in BA is a simple bonus scale where the addition for the year depends on the duration in force.

(c) The smoothed return allocated to the smoothed With Profit Bond is declared quarterly and varies by unit series which is based on the policy date of commencement. The rate shown is the average rate applied.

(d) The average declared return applied for the with profits annuity was 6.01% (4.17% for 2005) and no guaranteed uplifts have been applied in 2006.

Phoenix With Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Unitised With Profit (UWP) Bond
MVRs have been applied throughout the year.

These policies were sold between June 1996 and September 2001 and all policy years of entry have been subject to MVRs.

Lifestyle Bond
MVRs have been applied throughout the year.

These policies were sold between February 2001 and December 2001 and have been subject to MVRs.

UK With Profit Bond (Pre 1997)
MVRs have been applied throughout the year.

These policies were sold between January 1992 and December 1996. Policies sold in 1993 and policies sold in 1995 and 1996 have been subject to MVRs.

Isle of Man With Profit Bond (Pre 1999)
MVRs have been applied throughout the year.

These policies were sold between December 1992 and December 1998. Policies sold between 1996 and 1998 have been subject to MVRs.

Living Pensions
The following products within the Living Pensions range have a UWP option:
- Living Pensions Personal Pension
- Living Pensions Personal Option Policy
- Living Pensions Top Up Pension

MVRs were applied from January 2006 to April 2006 inclusive.

These policies were sold between April 1996 and December 1996 although remained open to increments until April 2001. Policies sold between 1999 and 2000 have been subject to MVRs.

UWP Pensions

The following products within the UWP Pensions range have a UWP option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme
- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

MVRs have been applied throughout the year.

These policies were sold between January 1995 and April 2001 although remain open to increments. Policies sold between 1998 and 2001 have been subject to MVRs.

Pensions Solutions

The following products within the Pensions Solutions range have a UWP option:

- Individual Personal Pension Plan
- Group Personal Pension Plan
- Contracted-in Money Purchase Plan
- Executive Pension Plan
- Trustee Investment Plan

MVRs were applied in January 2006.

These policies were sold between April 2001 and December 2002 although remain open to increments. Policies sold between 2001 and 2002 have been subject to MVRs.

(2) Premiums on Reviewable Protection Policies

There were no changes to premiums on non-linked reviewable protection policies since the previous valuation date. The amount of the mathematical reserves at the valuation date was £0.7m.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

The linked policies that were previously in PLP are now in the Non Profit Fund and the changes in charges are disclosed in that section of the abstract.

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in 2006.

(6) Accumulating With Profits Charges

The following expenses, which are notionally charged to specimen policy asset shares when determining terminal bonus or market value reductions for accumulating with profits policies, have changed:

Annual maintenance expenses (net of policy fee where applicable), which changed from £26.86 to £28.03.

Charges apply to all accumulating with profits business, except Lifestyle Bond. The mathematical reserves at the valuation date amount to £1,800m.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

M & G Securities Limited - Authorised Unit Trust

The Company receives a 1% discount on the cost of purchasing units in excess of £1,000. Policyholders do not benefit from this discount. There is no discount to the Company on the sale of units. The company does not receive any rebate of the annual management charge on its holdings in the unit trust.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used are as follows:

<u>Gross Premium Method</u>

Reserves for policies other than for those products included in the section "Accumulating With Profits Policies" or where the gross mathematical reserves and gross annual premium do not exceed the lesser of £10m or 1% of the total gross mathematical reserves have been established using a prospective gross premium method applied to each policy.

<u>Accumulating With Profits Policies</u>

Reserves for accumulating with profits policies on Form 52 have been calculated for each policy as the greater of:

(i) the discounted value of:

(a) the guaranteed benefits at the maturity date or guarantee point allowing for future annual bonus rates in accordance with the table in paragraph 4 (7) (which is consistent with treating customers fairly); and

(b) assumed future expenses per paragraph 4 (6).

(ii) the lower of:

(aa) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date, having regard to the representations of the company; and

(bb) the amount in (aa) disregarding all discretionary adjustments.

Calculation Notes

Where annuity benefits are payable to any spouse that may exist at the date of death of the annuitant, we assume that 90% are married with the female 3 years younger than the male life.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

Valuation Interest Rates – Life	**Current Valuation**	**Previous Valuation**
With Profit – Endowments	3.50%	3.10%
With Profit – Other	2.97%	2.92%
With Profit Bond	2.97%	2.92%
With Profit Deferred Annuity		
- Regular Premium	3.71%	3.65%
- Single Premium/ Paid-Up Initial Rate	4.40%	4.00%
- Single Premium/ Paid-Up Reinvestment Rate	3.71%	3.65%
Non Profit – Endowments	3.70%	3.20%
Non Profit – Other	2.97%	2.80%
Non Profit Deferred Annuity	3.98%	3.65%
Annuities in Payment (new GAF)	4.20%	3.60%
Annuities in Payment (old GAF)	4.70%	4.10%

Valuation Interest Rates – Pension	**Current Valuation**	**Previous Valuation**
With Profit Deferred Annuity		
- Regular	3.71%	3.65%
- Single Premium/ Paid-Up Initial Rate	4.40%	4.00%
- Single Premium/ Paid-Up Reinvestment Rate	3.71%	3.65%
Profit Plus Fund - accumulating units	3.71%	3.65%
- initial units	3.46%	3.40%
With Profit Group Endowments	3.71%	3.65%
Other Assurances	3.71%	3.65%
Annuities in Payment	4.70%	4.10%
Non Profit Assurances	3.71%	3.65%
Non Profit Deferred Annuities	3.98%	3.65%
RPI Linked Deferred Annuities	1.00%	0.80%
RPI Linked Annuities in Payment	1.00%	0.80%

(3) Risk Adjustments

The yields on assets other than equity shares and land were reduced for risk as follows:

Fixed Interest

Approved Securities	No reduction
Other Securities	A deduction from the yield dependent on the credit rating of the security per the table below:

Rating	Deduction (d)
Sovereign	0.00%
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.65%
BB	2.53%
B	7.22%
CCC	Yield assumed to be nil

i.e. amended yield is y – d where y is the unadjusted yield

Variable Yield

Approved Securities	No adjustment
Loans secured by Mortgages	Reduction of 1.0% (r) of the yield
All other assets producing income	Reduction of 0.5% (r) of the yield

i.e. amended yield is y * (1 – r) where y is the unadjusted yield.

The yield on equity shares and land was reduced by 2.5% of that yield. Furthermore, the yields on any individual properties in excess of 8% p.a. were restricted to 8% p.a.

(4) Mortality Basis

The mortality bases used for the valuation were:

	Current Year		Previous Year	
Product	**Male**	**Female**	**Male**	**Female**
Endowment and Whole of Life Assurances	77% (AM92)	80% (AF92)	77% (AM92)	80% (AF92)
Term Assurances				
- Aggregate	68.3%	89%	89.3%	89%
- Smoker	126%	142%	142%	142%
- Non-smoker	63%	74%	78.8%	74%
	(TM92)	(TF92)	(TM92)	(TF92)

Pensions pre-vesting and pension term assurances	53.4% (AM92)	60.1% (AF92)	54.3% (AM92)	61% (AF92)
Life annuities currently in payment	Modified IM80 (c=2010)	Modified IF80 (c=2010)	Modified IM80 (c=2010)	Modified IF80 (c=2010)
Pensions deferred annuities post-vesting	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)
Pensions immediate annuities	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)	Modified PMA92 (c=2020)	Modified PFA92 (c=2020)

Life annuities currently in payment

The mortality basis for the current (previous) year is:

Males: 82.5% (83.7%) of IM80 (c=2010) improving at 1.50% (1.50%) p.a.
Females: 83.0% (83.9%) of IF80 (c=2010) improving at 1.25% (1.25%) p.a.

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	21.23	24.17	21.09	24.07
75	13.25	15.24	13.14	15.15

Pension annuities currently in payment

Specimen percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
At age 65	135.3%	127.8%	158.5%	116.6%
At age 75	80.5%	93.5%	85.8%	94.1%
At age 85	77.4%	94.1%	79.4%	95.8%
At age 95	78.5%	95.1%	79.9%	96.9%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2007	2017	2027	2037	2047	2057
65	3.41%	2.24%	1.68%	1.50%	1.50%	1.50%
75	3.20%	2.79%	2.20%	1.68%	1.50%	1.50%
85	1.99%	2.14%	2.24%	1.92%	1.65%	1.50%
95	1.08%	1.22%	1.42%	1.56%	1.65%	1.50%

Females	2007	2017	2027	2037	2047	2057
65	2.74%	1.96%	1.46%	1.30%	1.30%	1.30%
75	2.49%	2.23%	1.84%	1.46%	1.30%	1.30%
85	1.36%	1.68%	1.79%	1.63%	1.43%	1.30%
95	0.77%	0.95%	1.17%	1.26%	1.41%	1.30%

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	24.44	25.59	23.97	25.48
75	14.89	16.05	14.62	15.87

<u>Deferred pension contracts (post vesting) including Guaranteed Annuity Options.</u>

Sample percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
Up to age 55	523.1%	482.1%	701.1%	482.1%
At age 65	141.7%	133.9%	166.1%	122.2%
At age 75	84.4%	98.0%	89.9%	98.6%
At age 85	81.0%	98.6%	83.1%	100.4%
At age 95	82.2%	99.6%	83.7%	101.5%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2007	2017	2027	2037	2047	2057
55	2.45%	1.68%	1.50%	1.50%	1.50%	1.50%
65	3.41%	2.24%	1.68%	1.50%	1.50%	1.50%
75	3.20%	2.79%	2.20%	1.68%	1.50%	1.50%
85	1.99%	2.14%	2.24%	1.92%	1.65%	1.50%
95	1.08%	1.22%	1.42%	1.56%	1.65%	1.50%

Females	2007	2017	2027	2037	2047	2057
55	2.05%	1.46%	1.30%	1.30%	1.30%	1.30%
65	2.74%	1.96%	1.46%	1.30%	1.30%	1.30%
75	2.49%	2.23%	1.84%	1.46%	1.30%	1.30%
85	1.36%	1.68%	1.79%	1.63%	1.43%	1.30%
95	0.77%	0.95%	1.17%	1.26%	1.41%	1.30%

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions for are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
45	27.81	28.24	27.46	28.14
55	26.07	26.77	25.68	26.68

(5) Morbidity Basis

Not applicable

(6) Expenses

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation (£)	Previous Valuation (£)
Annuity (400)	14.31	13.60
All other policies	30.44	28.94

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at 7.1% p.a.

(8) Future Bonus Rates

For conventional with-profits business there is no allowance for future bonuses.

For accumulating with-profits business the assumed annual bonus rates are:

PRODUCT	2007	2008+
UWP Bond (pre August 2000)	0.08%	0.00% p.a.
UWP Bond (post August 2000)	0.17%	0.00% p.a.
Lifestyle Bond	0.17%	0.00% p.a.
Profit Plus Fund	0.00%	0.00% p.a.
UWP Pensions	0.17%	0.00% p.a.

and for the UK With Profits Bonds (pre 1997) the rates are:

TRANCHE	2007	2008	2009	2010+
1	5.75%	3.75%	1.75%	0.00% p.a.
2a	2.50%	0.50%	0.00%	0.00% p.a.
2b	2.50%	0.50%	0.00%	0.00% p.a.
3a	2.75%	0.75%	0.00%	0.00% p.a.
3b	3.00%	1.00%	0.00%	0.00% p.a.
4	4.25%	2.25%	0.25%	0.00% p.a.
5	2.00%	0.00%	0.00%	0.00% p.a.
6	1.50%	0.00%	0.00%	0.00% p.a.
6a	4.50%	2.50%	0.50%	0.00% p.a.
7	2.50%	0.50%	0.00%	0.00% p.a.
8	2.25%	0.25%	0.00%	0.00% p.a.
8a	5.25%	3.25%	1.25%	0.00% p.a.
8b	1.50%	0.00%	0.00%	0.00% p.a.
9	3.50%	1.50%	0.00%	0.00% p.a.
10	0.50%	0.00%	0.00%	0.00% p.a.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

Not applicable

(11) Allowance for Derivatives

The Company holds a number of swaps in connection with its fixed interest assets. The effect of the swaps has been taken into account by adding the value of the fixed interest assets to the value of the swaps and adjusting the yield on the fixed interest assets to take account of the effect of the swaps. The effect of the swaps has been determined by assuming that the future yields are in accordance with the yields implied by the forward swap curve.

A provision has been established equal to the time value of the swaptions, which are held in connection with guaranteed annuity options.

(12) Effect on Reserves of Changes in INSPRU Valuation Rules

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) An additional reserve is calculated, where the value of the annuity is greater than the cash sum, using the assumptions set out in section 4 and, additionally, assuming:

- All policyholders will exercise the option.
- The percentage of the cash sum which will be used to purchase the annuity on guaranteed terms will be:

  30% for Convent Scheme contracts
  95% for Retirement Plans and Personal Retirement Policies (post 1978)

- The expenses of payment are 2.0% of the value of the annuity.

For Personal Retirement Policies issued between 1971 and 1978, where the policy only provides for a proportion of the benefit to be taken on guaranteed terms, the assumed proportion is in accordance with the policy conditions.

The liability is then increased, if necessary, so that it is not less than the economic value of the options determined from swaption prices assuming the same demographic assumptions. At the valuation date no increase was required.

(b)

(i) **Product Name**	(ii) Basic Reserve (£000)	(iii) Spread of outstanding durations	(iv) Guarantee Reserve (£000)	(v) Guaranteed Annuity Rate (Male at 65)	(vi) Increments	(vii) Form of annuity	(viii) Retirement Ages
Personal Retirement Policy (Pre 1978)	34,328	0 to 27 years	15,849	10.74%	No	Level – Single Life Twice annually in arrears No guarantee period	Ages 60 to 75
Personal Retirement Policy (Post 1978)	209,911	0 to 41 years	106,038	9.00%	No	Level – Single Life Annually in arrears No guarantee period	Ages 60 to 75
Personal Retirement Plan (Post 1988)	77,913	0 to 47 years	37,809	9.00%	No	Level – Single Life Annually in arrears No guarantee period	Ages 50 (*) to 75
Personal Retirement Plan (Eire)	21,211	0 to 34 years	11,926	9.25%	No	Level – Single Life Monthly in advance Five year guarantee period	Ages 50 to 75
Retirement Plan	219,078	0 to 35 years	144,302	11.11%	No	Level – Single Life Monthly in advance Five year guarantee period	Ages 50 (*) to 75
Convent Schemes	14,058	0 to 25 years	2,206	10.04%	Yes (**)	Level – Single Life Monthly in advance No guarantee period	Ages 60 to 70
Philips Scheme	8,616	0 to 34 years	4,812	10.00%	Yes (**)	Level – Single Life Monthly in advance Five year guarantee period	Ages 60 to 65

(*) From age 55 for retirements from 2010. (**) There is no GAR for increments.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Uniflex

(a) For Uniflex policies (endowment-type policies maturing at age 65, included in Endowment assurance in Form 51) the basis for calculating surrender values on the 10th or any subsequent anniversary of the commencement of the policy is guaranteed.

The guaranteed surrender value available at the 10th or any subsequent policy anniversary is

[Basic Sum Assured + Reversionary Bonus] x t / n

where t = duration at the policy anniversary (in years)
n = original policy term (in years)

(b)

(i) Product Name	Uniflex Endowment Assurances
(ii) Basic Reserve	£25.4m
(iii) Spread of Outstanding Durations	0-32 years
(iv) Guarantee Reserve	£3.8m
(v) Guaranteed Amount	£29.1m
(vi) MVR Free Conditions	MVRs do not apply
(vii) In Force Premiums	£0.7m
(viii) Increments	No

UWP Bond

(a) MVRs are not applicable on encashment or partial surrender on the 10th policy anniversary for UWP Bonds commencing between September 1997 and July 2000. There is a "money back" guarantee on full surrender on the 10th policy anniversary for bonds commencing from August 2000 onwards.

The policy reserve is not less than the value of the benefits at the 10th policy anniversary calculated on the assumptions in Paragraph 4.

(b)

(i) Product Name	UWP Bond Version 2	UWP Bond Version 3
(ii) Basic Reserve	£224.4m	£487.1m
(iii) Spread of Outstanding Durations	0 – 2 years for guarantee	2 – 4 years for guarantee
(iv) Guarantee Reserve	£17.4m	£67.1m
(v) Guaranteed Amount	£248.3m	£592.9m
(vi) MVR Free conditions	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits	MVRs are not applicable on full or partial surrender on the 10th policy anniversary, on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	No	No

(i) Product Name	UWP Bond Version 4	Lifestyle Bond
(ii) Basic Reserve	£172.5m	£149.5m
(iii) Spread of Outstanding Durations	4 – 6 years for guarantee	5 – 6 years for guarantee
(iv) Guarantee Reserve	£0.0m	£0.0m
(v) Guaranteed Amount	£188.0m	£149.5m
(vi) MVR Free conditions	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	Yes	Yes

Personal Retirement Policy / Personal Retirement Plan

(a) Policyholders may elect to retire at ages other than the retirement age selected at outset, on a guaranteed cash option basis, which varies with the actual retirement age. The ages that can be selected depends on the product.

(b)

(i) Product Name	Personal Retirement Policy (Pre 1978)	Personal Retirement Policy (Post 1978)	Personal Retirement Plan (Post 1988)
(ii) Basic Reserve (*)	£50.2m	£315.9m	£115.7m
(ii) Spread of Outstanding durations	0 – 27 years	0 – 41 years	0 – 47 years
(iv) Guarantee Reserve (**)	£0.0m	£0.0m	£0.0m
(v) Guaranteed Amount	N/A	N/A	N/A
(vi) MVR Free conditions	N/A	N/A	N/A
(vii) In Force Premiums	£0.2m	£2.3m	£1.6m
(viii) Increments	No	No	No

(*) The basic reserve above includes the Guaranteed Annuity Reserve.

(**) The reserves established exceed the value of the liabilities if an alternative retirement date is selected.

UWP Pensions

The following products within the UWP Pensions range have a UWP option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme
- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

(a) Provided certain conditions apply, the policyholder can elect to take early retirement before the selected retirement age without penalty

(b)

(i) Product Name	UWP Pensions
(ii) Basic Reserve	£103.7m
(iii) Spread of Outstanding durations	0 – 43 years
(iv) Guarantee Reserve	£0.5m
(v) Guaranteed Amount	£103.0m
(vi) MVR Free conditions	MVRs do not apply on retirement within 3 years of the selected retirement date, provided there has been a regular investment in the UWP Fund for at least 5 years, on death and ill health early retirement
(vii) In Force Premiums	£2.9m
(viii) Increments	Yes – existing policies and new members to existing plans in the case of group schemes

(3) Guaranteed Insurability Options

Various endowments purchased in connection with a mortgage include options to effect additional cover in certain circumstances without requiring additional evidence of health. Take-up of this option has been extremely low and no additional reserve is held.

Some of the term assurance policies include options to convert to other policies without requiring further evidence of heath. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense contributions arising during the 12 months following the valuation date from explicit and implicit margins in the valuation basis are:

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
All products	7.4	0.0	15.8	5.9	29.1
All expenses attributable	7.4	0.0	15.8	n/a	23.2
Total	7.4	0.0	15.8	5.9	29.1

(2) Implicit Allowances

The implicit allowance has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

Of the aggregate amount in 6(1), £23.3m would be reported on line 14 of Form 43. The balance of the aggregate amount in 6(1) would be reported on lines 13 and 15 of Form 43.

The amount reported on line 14 of Form 43 in the Return for Phoenix Life & Pensions Limited is £29.5m. This includes £5.6m of investment transaction costs. Excluding these transaction costs, leaves £23.9m which is not significantly different from the £23.3m quoted above. The valuation assumes that the yields on the assets are net of transaction costs so it is not necessary to reserve for them explicitly. (The disclosure of transaction costs is a result of FRS 26, which is new for 2006; previously the transaction costs were netted off the sale proceeds or added to the purchase costs of the assets).

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6(1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the standard fees payable under a management services agreement plus a prudent allowance for costs that are not covered by these fees.

An allowance has been made for redundancy costs in respect of redundancies following compensation review exercises. The company is not liable for redundancy costs in general due to its outsourcing arrangement with Resolution Management Services.

(6) Non-attributable Expense Reserves

A reserve of £9.9m has been established to cover the expected costs of the mortgage endowment review.

A reserve of £6.6m has been established to cover the expected costs relating to the calculation and payment of compensation relating to GAO claims.

A reserve of £3.9m has been established to cover the expenses expected to be incurred in making additional payments on certain pension policies where the claim amounts previously paid were incorrect.

A reserve of £1.4m has been established to cover the expected costs relating to certain projects of a non-recurring nature that are not covered by the standard MSA fee.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves (other than liabilities for property linked benefits) after distribution of surplus comprise:

Currency £m	Mathematical Reserves	Percentage matched in same currency
Sterling (£)	5,859.900	100%
Other currencies	103.400	100%
Total	5,963.300	100%

(2) Other Currency Exposures

See table in paragraph 7 (1).

(3) Currency Mismatching Reserve

The liabilities in currencies other than sterling are matched by assets in the same currency. The currency mismatching reserve is therefore nil.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

Details of other special reserves are set out below.

Endowment Compensation Reserve

Some policyholders may have been given non-compliant advice to take out an endowment policy to repay a mortgage.

An amount to cover the cost of providing compensation to them has been assessed from the number of complaints expected to be received, the proportion anticipated to be valid and the expected amount of compensation per case payable, account being taken of the FSA guidelines on determination of compensation. Provision has also been made for the cost of handling complaints received. This amount has been included within the reserves for Endowment Assurances.

The amount of this reserve is £47.0m.

Additional Guaranteed Annuity Option Reserve

Additional reserves are held in respect of expected additional payments on with profits pensions claims in 1999, 2000, 2001 and 2002. Terminal bonus on the claim amounts had been calculated by deducting an amount for the expected cost of providing the guaranteed annuity option on those claims. Subsequent legal advice has indicated that this was not in accordance with the House of Lords judgement in Hyman v Equitable Life Assurance Society.

The amount of this reserve is £42.3m.

Additional Reserves

Further additional reserves, exceeding the lesser of £10m and 0.1% of total mathematical reserves, comprise:

- data contingency reserves of £20.0m for additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.
- reserves of £15.0m for future litigation settlements and other similar costs, which is calculated having regard to past experience.
- reserves of £12.0m for the cost of making additional payments on certain pension policies where the claim amounts previously paid were incorrect.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of reinsurance treaties in force at the valuation date are set out below.

(d)	(e)			(f)	(h)	(j)
Name of Reinsurer	Type of Business	Type of Reinsurance	Extent of Cover	Premiums £	Open to new business	Reserve Ceded £
Munich Re	Certain Term Assurances	Original Terms	100% of benefit	26,399,217	No	97,172,216

(g) Not applicable since there are no deposit back arrangements under any of the treaties.

(i) There are no undischarged obligations.

(k) New business only arises from incremental policies or the exercising of options under existing contracts. Where such business is unit-linked then all of the business is reinsured and the Company's retention is nil.

(l) The reinsurer is authorised to conduct business in the UK.

(m) The reinsurer is not a connected company of the Company.

(n) No provision has been established for credit risk for any reassurances with other companies in the Resolution group. The company has provided £3.863m in respect of credit and legal risk under its other reinsurance treaties.

(o) No provision has been made under any of the treaties for any liability of the company to refund any amount of reinsurance commission in the event of the lapse or surrender of the contracts. Where such a liability exists, then the refund of commission will be more than offset by the return of the premium from the reinsurer.

(p) See 9(3) below.

(3) Financing Arrangements

There are no financing arrangements for the Fund in place.

10. REVERSIONARY (OR ANNUAL) BONUS

For policies entitled to participate, reversionary bonuses (except when otherwise specified) were allotted at the following rates.

(i) Traditional With Profits Policies

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	Reversionary and Interim Bonus Rates (c) Current Year (*) %	(d) Preceding Year (*) %	(e) Guaranteed Bonus Rate %
UK Life (excluding Uniflex)	1,854,486	0.25 / 0.25	0.25 / 0.25	0.00
Uniflex Endowment Assurances	29,176	0.20 / 0.20	0.20 / 0.20	0.00
Convent Schemes	16,264	0.20 / 0.20	0.20 / 0.20	0.00
Eire Life	17,371	0.25 / 0.25	0.25 / 0.25	0.00
UK Pensions	781,803	0.20 / 0.20	0.20 / 0.20	0.00
Eire Pensions	39,410	0.20 / 0.20	0.20 / 0.20	0.00

(*) The first rate applies to the sum assured and the second rate to the attaching bonus.

(ii) Accumulating With Profits Policies (except With Profit Bonds)

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	(c) Annual Bonus Current Year (%)	(d) Annual Bonus Preceding Year (%)	(e) Guaranteed Bonus Current Year (%)
UWP Pensions	103,429	1.00	1.00	0.00
Profit Plus Fund	426,810	0.10	0.10	0.00
PlusPlan	168,212	0.10	0.10	0.00

(iii) UK With Profits Bond (pre 1997)

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	(c) Bonus Rate Current Year (%)	(d) Bonus Rate Preceding Year (%)	(e) Guaranteed Bonus Rate for 2006 (%)
1	6,562	5.75	3.75	2.00
2a	4,659	4.50	2.50	1.50
2b	696	4.50	2.50	1.50
3a	19,566	4.75	3.25	2.00
3b	1,168	5.00	3.00	2.00
4	14,114	4.25	3.00	1.50
5	5,520	3.50	1.75	1.00
6	2,452	3.25	2.25	1.50
6a	4,455	4.50	3.00	1.50
7	1,919	4.25	3.00	1.50
8	6,234	4.25	3.75	2.00
8a	6,763	5.25	3.75	2.00
8b	2,485	3.50	2.25	1.50
9	15,495	3.50	1.75	1.00
10	36,021	1.00	0.75	0.50
TOTAL	128,108			

(iv) UWP Bonds

The mathematical reserves and annual bonus rates are as follows:

(a) Bonus Series	(b) Mathematical Reserves (£000's)	(c) Bonus Rate Current Year (%)	(d) Bonus Rate Preceding Year (%)	(e) Guaranteed Bonus Rate Current Year (%)
2	240,283	0.50	0.50	0.00
3	545,037	0.50	0.50	0.00
4	172,546	1.00	1.00	0.00
Lifestyle	147,483	1.00	1.00	0.00
TOTAL	1,105,349			0.00

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price.

Within a bonus series, bonus rates do not vary.

90% Fund

PLL, BULA

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

No MVAs have been applied during the period.

(2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration contracts.

(4) Service Charges on Linked Policies

Not applicable

(5) Benefit Charges on Linked Policies

Not applicable

(6) Accumulating With Profits Charges

There are no accumulating with profits policies in the fund.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

A net premium method has been used to value the business in the fund.

(2) Valuation Interest Rates

Policies previously written in SLUK

The interest rates used for business that was previously written in SLUK are:

Product Group	Current Valuation	Previous Valuation
OB Whole Life & Endowment	3.10%	3.10%
IB Whole Life & Endowment	3.10%	1.50%

Policies previously written in BULA

The interest rates used in the valuation of BULA business are:

Product Group	Current Valuation	Previous Valuation
Life With Profit	3.00%	2.00%
Pension With Profit	3.75%	2.75%

(3) Risk Adjustments

Policies previously written in SLUK

The yield on assets other than equity shares and land was reduced by a percentage of that yield as follows:

<u>Fixed Interest:</u>

Approved Securities: Nil

Other Securities: A deduction from the yield dependent on the credit rating of the security per the table below:

Rating	Deduction (d)
Sovereign	0.00%
Aaa	0.08%
Aa	0.12%
A	0.24%
BBB	0.65%
BB	2.53%
B	7.22%
CCC	No Value

i.e. amended yield is y – d where y is the unadjusted yield

Variable Yield Approved Securities: Nil

All other assets producing income: Reduction of 0.5% (r) of the yield i.e. amended yield is y x (1 – r) where y is the unadjusted yield

The yield on equity shares and land was reduced by 2.5% of that yield in accordance with INSPRU 3.1.33(R).

Policies previously written in BULA

The risk adjusted yield in Form 57 was derived by adjusting the yield on assets as follows:

Equities and unit trusts - the yield was taken as 100% of the yield on the FTSE all share index.

Other Fixed Interest - the yield was reduced to allow for risk as follows:

Credit Rating	Deduction from Yield
AAA	0.08%
AA	0.12%
A	0.24%
BBB	0.66%
NR	1.00%
NA	1.00%

(4) Mortality Basis

Policies previously written in SLUK

The mortality tables used for each product group are shown in the following table:

Description	Mortality at current valuation		Mortality at previous valuation	
	Male	Female	Male	Female
Whole Life and Endowment	70% AM92 ult	70% AM92 ult -3yrs	AM92 ult (*)	AM92 ult -3yrs
IB Whole Life and Endowment, IB	35% ELT15(M)	35% ELT15(M)	35% ELT15(M)	35% ELT15(M)

Note that for all the above business, no additional mortality has been incorporated within the valuation and no separate reserve has been determined in respect of AIDS.

Policies previously written in BULA

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation	Previous Valuation
Endowment with-profits OB savings		
Base Table	AM/AF92	AM/AF92
Percentage - All groups	100%	100%
Age deduction for males and females	3 years	3 years

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

(5) Morbidity Basis

There are no significant groups of products where morbidity assumptions are used.

(6) Expenses

Policies previously written in SLUK

For premium-paying policies, where a net premium valuation is performed, the net premium is restricted to 90% of the office premium. A zillmer adjustment of 3% is applied.

Policies previously written in BULA

The following table shows the zillmer adjustments for premium paying policies where the reserve was calculated using the net premium method of valuation:

Product Group	Current Valuation	Previous Valuation
CWP savings endowment (product code 120)	1.65%	1.65%

The zillmer adjustments on life business are netted down for tax at 20%.

(7) Unit Growth Rates

Unit growth rates are not applicable as there is no linked business.

(8) Future Bonus Rates

With-profits business is not valued using a gross premium valuation method. There is no unitised with-profits business.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

There are no other material assumptions.

(11) Allowance for Derivatives

The fund does not hold any material derivatives.

(12) Effects of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

There are no significant groups of business with guaranteed annuity rate options.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

Not applicable

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non – attributable expenses	Total
Policies previously written in SLUK	0.8	0.0	0.0	0.0	0.8
Policies previously written in BULA	0.4	0.0	0.0	0.0	0.4
All expenses attributable	1.2	0.0	0.0	n/a	1.2
Total	1.2	0.0	0.0	0.0	1.2

(2) Implicit Allowances

The implicit allowance for expenses is the difference between the office and net premiums for regular premium policies which are valued on a net premium basis.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in 6 (1) is significantly different from the total shown in line 14 of Form 43, since the latter amount does not include the expenses relevant to the business which transferred into the Company at 31 December 2006.

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6.1 are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the fees payable under a management services agreement plus a prudent allowance for costs that are not covered by standard fees payable under the agreement.

Redundancy costs and costs of terminating management services agreements have not been taken into account.

(6) Non-attributable expenses

All expenses are attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency £m	Mathematical Reserves	Backed by assets
Sterling (£)	127.436	127.436
Other currencies	0.450	0.450
Total	127.886	127.886

(2) Other Currency Exposures

Liabilities totalling £0.450m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

An annual exercise is conducted to review the suitability by size and term of the assets backing the business. Business is projected on appropriate assumptions that include allowance for voluntary discontinuance.

The Fund can invest in equities and property as well as fixed interest. The suitability of the duration of fixed interest assets is reviewed by considering projections of liabilities that both include and exclude future bonus. These assets are then managed according to a performance benchmark that reflects the required duration of the liabilities. In this fund, all investments are sufficiently marketable that they could normally be realised for at least 99% of market quotation within seven days. The fund does not normally hold investments that are not available to be traded.

Cashflow mismatching and reinvestment risk are therefore not significant. In view of this, no additional reserves for cashflow mismatching are regarded as appropriate.

8. OTHER SPECIAL RESERVES

There are no special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

There are no significant reinsurance treaties in force in the 90% Fund.

10. REVERSIONARY (OR ANNUAL) BONUS

Policies previously written in SLUK

The reversionary bonus rates have been as follows:

	Mathematical Reserves £000	Bonus rate 31.12.06	Bonus rate 31.12.05	Guaranteed Bonus rate
90% Fund (OB) (SLUK)				
Series A	18,193	1.2%	1.2%	0.0%
Series B*	40,501	0.8%	0.8%	0.0%
Series C*	3,157	0.8%	0.8%	0.0%
90% Fund (IB) (SLUK)				
Pioneer Mutual	1,006	7.0%	5.0%	0.0%
Stamford cash bonus	2,078	1.75%	1.25%	0.0%
Other	6,858	3.5%	2.5%	0.0%

The above bonus rates apply to the basic sum assured (or annuity only) except where marked (*) in which case the rates apply to both the sum assured and attaching bonus.

Policies previously written in BULA

The reversionary bonus details for significant With Profit business were as follows:

Bonus series	Mathematical reserves £000	Bonus rate 31/12/06	Bonus rate 31/12/06	Guaranteed Bonus rate
With Profits				
Life	46,407	2.00/3.00%	2.00/3.00%	0.00%
Pensions	2,083	2.75%/2.75%	2.75%/2.75%	0.00%

100% Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

UWP Group Pension Policies

The contract is reassurance accepted from Phoenix & London Assurance Limited, and has the option to apply a Market Value Reduction.

No Market Value Reduction will be applied on normal claims arising under UWP Group Pension policies. However, the Company reserves the right to apply a Market Value Reduction in the case of full or partial discontinuities or special benefit enhancements.

No Market Value Reductions applied between 1st January 2006 and 31 December 2006 for premiums received before 1st January 2006.

Market Value Reductions applied between 1 January 2006 and 31 December 2006 to premiums received between 1 January 2006 and 31 December 2006 as follows:

Date of Commencement in quarter starting	From 01/01/2006 to 31/03/2006	From 01/04/2006 to 30/06/2006	From 01/07/2006 to 30/09/2006	From 01/10/2006 to 31/12/2006
01/01/2006	None	None	None	None
01/04/2006	n/a	None	-3%	None
01/07/2006	n/a	n/a	None	None
01/10/2006	n/a	n/a	n/a	None

(2) Premiums on Reviewable Protection Policies

Not applicable

(3) Non-profit Deposit Administration

Not applicable

(4) Service Charges on Linked Policies

Not applicable

(5) Benefit Charges on Linked Policies

Not applicable

(6) Accumulating With Profits Charges

There were no changes to charges applied to accumulating with profits policies.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

A net premium valuation has been used for conventional with-profits policies.

For UWP Group Pensions the reserves have been calculated as the greater of:

(i) the discounted value of the guaranteed benefits and, to the extent that their addition increases guaranteed benefits, future annual bonus rates consistent with policyholders reasonable expectations as to level and rate of change in the context of the valuation assumptions; and

(ii) the lower of:

(aa) the amount that would reasonably be expected to be paid if the policyholder exercised his option to take a cash sum on the valuation date having regard to the representation of the Company, and;

(bb) the amount in (aa) disregarding all discretionary adjustments.

An additional reserve equal to three months' administration charges is also held.

(2) Interest rates

The interest rates used are:

Product Group	Interest rate at the end of the financial year in question	Interest rate at the end of the previous financial year
Business Originally Written in PAL		
With Profit Assurances	3.05%	1.00%
Unitised With Profits	3.85%	3.60%
Business Originally Written in SLUK		
Whole Life and Endowment	3.05%	1.00%

(3) Risk Adjustments

The yield on assets other than equity shares and land was reduced in accordance with INSPRU 3.1.41(R) as follows:

Fixed Interest:

Approved Securities — Nil

Other Securities — A deduction from the yield dependent on the credit rating of the security per the table below:

Rating	Deduction (d)
Sovereign	0.00%
Aaa	0.08%
Aa	0.12%
A	0.24%
BBB	0.65%
BB	2.53%
B	7.22%
CCC	No value

i.e. amended yield is y – d where y is the unadjusted yield

Variable Yield Approved Securities — Nil

All other assets producing income — Reduction of 0.5% (r) of the yield i.e. amended yield is y x (1 – r) where y is the unadjusted yield

The yield on equity shares and land was reduced by 2.5% of that yield.

(4) Mortality Basis

Policies originally written in PAL (including those policies reassured from PALAL)

The mortality tables used for each product group are shown in the following table:

Category of Business	Current Valuation	Previous Valuation
Whole Life & Endowment	82% AM92/ 107.1% AF92	82% AM92/ 106% AF92

Allowance for Disease

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company.

No explicit allowance is made for AIDS.

Policies originally written in SLUK

The mortality tables used for each product group are shown in the following table:

	Mortality at 31/12/2006		Mortality at 31/12/2005	
Description	Males	Females	Males	Females
Whole Life and Endowment	70% AM92 ult	70% AM92 ult	100% AM92 ult	100% AM92 ult
Deferred Annuities	100% IMA92	100% IFA92	100% IMA92	100% IFA92

Allowance for Disease

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company.

(5) Morbidity Basis

Not applicable

(6) Expenses

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation (£)	**Previous Valuation (£)**
CWP savings endowment (product code 120)	30.44	30.06
UWP regular premium pension (525 / 545)	0	0
UWP single premium pension (525 / 545)	0	0
UWP group regular premium pension (535)	0	0
UWP group single premium pension (535)	0	0

The expenses on life business are netted down for tax at 20%.

For product code 535, an additional reserve of £0.023m is included to cover administration expenses for this business.

For product codes 525 and 545, these policies are written in the Non-Profit Fund, with the liability for the unitised with-profits investment element transferred to the 100% Fund. All expenses are met by the Non-Profit Fund.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at:
- 7.1% p.a. for ex-PAL policies
- 5.8% p.a. for ex-SLUK policies

(8) Future Bonus Rates

For the UWP Group Pensions contract the assumed future bonus rate for 2007 is 0.17%; for 2008 and onwards the assumed future bonus rate is 0%.

For ex-SLUK UWP pensions the assumed future bonus rate is 0%.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

There are no other material basis assumptions.

(11) Allowance for Derivatives

Not applicable

(12) Effects of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

Not applicable

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

For ex-SLUK UWP pension policies, there is a guarantee that the unit price will increase at not less than 4%p.a. An additional reserve of £7.159m has been established to meet the expected future cost of this guarantee. This has been calculated as the additional reserve required to fund the amount by which the guaranteed unit growth rate, together with the management charge, exceeds the valuation interest rate.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	**Implicit allowances**	**Explicit allowances (investment)**	**Explicit allowances (other)**	**Non-attributable expenses**	**Total**
All products	0.3	0.0	0.2	0.0	0.5
All expenses attributable	0.3	0.0	0.2	n/a	0.5
Total	0.3	0.0	0.2	0.0	0.5

(2) Implicit Allowances

Implicit allowances for expenses include the difference between office and net premiums for regular premium policies which are valued on a net premium basis.

The implicit allowance for investment expenses has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in 6 (1) is not significantly different from the total shown in line 14 of Form 43.

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6.1 are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the fees payable under a management services agreement plus a prudent allowance for costs that are not covered by standard fees payable under the agreement.

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

(6) Non-attributable expenses

All expenses are attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency £m	Mathematical Reserves	Backed by assets
Sterling (£)	117.162	117.162
Other currencies	0.000	0.000
Total	117.162	117.162

(2) Other Currency Exposures

There are no liabilities in other currencies.

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

There are no significant territories outside the United Kingdom.

(6) Resilience Capital Requirement

Not required.

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

No further additional reserves exceed the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

Not applicable

10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

(a)	(b)	(c)	(d)	(e)
Bonus Series	Mathematical Reserves (£000's)	Bonus Rate Current Year (%)	Bonus Rate Preceding Year (%)	Guaranteed Bonus Rate for 2006
Life Assurance* (SLUK)	1,924	3.0%	3.0%	0.0%
Deferred Annuity* (SLUK)	130	4.5%	4.5%	0.0%
PWPF units* (SLUK)	46,992	0.0%	0.0%	0.0%
Whole life & Endowment** (PAL)	26,105	5.0%/ 8.0%	3.0%/ 5.0%	0.0%
Group UWP Pensions (PAL)	39,593	1.0%	1.0%	0.0%

The above bonus rates, where marked (*), apply to both the sum assured and attaching bonus. For bonus series marked (**) the first rate applies to the sum assured and the second rate applies to the attaching bonus.

For unitised with-profits policies, the reversionary bonus is added daily in the form of growth of the unit price.

NP Fund
Comprising business in PLL for the whole of 2006 and business transferred in from Alba, Century, BULA, BRS and BA

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable

(2) Premiums on Reviewable Protection Policies

The following table shows the changes to premiums on non-linked reviewable protection policies since the previous valuation date.

Previous Company	Product	No of Policies	Annual Premium (£000s)	Range of increase	
				From (%)	To (%)
BULA	Mortgage Cover Plan	1194	437	0%	6%
	Total Cover Plan	1159	434	0%	62%
	Instant Health Cover	54	34	0%	23%

The following table shows the reviewable protection policies where there were no changes to premiums since the previous valuation.

Previous Company	Product	No of policies	Annual premium in force (£000s)
PLL	Progressive Protection Plan	9,438	22,808
	Flexible Mortgage Plan	3,181	804
Century	Ex-NAL Critical Illness Plan	425	79
BULA	Life Cover Plan	424	136
BA	Decreasing term assurance	1,005	277
	Level Term assurance with critical illness	648	116
	Critical illness	1,921	419
	Pensions term assurance	7,320	1,176

(3) Non-profit deposit administration contracts

Policies previously written in PAL

The Pension Plan for the Self-Employed (PPSE) is a deferred annuity contract approved under section 226 of the Income and Corporation Taxes Act 1970.

The Executive Pension Plan (EPP) is designed for treatment as an exempt approved scheme as defined in the Finance Act 1970.

The Voluntary Pension Plan (VPP) provides additional benefits at retirement for members of approved company pension schemes through voluntary contributions of the member.

Under these contracts premiums for retirement benefits are paid into a Pension Account, interest being declared monthly in advance and compounded annually.

The interest rates applied during 2006 were as follows:

Month	Interest Rate %p.a.
January	5.30%
February	5.31%
March	5.31%
April	5.29%
May	5.29%
June	5.30%
July	5.27%
August	5.28%
September	5.26%
October	5.24%
November	5.24%
December	5.24%

Policies previously written in SLUK

The rates of interest credited to accounts at 31 December 2006 are given in the table below:

Account year	Deposit Administration – Standard	Deposit Administration – Dollar Policies	
	Interest per £1,000	Interest per £1,000 Series 1	Interest per £1,000 Series 2
1982	128.50		-
1983	121.50	-	-
1984	120.50	-	-
1985	121.00	-	-
1986	118.00	90.00	80.00
1987	113.50	90.00	80.00
1988	113.50	90.00	80.00
1989	114.00	90.00	80.00
1990	110.00	90.00	80.00
1991	110.00	90.00	80.00
1992	100.00	90.00	80.00
1993	70.00	90.00	80.00
1994	75.00	56.30	80.00
1995	70.00	52.50	80.00
1996	70.00	46.00	46.00
1997	65.00	46.00	46.00
1998	50.00	36.00	36.00
1999	45.00	38.00	38.00
2000	45.00	38.00	38.00
2001	45.00	36.00	36.00
2002	45.00	36.00	36.00
2003	40.00	32.00	32.00
2004	43.00	34.40	34.40
2005	38.00	30.40	30.40
2006	41.00	32.80	32.80

Policies previously written in Alba

There are no deposit administration policies in force.

Policies previously written in Century

<u>Non profit Deposit Administration</u>

This is a group deposit administration policy approved under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the account accumulates with credited interest additions which are the greater of:

a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%; and

b) A basic credited rate increased by 1.5%.

For paid-up policies, the credited rate is reduced by 2% and the addition and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are as follows:

Month	**Basic Credited Rate**
January	5.00%
February	5.00%
March	5.00%
April	5.00%
May	5.00%
June	4.88%
July	4.88%
August	4.75%
September	4.63%
October	4.50%
November	4.38%
December	4.25%

<u>The Pensions 2000 Range (First Series)</u>

This range consists of four varieties of one underlying group contract capable of exempt approval under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the interest additions made to the accounts are the greater of:

(a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy. The guaranteed rate is increased for schemes where the level of annual premium exceeds certain thresholds. These thresholds vary according to the year in which the policy was effected, and are increased from year to year in line with the increase in the Retail Price Index over the period between commencement and renewal dates; and

(b) A credited rate. This rate is increased as described above.

For paid-up policies the credited rate is reduced by 2% and the threshold increases and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are as follows:

Month	Basic Credited Rate
January	5.00%
February	5.00%
March	5.00%
April	5.00%
May	5.00%
June	4.88%
July	4.88%
August	4.75%
September	4.63%
October	4.50%
November	4.38%
December	4.25%

For pooled funded arrangements the base thresholds (i.e. before increasing in line with the Retail Price Index) are generally as follows:

Annual premium	Additional Interest
£4,999 or less	Nil
£5,000 to £9,999	0.5%
£10,000 to £49,999	1.0%
£50,000 or over	1.5%

For the money purchase arrangements additional interest is credited at the following rates:

Annual premium	Additional Interest
£9,999 or less	Nil
£10,000 to £49,999	0.5%
£50,000 or over	1.0%

This scale of thresholds applies to each of the first five policy years of a scheme. In subsequent years the threshold levels are indexed in line with the Retail Price Index.

Century Group Deposit Administration

These are group pension contracts designed to secure approval under Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after provision for administration charges and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. There are also guaranteed deferred and immediate annuity rates for the conversion of funds into annuities. Separate life assurance and widows reversionary annuities may be included on a non-profit basis.

Century Personal Pension Plans - pre April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Separate life assurance may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Personal Pension Plans - post April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Separate life assurance may be included on a non-profit basis. Dividends are guaranteed to be not less than 4% per annum (1% per annum on Initial Premiums). There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Capital Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first year of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There remains an absolute guarantee that bonuses will average at least 4.5% and 1.5% per annum. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Executive Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years' of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Policies previously written in BULA

There are no deposit administration policies in force.

Policies previously written in BRS

There are no deposit administration policies in force.

Policies previously written in BA

There are no deposit administration policies in force.

(4) Service Charges on Linked Policies

Policies previously written in PLL

The following PLL products changed their service charges:

For Plusplan , as from 1 April 2006, the monthly service charge increased by 2.6% from £19.00 to £19.50 for schemes which commenced before 1 July 1988, and the monthly service charge increased by 2.2% from £46.50 to £47.50 for schemes which commenced after 30 June 1988.

For Living Pensions Personal Pensions, as from 1 January 2006, the monthly policy charge increased by 3.8% from £2.65 to £2.75 for regular contribution policies.

For Universal Protection Plan, as from 1 January 2006, the monthly policy charge increased by 3.7% from £2.94 to £3.05.

For Individual Personal Pension Plan, Group Personal Pension Plan, Company Pension Scheme, and Company Additional Pension Scheme, the monthly policy charges changed as follows:

Contribution Type	Existing Policy Charge	New Policy Charge from 1 January 2006	Percentage Increase
Regular premium and increments	£0.00	£0.00	n/a
Paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan)	£1.70	£1.75	2.9%
Paid-up policies and policies on premium holidays for Group Personal Pension Plan	£0.00	£0.00	n/a
Single premium stand alone contracts issued before 16 October 1995	£4.70	£4.90	4.3%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	£1.86	£1.95	4.8%
Single premium stand alone contracts issued between 21 September 1998 and 9 April 2000	£3.40	£3.55	4.4%
Single premium stand alone contracts issued after 9 April 2000	£3.00	£3.15	5.0%

For Personal Additional Pension Plan, the monthly policy charges changed as follows:

Contribution Type	Existing Policy Charge	New Policy Charge from 1 January 2006	Percentage Increase
Regular premium policies issued before 29 January 1996	£4.70	£4.90	4.3%
Regular premium policies issued between 29 January 1996 and 9 April 2000	£4.50	£4.70	4.4%
Regular premium policies issued after 9 April 2000	£3.00	£3.15	5.0%
Regular premium increments	£0.00	£0.00	n/a
Paid-up policies and policies on premium holidays	£1.70	£1.75	2.9%
Single premium stand alone contracts issued before 16 October 1995	£4.70	£4.90	4.3%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	£1.86	£1.95	4.8%
Single premium stand alone contracts issued between 21st September 1998 and 9 April 2000	£3.40	£3.55	4.4%
Single premium stand alone contracts issued after 9 April 2000	£3.00	£3.15	5.0%
Transfer Values	£0.00	£0.00	n/a

For Executive Pension Plan, the monthly policy charges changed as follows:

Contribution Type	Existing Policy Charge	New Policy Charge from 1 January 2006	Percentage Increase
Regular premium policies issued before 29 January 1996	£4.70	£4.90	4.3%
Regular premium policies issued after 29 January 1996	£4.50	£4.70	4.4%
Regular premium increments	£0.00	£0.00	n/a
Paid-up policies and policies on premium holidays	£1.70	£1.75	2.9%
Single premium stand alone contracts issued before 16 October 1995	£4.70	£4.90	4.3%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	£1.86	£1.95	4.8%
Single premium stand alone contracts issued after 20 September 1998	£3.40	£3.55	4.4%
Transfer Values	£0.00	£0.00	n/a

The following contracts have a monthly policy fee that depends upon the 1974 based RPI. These charges have been increased in the year to the valuation date in accordance with increases in RPI. 1974 based RPI increased by 3.9% in the intervaluation period. No other increases in charges have occurred.

Product	Monthly Policy Charge
Lifestyle Plan	£(1/12 x 3.333 x RPI)
Personal Capital Builder (Series I)	0.67p x RPI for annual premium policies 1.00p x RPI for monthly premium policies 0.125p x RPI for paid-up or single premium policies
Personal Capital Builder (Series III)	0.50p x RPI for annual premium policies 0.75p x RPI for monthly premium policies 0.125p x RPI for paid-up or single premium policies
Executive Capital Builder (Series I and III)	2.50p x RPI for annual premium policies 4.17p x RPI for monthly premium policies 0.33p x RPI for paid-up or single premium policies
Additional Capital Builder (Series I)	2.00p x RPI for annual premium policies 3.00p x RPI for monthly premium policies 0.50p x RPI for paid-up or single premium policies
Additional Capital Builder (Series II)	3.50p x RPI for annual premium policies 4.50p x RPI for monthly premium policies 2.00p x RPI for paid-up or single premium policies
Multiple Investment Plan (Version I)	0.05 x RPI (0.05 x RPI / 12) charge on annual (monthly) premiums below £2000 (£200)

The following contracts have a monthly policy fee that depends upon the 1987 based RPI. These charges have been increased in the year to the valuation date in accordance with increases in RPI. 1987 based RPI increased by 3.9% in the intervaluation period. No other increases in charges have occurred.

Product	Monthly Policy Charge
Executive Capital Builder (Series IV)	5.00p x RPI for annual premium policies 6.00p x RPI for monthly premium policies 1.00p x RPI for paid-up policies 0.80p x RPI for single premium policies
Trustee Capital Builder (Series I and III)	1.45p x RPI
Personal Pension Builder	2.00p x RPI for annual premium policies 2.00p x RPI for monthly premium policies 1.00p x RPI for paid-up policies 0.50p x RPI for single premium policies
Multiple Investment Plan (Version II, III and IV) issued before April 1989	0.05 x RPI (0.05 x RPI / 12) charge on annual (monthly) premiums below £2000 (£200).
Multiple Investment Plan (Version II, III and IV) issued after April 1989	0.20 x RPI (0.20 x RPI / 12) charge on annual (monthly) premiums below £2000 (£200).

Policies previously written in Alba

The following changes to service charges on Alba products were effected on 1 April 2006

Product name	**2005 policy fee**	**2006 policy fee**	**Percentage increase**
Policies arising from BLA			
Mortgage Minder	£1.64	£1.68	2.44%
Universal Whole Life	£3.66	£3.75	2.46%
Unit Linked Personal Pensions Groups of Personal Pension Executive Pensions	£3.27	£3.35	2.45%
Policies arising from BLAS			
Whole Life – Flexible Life Plan	£2.55	£2.65	3.92%
Critical Illness Plan	£3.55	£3.70	4.23%
Homeplan Plus - first series	£4.35	£4.55	4.60%
Homeplan Plus - second series	£3.55	£3.70	4.23%
Income Replacement Plan	£2.86	£2.93	2.45%
Pensions Contracts – Individual & Group - original series - premiums < £30 (p.m.) £300 (p.a.) - rebate only - Generation Pensions	 £3.95 £5.90 £2.70 £3.55	 £4.10 £6.15 £2.80 £3.70	 3.80% 4.24% 3.70% 4.23%
Post 1995 Pension Contracts – Individual & Group - fewer than 10 members - 10 or more members	 £3.27 £1.96	 £3.35 £2.00	 2.45% 2.04%

Policies previously written in Century

The following table shows the percentage changes to service charges for in force linked Century policies since the previous investigation.

Original Company	Product or Business	Premium Paying	Paid Up or Single Premium
NBA	Pension Individual Accounts	3.00%	3.00%
Sentinel	Level premiums	4.24%	4.24%
Sentinel	Increasing premiums	4.24%	4.24%
UK Life	Pensions	4.24%	4.24%
UK Life	Life	4.24%	4.24%
CCL	Life	4.24%	4.24%
CCL	Individual Pension	4.24%	4.24%
CCL	Group Pension	4.24%	4.24%
Shield	Series 2	4.24%	4.24%
Shield	Appropriate Personal Pension Scheme	4.24%	4.24%
Shield	Other	4.24%	4.24%
Prosperity	Flexible Protection Plan	3.69%	3.85%
Prosperity	Serious Illness Plan	3.69%	3.85%
Prosperity	Flexible Mortgage Plan	3.69%	3.85%
Prosperity	Flexible Investment Plan	4.18%	3.85%
Prosperity	Capital Investment Bond	3.86%	3.86%
Prosperity	Capital Preservation Plan	3.86%	3.86%
Prosperity	Regular Premium Pensions	4.06%	4.06%
Prosperity	Pension Transfer Plan	3.99%	3.99%
Hiscox	All	3.79%	3.79%
OMLA	Total Investment Bonds	3.66%	3.66%
OMLA	Family Portfolio	0.00%	0.00%
OMLA	Pensions 88	3.71%	3.71%
OMLA	Pensions 91	3.54%	3.54%
OMLA	Ex Target Pension Plans	3.70%	3.70%
OMLA	Ex Target Homeloan	3.67%	3.67%
OMLA	Ex Target 5 Plus Plan	4.20%	4.20%
OMLA	Independent Pension Plans	3.60%	3.60%
OMLA	Post 94 Executive Life & Select Life	3.65%	3.65%
OMLA	Pensions 93	3.56%	3.56%
OMLA	Pensions 95	3.75%	3.75%
NAL	Personal Pension Plan	3.89%	3.89%
NAL	Additional Pension Plan	3.89%	3.89%

Policies previously written in BULA

There are no linked policies with service charges.

Policies previously written in BRS

There are no linked policies with service charges.

Policies previously written in BA

There are no linked policies in force.

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in the period.

(6) Accumulating With Profits Charges

Not applicable

(7) Unit Pricing of Internal Linked Funds

Policies previously written in RSALI and SLUK (First Annuity Fund)

(a) Method used for cancellation and creation of units

All units are allocated to policies at the offer price calculated at the first valuation subsequent to the decision to allocate units. For non-Group units the fund is credited with an amount equal to the number of units allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively).

For Group units the fund is credited with an amount equal to the number of units allocated multiplied by the offer price.

All units are de-allocated from policies at the bid price calculated at the first valuation subsequent to the decision to de-allocate units. For non-Group units the fund is debited with an amount equal to the number of units so de-allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively). For Group units the fund is debited with an amount equal to the number of units de-allocated multiplied by the bid price.

Method used to determine prices of non-Group units in internal linked funds (except units in the Old Building Society Fund)

Prices of non-Group units in internal linked funds are calculated periodically thus:

(I) The assets of the fund are valued at 8 a.m. on the valuation day using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund less any appropriate tax charge is credited to the fund. Allowance is made for accrued income less deductions for any tax charges, both actual and prospective and any other appropriate deductions permitted by policy conditions which includes investment management expenses for certain products.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on the current and recent trend and magnitude of unit transactions in the fund.

(II) The value determined in (I) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

(III) Except for the Lifestyle Bond fund series and the Pensions Solutions fund series (for the range of pension products launched on 6 April 2001), a fund management charge is deducted from the fund at the applicable rate. The fund value for charging purposes may or may not include dealing costs adjustments and certain tax adjustments depending on policy conditions.

(IV) The value of the fund thus determined divided by the number of units in issue represents the creation prices (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

(V) The offer price is calculated as the creation price or cancellation price, if the assets of the fund are valued on a creation basis and cancellation basis respectively, multiplied by A/B and rounded. The bid price is calculated as B% of the offer price and rounded, where:

A = 101 for all ULA and ULPF fund series except Money and Shield fund series
= 100 for other fund series

B = varies between 94 and 100. 100 less B represents the bid/offer spread

(VI) Prices in the Deposit and Money funds are guaranteed not to fall.

<u>Method used to determine prices in the Old Building Society fund</u>

The unit price of accumulation units on any occasion on which it is determined exceeds the previously determined unit price by at least such percentage as would, if applied successively to the unit price at time intervals equal to the time interval between the two aforementioned determinations, equate over a period of twelve months to the lowest rate of interest used on such occasions or most recently used by the Abbey PLC for new repayment mortgages granted on owner-occupied private domestic premises. In the event that no such rate or more than one rate is used the Company may use a rate that is in the opinion of the Actuary fair and reasonable. In the case of capital units only, this rate is reduced by three and one-half percentage points (or such other number of percentage points as shall equate to the annual rate of management charge for the time being applicable).

<u>Method used to determine prices of Group units in internal linked funds</u>

Prices of Group units in internal linked funds are calculated periodically thus:

(I) The assets of the fund are valued on the last working day of the month at 8 a.m. using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund is credited to the fund. Allowance is made for accrued income, both actual and prospective and any other appropriate deductions permitted by policy conditions. Certain costs incurred are met by the fund e.g. custodian's fees, stamp duty and other dealing costs. Investment management expenses are met by the Company.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on whether there is a net cancellation or creation of units at the valuation date.

(II) The value determined in (I) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

(III) A fund management charge is deducted from the fund at the applicable rate.

(IV) The value of the fund thus determined divided by the number of units in issue represents the creation price (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

There is no bid/offer spread. If the fund is valued on a cancellation basis the bid and offer prices are calculated as the rounded cancellation price. If the fund is valued on a creation basis the bid and offer prices are calculated as the rounded creation price.

Method used to determine prices of units in internal linked funds (SLUK, ex-OB Fund)

In pricing units in internal linked funds, investments are valued at the lowest available offer price or the highest available bid price with appropriate allowance for the expenses of purchase or sale. The decision to value on a bid or offer basis is based on whether the trend of the size of the fund is downwards or upwards. The valuation is used to determine the bid price, the offer price being determined by adding the bid/offer spread to the bid price. Units are created and cancelled at the bid price; they are allocated to policies at the offer price and redeemed at the bid price. The prices used are those in effect on the day following a decision to carry out a transaction, or on the day a transaction is effected. Pricing is normally carried out daily for those funds which are invested in equities. For other funds, pricing is normally carried out weekly, the prices applying to the following seven days.

(b) Different Pricing Bases

Other than the differences mentioned in (a), different pricing bases do not apply to different policies.

(c) Units in Collective Investment Schemes

Funds buy units in the following unit trusts managed by Resolution Asset Management at the creation price, the price used in the valuation is from midnight the day before the valuation date.

Equity Income
UK Leader
All Share Tracker
Worldwide Bond
North America
Far East
UK Smaller Companies
Extra Income Bond
High Income Bond
Maximum Income Bond
High Yield Bond
Japan Growth
Pacific Growth

In addition, for fund series formerly in ULA and ULPF, Series 8, 9 and 10 units for funds formerly in SAPL and the Lifestyle Bond and Pensions Solutions fund series, any remaining unit trust or Open Ended Investment Company fund management charge net of any rebate is reimbursed by the Company to the internal linked fund.

Policies previously written in Alba

(a) Method used for cancellation and creation of units

For all contracts described in this section, unless otherwise stated, the following features apply:

- All unit purchases are subject to a charge (representing the bid-offer spread) of 5%.
- There is currently no charge for one switch between funds every year (though the company reserves the right to introduce such a charge at any time). The maximum charge for each subsequent switch is £25.
- All funds are currently on a bid basis.

(i) The price at which the company creates and liquidates units is on the bid price on the day in question.

(ii) Assets are valued at market values where they exist. The following rules apply:

Asset	**Bid price**	**Offer Price**
Cash	Face value	Face value
Internal linked Fund	Bid	Bid
Fixed interest	Bid minus dealing	Offer plus dealing
Internal unit trust	Cancellation	Creation
External unit trust	Bid	Offer
Equity	Bid minus dealing	Offer plus dealing
Property	Bid – Unitised Property Fund price	Offer – Unitised Property Fund price plus buying costs

Most of the "Main Funds", i.e. the Internally Managed BLAS Life and Pensions Funds, are invested directly in RAM Unit Trusts which are valued at Noon daily.

Calculating bid and offer values of the units

The asset values used in the calculation of unit prices include an allowance for dealing costs of buying or selling the assets.

The initial charge incorporated into the calculation of maximum offer prices is fixed at 5/95 of the value of the Fund.

(iii) Basis of valuation of assets

Policyholder net unit sales/repurchases	*Fundamental pricing basis*
Net sales expected into the medium term	Offer basis
Net repurchases expected into the medium term	Bid basis

Funds' cash flows over the rolling previous four months are reviewed on a monthly basis. When the flow looks as if it could be changing direction, the pricing basis is changed and the Unit Pricing Committee advised.

(iv) Timing of asset valuation

The values of the above Funds are generally based on previous day's closing values. Funds which are cross invested in other BLAS Funds are valued after pricing the principal Funds and therefore receive same day price.

The Externally Managed Funds are priced on previous day's closing values, the one Branded Fund being valued daily and the others routinely on the first business day of every month and as required by clients or for claims etc.

(b) Different Pricing Bases

There are no differences applying to different policies.

(c) Collective Investment Schemes

This is covered in (a) above.

Policies previously written in Century

(a) Method used for cancellation and creation of units

The valuation price of a unit is calculated by dividing the market value of the relevant assets including accruals for income and charges and after adjustment for accrued liability for tax on income and on realised and unrealised capital gains and losses by the number of units in existence for the fund / type.

The creation price of a unit is obtained in the same way as the valuation price, having regard to the offer value of the investments plus the costs of acquisition. The cancellation price is similarly obtained having regard to the bid value of the investments less the costs of disposal.

If a fund has a net cash inflow and this is expected to remain so then the creation price will be used to allocate units to and, within limits, to de-allocate units from funds. Where a fund has a net cash outflow and is expected to remain so then the cancellation price will be used to de-allocate units from and, within limits, to allocate units to funds.

The current method by which the basis of the valuation of assets is selected is as follows.

> For each fund a reference level of units is determined i.e. the tidemark level. Following the creation or cancellation of units, the current number of units is compared to the tidemark. If the fund is on a bid basis and the current number of units is lower than the tidemark then the tidemark is lowered. If the fund is on an offer basis and the current number of units is higher than the tidemark it is raised. If the fund is on an offer basis and the current number of units is less than 95% of the tidemark level then the fund will be moved to a bid basis and the tidemark reset. If the fund is on a bid basis and the current number of units is greater than 105% of the tidemark level then the fund will be moved to an offer basis and the tidemark reset.
>
> In order to avoid going too far past the 5% trigger, before carrying out any large (greater than 3% of the fund) creation / cancellation which is against the existing basis, the unit position against the tidemark is examined in order to determine whether the transaction would trigger a change of basis. If so, the change of basis may be made in advance of the creation / deletion rather than after.
>
> For funds on a bid basis, the published bid price is determined from the above and, where the policy conditions permit, it may be rounded down by up to 1%. The offer price is then obtained by multiplying by 100/(100-bid offer spread %).
>
> For funds on an offer basis, the published offer price is determined from the above multiplied by 100/(100-bid offer spread %) and, where the policy

conditions permit, may be rounded up by up to 1%. The published bid price is then (100-bid offer spread)% of the offer price.

Valuations are carried out daily based on the investments held as at 9am and using the previous night's closing market values of the investments. Unit movements are allocated using the price calculated on the same day as the movements are processed. If a policyholder request to deal is received by post, then it is processed using the price on the day of receipt of the notification. If the notification is received by fax, then the following day's price is used in order to avoid selection against the fund.

<u>(b) Different Pricing Bases</u>

Except in very rare situations where a policyholder unit reduction is so large as to attract a dilution levy, at any one time the same pricing bases apply to different policies investing in the same internal linked funds.

<u>(c) Collective Investment Schemes</u>

Where collective investments are held, either the published offer price or the published bid price of the underlying unit trust is used, as appropriate. The pricing methodology and timing of the asset valuation is the same as for units invested in direct assets. The last opportunity to deal at the price calculated will be close of business on the previous day. The last opportunity to deal directly in the unit trust using consistent prices will also be close of business the previous day.

Policies previously written in BULA

<u>(a) Method used for cancellation and creation of units</u>

Ex-Unit Linked Fund: Other than Pensions Managed Fund business

Units are allocated to policies at the published offer price on the valuation date immediately following the date of receipt of the premium. On maturity, units are cancelled at the bid price on the valuation date immediately preceding the maturity date. On retirement, units are cancelled at the bid price on the last valuation date in the month of the selected retirement date. On death, critical illness, surrender, transfer, withdrawal, early retirement or other early termination, units are cancelled at the bid price on the valuation date following date of notification. Charges for mortality and terminal and critical illness cover, where applicable, are made by cancelling units at the bid price.

Units are only created in any linked fund if assets equivalent to such units are added simultaneously to the fund. Except for the purposes of meeting all expenses, charges and any tax liabilities or for reinvestment, assets are only withdrawn from any linked fund if units equivalent to such assets are simultaneously cancelled.

The fund is reduced by the weekly management charge based on the number of units multiplied by the published offer price.

Currently unit prices are determined by valuing the assets of the linked funds weekly, normally on a Wednesday, the valuation date. The day and frequency of such valuations may be amended after giving prior notice. The valuation takes account of all assets including uninvested cash. Stock exchange securities are valued using quoted prices. The value of land and buildings, if any, is based on valuations prepared by independent valuers with due allowance for variations since such valuations. The value of other assets are determined by the Head of Actuarial Function after taking any advice from independent experts or valuers where appropriate.

The offer value of a linked fund is the value of the investments at the prices at which they might be purchased on the valuation date, increased by amounts to cover acquisition costs of these investments and for accrued investment income and reduced by amounts to cover provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The offer price of a unit is the offer value divided by the number of units, multiplied by 100/95 and the result is rounded up by not more than 1%. The published offer price may vary below this offer price.

The bid value of the linked fund is the value of the investments at prices at which they might be sold on the valuation date, increased by amounts for accrued investment income and reduced by amounts to cover realisation costs, provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The bid price of a unit is the bid value of the fund divided by the number of units, rounded down by not more than 1%. The published bid price may vary above this bid price.

When the published prices are based on an offer basis, then the published offer price is the rounded offer price and the published bid price is 95% of the published offer price. When the published prices are based on a bid basis, then the published bid price is the rounded bid price and the published offer price is 100/95 times the published bid price. The offer basis is used for periods of net creation of units and a bid basis is used for periods of net cancellation of units. All Funds are currently on a bid basis.

Ex-Unit Linked Fund: Stakeholder Pension

These funds are priced daily, on an offer basis if there are net creations that day or on a bid basis if there are net cancellations that day. They are single priced and there is no bid/offer spread.

The offer basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be bought, increased by amounts to cover dealing costs and stamp duty, where applicable, divided by the number of units, then reduced by the equivalent one day's management charge and then rounded up to two decimal places.

The bid basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be sold, decreased by amounts to cover dealing costs, divided by the number of units, then reduced by the equivalent of one day's management charge and then rounded down to two decimal places.

Ex-Unit Linked Fund: Pensions Managed Fund Business

Up to and including 30 November 2003 these funds were priced in the same way as described above for Stakeholder Pension business.

From 1 December 2003, unit prices are calculated gross of management charges. Management charges are taken by unit encashment.

Ex-Non-Profit Fund: Other than the Capital and Super Plan

Unit prices are determined weekly. Life funds are additionally determined on the 20th of each month. Unit prices may be determined more frequently at the company's discretion.

Policyholders buy units at the next available published offer price following the day that premiums are paid. Units are bought from policyholders at the next bid price following an instruction to switch units and at the current bid price at the time of maturity or death. Unit charges are deducted at the latest bid price at the time the charge is made. On surrender, units are valued at the latest bid price following receipt of all necessary documentation.

Units in the internal linked funds are created or cancelled at the unrounded offer price to match the number of units allocated or deallocated from policies. When there is expected to be a net purchase of underlying assets over the medium term, the internal linked funds are valued on an offer basis. A bid basis is used when net sales are expected.

When the funds are valued on an offer basis, unrounded offer prices are equal to the net asset value per internal unit for each unit fund. For a particular fund the asset value is: the lowest offer value of assets as at the close of the previous working day; plus an estimate of the buying expenses incurred in purchasing an identical portfolio of assets; plus investment income (net of tax for life funds); minus, for life funds, a provision for accrued unrealised capital gains tax; minus an amount in respect of accrued annual management charge. The latter item is deducted weekly for pension funds and monthly for life funds.

When the funds are valued on a bid basis, unit allocations and deallocations again take place using an unrounded offer price. This again is equal to the net asset value per internal unit for each unit fund. In this case for a particular fund the asset value is the highest bid value of assets at the close of the previous working day; less an estimate of the cost of realising the portfolio of assets; plus investment income (net of tax for life funds); minus, for life funds, a provision for accrued unrealised capital gains tax; minus an amount in respect of accrued annual management charge. The latter is deducted weekly for pension funds and monthly for life funds.

On both bases, the published offer price is the unrounded offer price rounded up to the nearest 0.5 pence. The published bid price is calculated as 95% of the published offer price rounded down to the nearer 0.5 pence.

Within each fund, all policyholder units are valued using the same basis. Where units are held in collective investment schemes, unit trust prices are taken as the lowest offer price at the close of the previous working day.

Ex-Non-Profit Fund: Capital and Super Plan.

Unit prices are calculated on the 16th of each month based on closing prices on the 15th. Premiums are paid on the 15th of each month and policyholders purchase units at the offer price calculated on the 16th. On maturity or death, units are cancelled at the latest bid price. On surrender, units are cancelled at the latest bid price following receipt of all documentation. Super Plan units may be surrendered only on the 16th of each month. At the company's discretion Capital units could be surrendered at the next available bid price.

Bid/offer spreads and the pricing basis is laid down in the policy documents. The published Capital Offer price is the unrounded price multiplied by 1.025 rounded as follows, <1.0025 then rounded to 1.0000, 1.0025 to 1.0075 then rounded to 1.005 & > 1.0075 then rounded to 1.01. The published Capital Bid price is calculated as 0.9875 times the unrounded price rounded in the same way as the Offer price. The published Super Plan Offer price is the unrounded price multiplied by 1.0350175 rounded in the same way as the Capital prices. The published Super Plan price is calculated as 0.9825 times the unrounded price rounded in the same way as the Capital prices

Unrounded prices are equal to the net asset value per internal unit for each unit fund. For each fund the asset value is the mid market value of assets as at the close on the 15th of the month minus a provision for accrued unrealised capital gains tax.

(b) Different Pricing Bases

The same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

Where units are held in collective investment schemes, unit trust prices are taken as the lowest offer price at the close of the previous working day. The pricing methodology and timing of the asset valuation is the same as for units invested in direct assets. The last opportunity to deal at the price calculated will be close of business on the previous day. The last opportunity to deal directly in the unit trust using consistent prices will also be close of business the previous day.

Policies previously written in BRS

(a) Method used for cancellation and creation of units

For the Equity Release Plan there is a single unit in each individual internal linked fund. For the purpose of determining unit prices, properties in the funds are held at vacant possession open market value. Properties are independently valued at acquisition and at least once every three years thereafter. The internal linked funds are valued at least once in each calendar year on the basis of the most recent valuation of the property adjusted using statistics for movements in house prices since the date of the last valuation.

(b) Different Pricing Bases

The same pricing basis is used for all policies at all times.

(c) Collective Investment Schemes

The units are not in collective investment schemes.

Policies previously written in BA

There are no internal linked funds.

(8) Tax Deductions From Internal Linked Funds

Policies previously written in PLL

(a) Tax on Realised Capital Gains

Applicable to life funds only.

The provision for tax on realised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the realised capital gain calculated as the excess of the proceeds on disposal of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses are applied to offset any realised capital gains within the same fund.

The tax rate applied to realised capital gains does not exceed that which would apply if the fund comprised the whole of the Company's life assurance fund with no allowance being made for expenses. For chargeable assets excluding gilts and bonds, the rate of tax applied during the report period has been 20%. Throughout the report period the rate of tax for gilts and bonds, where a tax rate has applied, was 20%. The provision for tax on realised capital gains is deducted from the fund annually at the end of each year.

For realised capital gains arising from Sections 212 to 214a of the Taxation of Chargeable Gains Act 1992, one seventh of the gain is provided for as above. The balance of the instalments is taxed at an appropriate rate (18%) and the provision is held within the fund. When the capital gains tax charge on a subsequent instalment falls due, the instalment is removed from this provision and treated as other realised tax charges described above.

Where policy benefits are linked to directly held assets, namely authorised unit trusts or other collective investment schemes, a deduction is made from the policy benefits when units are de-allocated representing tax on the realised capital gains as permitted by policy conditions. During the report period the rate of tax applied has been 20% throughout.

(b) Tax on Unrealised Capital Gains

Applicable to life funds only.

The provision for tax on unrealised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the unrealised capital gain calculated on the excess of the market value of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses remaining after offsetting against the provision for realised capital gains are applied to offset any unrealised capital gains within the same fund.

During the report period the rates of tax applied have been:

Equities and other company securities	17% - 20%
Unit trusts etc. *	17% - 20%
Property	17% - 20%
Gilts and bonds	20%

* i.e. assets within the scope of the deemed disposal provisions.

Policies previously written in Alba

Tax on income

Tax on income is calculated at the full policyholder tax rates on all investment income.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for anticipated tax losses.

Capital Gains Tax (CGT) on other assets:

For ordinary disposals each taxable gain is charged at the rate in force at the time of disposal. Details of tax liabilities in respect of investment income and realised capital gains is incorporated into unit pricing from the investment ledger on a daily basis.

In the case of deemed disposals, taxable gains and reclaimable losses are charged at the rates in force at the end of the years to which each fraction is allocated, and discounted back to the present time at a rate to be set by the Unit Pricing Committee.

Since the Fund is given full allowance for unrealised capital gains accrued to date the unit price should reflect the tax liability that has accrued alongside. Accordingly current liabilities are maintained which reflect the Fund's accrual of unrealised capital gains but discounted to the extent that tax on them can be deferred. Ultimate payment of this tax will depend on the extent to which the stock notionally backing policyholders' current claims can be passed on to incoming policyholders (i.e. the pattern of future policyholder net cash flow) and the degree of active Fund management. To the extent that deferment is anticipated, the Unit Pricing Committee will discount the tax for the period at an appropriate real rate of interest after tax, as set.

While a Fund is valued on a bid basis in response to net outflow of policyholder money, the full rate of tax is applied to unrealised gains.

Where losses, realised or unrealised, are experienced the pace of future growth in market values is also a factor. There is a risk that the Funds will suffer a substantial net outflow, before market values have recovered sufficiently, thereby reducing further the likelihood of the loss being completely absorbed. Tax is applied to each internal linked fund as if it were a separate fund for tax purposes. The current practice is detailed in the following table.

An appropriate allowance is made for indexation in the calculation of gains subject to taxation.

The above can be summarised as shown in the following table:

	Bid Basis		**Offer basis**	
	Gains	***Losses***	***Gains***	***Losses***
Investment income	Provided at full rate - Interest - 20%	N/A	Provided at full rate - Interest - 20%	N/A
Loan relationships	Provided at full rate – 20%	Provided at full rate – 20%	Provided at full rate – 20%	Provided at full rate – 20%
Realised gains and losses	Provided at full rate – 20%	Provided at nil	Provided at full rate – 20%	Provided at nil
Unrealised gains and losses				
Main Life Funds	Provided at 20%	Provided at nil	Provided at discounted rate – 17%	Provided at nil
Personal Bonds	Provided at 20%	Provided at nil	Provided at 20%	Provided at nil
Deemed disposals	Provided at discounted rate – 17%	Credit to the extent that prior deemed gains exist.	Provided at discounted rate – 17%	Credit to the extent that prior deemed gains exist.

Policies previously written in Century

Tax is applied to each internal linked fund as if it were a separate fund for tax purposes. Realised tax is removed from the funds on a quarterly basis and unrealised tax a few days after the year end as part of the deemed disposal process.

In the case of unit trusts, a deemed disposal is carried out at the end of each financial year and the tax deducted from the funds. Where a gain occurs subsequent to previous losses, those losses are used to offset the gain. Where a loss occurs subsequent to previous gains an amount of tax is credited back to the fund.

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or, in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. The unrealised provision was calculated at a rate of 18%. Tax on realised gains was deducted at 20%.

Policies previously written in BULA

Monies are removed from the funds to pay for capital gains tax only when investments are realised, with deemed disposals of unit trusts being treated as realisations.

The rate of tax levied on realised indexed equity/unit trust gains and fixed interest gains was 20% during 2006.

Policies previously written in BRS

No deductions are made for capital gains tax in the Equity Release Plan internal linked funds.

Policies previously written in BA

There are no internal linked funds.

(9) Tax Provisions for Internal Linked Funds

Policies previously written in PLL

For assets of internal linked funds, provision for tax on unrealised capital gains has been implicitly included in the unit liability, the latter being equal to the value of the corresponding linked funds which has been adjusted to allow for future tax on capital gains.

Allowance has been made in the valuation for taxation which whilst currently being shown as tax recoverable by the non-linked funds, will actually be used for the benefit of the unitholders in the linked funds.

Tax rates used in the determination of the provision are described above in 3(8)(b).

Due to a mismatch between the capital gains position of individual life linked funds and the overall position of the company, an additional reserve is normally held. At 31/12/2006 the reserve was zero.

This method applies to all types of units.

Policies previously written in Alba

These are covered in (8) above.

Policies previously written in Century

During the year, realised and unrealised gains and losses are notionally credited in the pricing process. Tax is deducted and credited at the current rate used to calculate the unrealised provision.

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. The unrealised provision was calculated at a rate of 18%. Tax on realised gains was deducted at 20%.

Income, realised gains and unrealised gains in respect of loan relationships were, at the valuation date, taxed at 20% having regard to the pooled market value at the date of the latest mark to market.

Policies previously written in BULA

In determining unit prices, realised and unrealised gains have been allowed for as follows:

> The value of the assets of the linked funds is reduced by any tax due on realised gains (after taking account of unrelieved tax losses). For realised losses, no allowance has been made for any tax credit since July 2001.
>
> For unrealised gains, (net of unrelieved tax losses) a provision for the full tax charge with no discounting has been made. For unrealised losses, no allowance has been made for any tax credit. Capital losses on each fund are treated individually.
>
> Deemed disposals on unit trusts have been treated as realised gains. The tax rate throughout the year has been 20%.

For linked funds other than Property funds, during 2006 the provision was equal to 18% of the unrealised indexed amounts. For Property funds the provision was 20% of the unrealised indexed amounts. The rate of tax levied on unrealised fixed interest gains was 20% of the unrealised indexed amounts.

Policies previously written in BRS

A deferred tax provision is held to cover chargeable capital gains made up to the valuation date. The current tax rate applicable to capital gains is currently 20% and the provision covers 100% of this.

Policies previously written in BA

There are no internal linked funds.

(10) Discounts on Unit Purchases

Unit Trust Life and Unit Trust Pension Policies previously written in PLL

The internal linked funds purchase units in collective investment funds managed by certain companies with no connection with the Company where discounts are received on the Initial Charges. These are detailed below:

Investment Management Company	Initial Charge Discount	Fund buys at:
Framlington	4.0%	-
Henderson	-	Creation price + 0.5%
Barings	4.5%	-
Gartmore	4.5%	-
Invesco	3.0%	-
Perpetual	4.5%	-

Personal Bond Funds, Broker Bond Funds, Executive Pension Plans, Broker Funds and Broker Direct Investment previously written in PLL

Funds buy units in unit trusts and other collective investment schemes managed by Foreign & Colonial Asset Management at the creation price.

All the benefits are passed on to the internal linked fund and therefore reflected in the unit price.

Direct holdings of assets in PLL

The Company holds authorised unit trusts and investments in other collective investment schemes which are direct holdings of assets matching liabilities in respect of property linked benefits.

The Company receives a discount of 5% on the Initial Charge when buying units in respect of unit trusts managed by the JP Morgan Fleming. The benefit of this discount is retained by the Company.

The Company receives a discount of 4.5% on the Initial Charge when buying units in respect of unit trusts managed by Gartmore Fund Managers. The benefit of this discount is retained by the Company.

External Fund links for the Lifestyle Bond previously written in PLL

Certain funds available to the Lifestyle Bond buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such External funds as set out in the following table:

External Fund Link	Rebate p.a.
Framlington Health	0.55%
Framlington Absolute Growth	0.75%
Framlington UK Growth	0.65%
Gartmore American	0.75%
Gartmore Euro Select	0.75%
Gartmore UK & Irish Companies	0.75%
Aberdeen Technology	0.75%
Aberdeen Ethical	0.95%
Newton Life Managed	1.00%
Newton Life Balanced	1.00%
Newton Life Continental	1.00%

The rebates received are reimbursed (net of tax at 20%) by the Company to the internal linked fund.

External Fund links for Pensions Solutions Products previously written in PLL

Certain funds available to Pensions Solutions products buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such funds External funds as set out in the following table:

External Fund Link	Rebate p.a.
Baille Gifford Managed	0.00%
Framlington Health	0.55%
Framlington Absolute Growth	0.75%
Framlington UK Growth	0.65%
Gartmore American	0.75%
Gartmore Euro Select	0.75%
Gartmore UK & Irish Companies	0.75%
Aberdeen Technology	0.75%
Aberdeen Ethical	0.95%
Newton Life Managed	1.00%
Newton Life Balanced	1.00%
Newton Life Continental	1.00%

The rebates received are reimbursed by the Company to the internal linked fund.

Policies previously written in Alba

No units of the type referred to in paragraph 5 of Part 1 of Appendix 3.2 are held.

Policies previously written in Century

The assets of the internal linked funds of the Company include unit trusts and other collective investment schemes e.g. OEICS, ICVCs and UCITS available from a range of fund managers.

In general, discounts are available to the Company on the purchase of units and these are passed on to the policyholder. The majority of the assets in what were formerly Century's unit linked funds are managed by Resolution Asset Management Limited and Invesco Fund Managers Limited. Both fully rebate their initial charge.

Both Resolution Asset Management Limited and Invesco Fund Managers Limited rebate to the Company a part of the annual management charge levied by them with the exception of Invesco assets held by the Perpetual Managed Funds. For the majority of the internal funds, the amount rebated to the Company is credited to the relevant fund, less tax where appropriate. Specifically:

(i) The following linked funds are rebated some or all of the amount received by Century Life in respect of those funds, subject to the deduction of tax in the case of life funds. This applies to:

Certain Ex-NBA Performance Bond fund links to RAM
Ex-NBA Multichoice life funds
Ex-NEL Pensions Multichoice funds
Ex-CCL funds
Ex-Crown funds
Ex-Prosperity funds
Ex-Hiscox funds
Ex-City of Edinburgh funds
Ex-UK Life funds
Ex-OMLA funds

(ii) Certain funds are rebated the whole of the unit trust annual management charge, subject to tax. This applies to:

Ex-NBA Performance Bond fund links to Invesco and certain links to RAM
Ex-NBA Pensions
Ex-NEL Pensions NELEX fund links to Invesco and RAM except Invesco Exempt Trust fund
Ex-NAL Funds

(iii) Certain funds receive no rebate at all. The funds are:

Ex-NEL Pensions NELEX Invesco Exempt Trust fund
Ex-Sentinel funds
Broker funds*

*In respect of unit trust investments held within broker funds neither Resolution nor Invesco rebate their annual management charges to the Company.

Policies previously written in BULA

There are no situations where BULA receives commission, discount or other allowances on units of the type referred to paragraph 5 of Part 1 of Appendix 3.2.

Policies previously written in BRS

There are no units of the type referred to in paragraph 5 pf Part I of Appendix 3.2 in force.

Policies previously written in BA

There are no internal linked funds.

4. VALUATION BASIS

(1) Valuation Methods

Policies previously written in PLL

A gross premium method has been used except for a small number of ex-SLUK non-profit policies which have been valued using the net premium method.

In respect of fixed immediate, reversionary, and index linked annuities the liability has been taken as the present value of all future annuity payments, valued according to the contractual mode of payment, together with the relevant expenses. Allowance has been made where annuity payments are guaranteed for a minimum number of years.

For guaranteed rate individual PHI policies the gross premium method was used in the valuation. Gross premiums were reduced by the greater of the amount of renewal commission and 2.5%. In addition there is an annual per policy loading for all contracts. Any waiver of premium benefits are brought into the calculation of the reserves as an addition to the sum assured. The reserves thus calculated were then increased to provide, inter alia, for:

(i) extra premium payable on account of health or occupation. Policies carrying an extra premium have an additional reserve of 8.25 years' extra premium (PAL only);

(ii) an additional reserve making full provision for claims in payment on the valuation date; and

(iii) the inclusion of additional reserves for claims incurred but not yet reported and claims notified but not yet accepted.

For group risk contracts the reserve is made up as follows:

(i) a reserve in respect of the risk exposure relating to the period from the valuation date to the next premium due date,
(ii) 10% of premiums in force on the valuation date,
(iii) the discounted value of PHI claims in course of payment, and
(iv) a reserve in respect of claims which have not yet been reported, whether as a result of the deferred period (for PHI claims) or for other reasons.

The liability in respect of Progressive Protection contracts is taken as one year's office premium in respect of life cover, and one and a half years premium in respect of critical illness cover.

The liability for Flexible Mortgage Protection contracts is taken as three and a half years' office premium in respect of life cover, and four years premium in respect of critical illness cover.

In respect of policies issued on sub-standard lives, where an extra premium was imposed, a reserve of not less than 100% of one year's extra premium was established.

<u>Deposit administration contracts (PAL)</u>

The liability for Pension Plans was calculated as:

(i) the total Pension Accounts; plus
(ii) an allowance for any death in service benefits provided under the Executive Pension Plan; plus
(iii) an allowance to provide for investment guarantees; plus
(iv) an annual per policy expense.

<u>Deposit administration contracts (SLUK)</u>

For Deposit Administration contracts and Deferred Annuities by Cash Accumulation, the reserve is the discounted value of expected future transfers from the accounts, including bonuses at the current rate. The discounted value of the payments due on surrender of the contract has been used where this produces a higher reserve.

<u>Linked Contracts</u>

In respect of all other unit linked contracts the liability is determined on the following basis:

> Unit liability - for all contracts, the unit liabilities were taken as the number of units deemed allocated in accordance with the funding plan where applicable and allowing for future cancellation of cancellable units multiplied by the unit price in the relevant fund or unit trust/OEIC at the valuation date. For this purpose unit prices in the internal linked funds have been calculated using the bid value at the valuation date of the assets of the relevant fund.
>
> Non-unit liability - for all contracts, except those listed below, the liability is calculated using cash flow projection methods. Allowance is made within the cash flow projection for mortality and expenses.

The total liability is the sum of the unit and non-unit liabilities.

For Protection Plan, a proportion of each premium, less a charge for life cover, is invested in units and placed in the "Reserve Account". On each policy anniversary the value of the units in the "Reserve Account" is compared with a guaranteed value (calculated using a net premium formula with interest at 2.5% and mortality assuming A49/52) and the number of units is reduced so that the value of units in the "Reserve Account" is equal to the guaranteed value. The balance of units (if any) is transferred to the "Bonus Account".

The claim value is the sum assured plus the value of units in the "Bonus Account" and the surrender value, after two year's premiums have been paid, is the guaranteed value at each policy anniversary plus the value of units in the "Bonus Account".

The total liability is the sum of the unit and non-unit liabilities (including the value of units in the "Bonus Account"), subject to a minimum of the surrender value.

The approach adopted to calculate the non-unit liability for policies not valued using a discounted cash flow basis is set out below.

Isle of Man Substitute Plans (Series I and II)	5% of annual premium
Group Pension Scheme	1% of unit liability plus one month's premiu
International Mortgage Plan	5% of annual premium
Flexibonds	5% of unit liability
Isle of Man Substitute Plans (Series III)	5% of unit liability
Universal Protection Plan	3 months servicing expense charges
Vested Pensions Policy	Value of future expenses
Annuity in Payment	Value of future expenses

For Partners Pension Plan, Pension Fund Investment Policy, Pension Fund Trustee Investment Policy, Private Companies Pension Fund Investment Policy, Retirement Annuity Policy, Group Schemes, Shield, Lloyds Bank, Individual Bonds (inc. CTT Plan), no cash flow projections were made. This is because such ongoing expenses are currently less than the ongoing monthly management charge on the units and anticipated to be so in the future.

The liability in respect of benefits on contracts reassured from Phoenix and London Assurance Limited (PALAL) on a risk premium basis is taken as three months' risk premiums in respect of these benefits, as charged to policyholders by PALAL. (PALAL pays Phoenix Life Limited 87.5% of these risk premiums in respect of life cover reassurances, and 91% of these risk premiums in respect of reassurances of the Living Benefit and Medical Expenses Benefit on Universal Protection Plan).

For products where the valuation method does not allow for future lapses as outlined in paragraph 4(9), negative reserves have been eliminated.

PAL Reassured Contracts

Business is written under reassurance treaties with companies overseas under which the Company receives a share of the whole business. The liabilities have been calculated on the valuation basis adopted by each ceding company. The liabilities are the amounts which have been deposited with each ceding company as security for the Company's obligation; each reassurance treaty contains a clause that the mathematical reserve must be deposited with the ceding company.

Policies previously written in Alba

(1) The mathematical reserve for all unitised contracts linked to units in the unit linked fund has been calculated as the sum of (i) and (ii) below:

(i) The face value of units, which is the number of units including attaching bonus units allocated up to the valuation date.

(ii) A sterling reserve calculated by discounting projected future cashflows and allowing for future expenses. For regular premium paying policies, the reserves are based on the higher of:

(a) the reserve calculated assuming that regular premiums continue to be paid at the current level and

(b) the reserve calculated assuming that premiums cease and the policy becomes paid up at the valuation date.

Exceptions

(a) No negative reserves have been included and no contract of insurance has been treated as an asset.

(b) For property linked business an amount equal to the provision in the pricing of the internal linked funds at the valuation date has been reserved for the prospective liability to tax on unrealised capital gains.

(c) No specific reserve has been made for investment performance guarantees for property linked contracts.

For the Capital Investment Bond and Mortgage Minder arising from BLA, no specific reserve has been considered necessary for the Cash Fund guarantee because the backing assets are deposits or short term securities.

Policies Arising From BLAS

Mortality reserves in respect of guaranteed and other death benefits were set up as follows:

Pre 1982 series. Assuming a 25% fall in unit values, very few contracts would have a sum assured at risk. A nominal reserve is held.

Post 1981 series and pension business. With the exception specified below, the reserve is twice the monthly risk charge for the relevant benefits, adjusted for extra premiums.

The reserve set up for waiver of premium benefits under the Personal Pension Plan is the accumulation of premiums paid subject to a maximum of three years' premium, adjusted for extra premiums.

For permanent health insurance benefits the reserve set up is the accumulation of premiums paid subject to a maximum of three months' premiums, adjusted for extra premiums.

(f) Other specific reserves have been set up for the following contracts:

(i) On Growth Property Bonds Series 1 and 2, Capital Investment Bonds and single premium pension plans, the unit liability was the value of units allocated plus loyalty bonus units accrued to the valuation date.

(ii) For Mortgage Minder and regular premium unit linked pension policies the unit reserve was equal to the value of the units allocated to date. A mortality reserve was held equal to one third of the current month's mortality charge.

(iii) Genesis pension contracts have been valued by a cash flow method for linked benefits.

(iv) LASPEN Managed Fund

The valuation net liability comprises the unit liabilities at the valuation date and the amount of premiums received by the valuation date to be allocated to the purchase of units at the next allocation date.

(v) Post 1 January 1995 Contracts

A reserve for future mortality and expenses was generated by calculating a present value of future charges, expenses and costs of risk benefits. The charges assumed are those actually deducted from the contract and the bases for expenses and mortality are as shown at the start of this section.

(vi) Segregated Pension Funds

Certain Segregated Pension funds have outstanding loans matched against property assets. No additional reserve was required regarding the recovery of these loans.

Policies previously written in Century

The total liability, net of reassurance, for all classes of business where a prospective method of valuation has not been used is not significant in comparison with the total mathematical reserves for the Company.

The valuation methods used in the valuation of the significant groups of business were as follows

Non Linked Whole Life and Endowment Assurance

For all non-linked whole life and endowment assurance contracts, the reserve was calculated using a gross premium method of valuation.

Policies have been issued subject to a lien and under certain Endowment Assurance policies the sum payable on death may be less than the sum payable at maturity. In the valuation an amount equal to the sum payable on maturity has been assumed to be the sum payable at death.

The reserves calculated were tested against the guaranteed surrender value and if the latter was the greater then this amount was held as the valuation reserve. Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

Policies which have been granted guaranteed bonus additions have been valued as non-profit policies with a sum assured increasing at the guaranteed rate. Additional reserves have been included for the guaranteed terminal bonus on ex-Hiscox ex-with profit policies.

For waiver of premium benefits the liability has been taken as 75% of the accumulated annualised premium plus a reserve for claims in payment at the valuation date.

Guaranteed Security Bonds were valued using a cashflow method.

Term Assurances

For all term assurance contracts a gross premium method of valuation was used.

For Ex-Prosperity Decreasing Term Assurances and Pension Term Assurances costed by recurrent single premiums, 100% of either the annual or single premium was reserved, as appropriate.

A distinction has been made for policyholders of certain ex-NEL Term Assurances and reducing Term Assurances between those who do and those who do not smoke.

For ex-CCL Convertible Term Assurances an additional reserve of 10% of premiums paid for policies issued up to 1979 and 15% of premiums paid for policies issued after 1979 was held. For all other Convertible Term Assurances an additional reserve of 10% of all premiums paid accumulated with compound interest at the valuation rate has been made.

For ex-FMI contingent assurances a reserve equal to the single premium was made.

A 13% Mortgage Repayment Table was assumed to apply to all ex-NEL and ex-Sentinel Mortgage Protection policies. A 6.75% Mortgage Repayment Table was assumed to apply to all ex-Consumers Mortgage Protection policies. A 12% Mortgage Repayment Table was assumed to apply to all policies originally issued by CCL and a 15% table to all policies originally issued by Shield. For ex-NAL Mortgage Protection Plans a mortgage rate of 8% was assumed in determining future sums assured

For policies where the extended term non-forfeiture provision was in operation on the valuation date, a reserve was held to cover the liability during the remaining period of non-forfeiture and, for endowment assurances, any maturity payment at the end of the period.

For accidental death benefits, the reserve held was an amount equal to the unexpired portion of the premium plus two months' premiums plus a reserve for claims in payment on the valuation date. For ex-Prosperity Accident Income Plans the reserves were calculated as one half of the annual premiums in force. An additional reserve was held for claims in payment.

For lives accepted at non-standard rates, the additional reserve held was an amount equal to 150% of the annual office extra premium.

In the case of reassurances accepted or ceded by the Company on a risk premium basis, a reserve equal to 50% of the current premium has been set up where premiums are paid annually, and equal to one month's premium where premiums are paid monthly.

No credit has been taken for risk premium reinsurance ceded on ex-CFS policies as this is costed on a quarterly census method.

Ex-Prosperity Group life assurances were valued by reserving either 60.0% of the annual premium or the unearned proportion of the single premium, as appropriate. The liability in respect of other Group Life schemes has been calculated as (12-n)/12 multiplied by one year's office premium, where n is equivalent to the number of complete months of cover since the last renewal date. In the case of schemes paying premiums on a monthly basis one month's premium has been reserved.

For annual premium Group Death in Service contracts providing Spouses Pensions benefits, the wives have been assumed to be 3 years younger than their husband. For ex-Crown policies, a reserve has been made for Group Death in Service Benefits by recurrent single premium of a proportion of the office premium corresponding to the unexpired period of risk calculated to the higher month.

The liability for Payment Protection Benefits on ex-NAL Pensions Life Assurance Plans was taken as one annual premium. The liability for Payment Protection claims in payment was taken as five times the annual premium for the main contract.

A reserve has been held for death claims which have not been reported equal to two months expected death cost net of reassurance. A similar reserve has been held for critical illness claims equal to three months expected claim cost net of reassurance.

For Creditor schemes, the liability was taken as the total amount of unearned premiums (net of commission) as at the valuation date assuming that all risks commenced at the end of the premium payment month. The single premiums are taken to be earned in proportion to the cost of risk assuming that loan repayments are uniform over the term of each loan and that the claims rate remains constant. The valuation methods make implicit allowance for claims incurred but not reported as at the valuation date. The liabilities were increased by the amount of any experience profit share accrued to the valuation date.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

Non Linked Deferred Annuities

For all policies, the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

For all deferred annuity contracts the reserve was calculated using a gross premium method of valuation.

Personal Retirement Plans were valued using a cashflow method.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

Ex-NELPEN Self Employed Pension Plans, Personal Pension Policies, EPPs, AVCs, Transfer Plan and Group Pension Schemes (including Pensions Management Contracts)

Under "Guaranteed Growth" contracts, for the "Second Account" or "Main Account" the full accumulated balance is taken and for "First Account" or "Initial Account" the accumulated balance is discounted with mortality and interest. On all "Guaranteed Growth" contracts the accumulated balance at the valuation date is increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary.

For Guaranteed Growth Plans, the valuation method was to take the accumulated balance of the "Second Account/Main Account" plus the discounted balance of the "First Account/Initial Account" plus a reserve for future expenses and mortality. The basic reserves allow for the guaranteed unit growth rates.

Immediate Annuities

The reserve held in respect of annuities in payment was the present value of future benefits together with an additional reserve of the present value of future expenses.

Non Linked Permanent Health Insurance

The reserves non group PHI business are calculated as the sum of:

(i) 1 x premium for future risk including IBNR;
(ii) Reserve for all future expenses assuming no contribution from the premium; and
(iii) a reserve for claims in payment based on annuity factors with a maximum of 7 or actual factors from reinsurers (where available). No expenses are included in this reserve.

The first and last of these are calculated on a gross and net basis with the difference used to calculate the reinsurance offset. There is no reinsurance offset for the expense component.

The reserves for Group PHI business are calculated as the sum of Unearned Premium and Incurred but not Reported Reserves and a reserve for claims in payment based on annuity factors with a maximum of 7 or actual factors from reinsurers (where available). No expenses are included in this reserve.

These are calculated on a gross and reinsured basis in order to determine the net liability.

For Ex-NAL Critical Illness Plans and Tailored Mortgage Protection contracts including an element of critical illness cover it was assumed that the current premiums would remain unaltered for the full contract terms, even though it is likely that these will increase.

Deposit Administration Contracts

The base reserve for ex-Crown contracts has been taken as the aggregate of the surrender value for each scheme at the valuation date including an allowance for interest from the previous scheme anniversary date to the valuation date. The interest rate used varied by month of scheme renewal and was derived from the average rate of interest earned in the period to the valuation date, including an additional amount to allow for enhancements allowed for certain schemes.

For the guaranteed minimum rate of interest on ex-Crown Deposit Administration business the expected cost of the guarantee for the remaining term of the policy was calculated assuming that interest rates fell by 20% at the valuation date.

For ex-OMLA Personal Pension Plans, Capital Pension Plans and Executive Pension plans, the main fund was taken as the full accumulated balance and for the Initial Premium fund the accumulated balance was discounted with mortality and interest. For all contracts the accumulated balance at the valuation date was increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary. An additional sterling reserve was calculated using a cashflow method. The basic reserves allow for the guaranteed unit growth rates.

Linked Business

All unit-linked business with the exception of ex-Crown group business was valued on a sterling reserve basis. Ex-Crown group policies were allocated expenses equal to their margins.

Unit liabilities were calculated as the value of capital and accumulation units discounted, where applicable, using the following funding rates

Portfolio	Capital Units	Accumulation Units
Ex- Sentinel	6.0%	-
Ex-Crown	4.35%	-
Ex-NELPEN	5%/6%	-
Ex-OMLA	3.5%/4.5%/4.75%/5.25%	0.75%/1.0%

For ex-NELPEN and ex-OMLA the rate used varies according to contract type. In addition, for ex-NBA life and pension policies and certain other ex-OMLA policies, surrender penalties are deducted from the unit values to calculate the unit reserve held.

The value of the units is based on bid prices at 31 December calculated in accordance with the asset valuation regulations. Where appropriate, provisions have been made within each of the funds to meet any potential liability to tax on unrealised capital gains including outstanding amounts payable in respect of unit trust deemed disposals.

In respect of all life business internal linked and broker funds the valuation bid price of units makes an allowance for a potential tax liability on unrealised gains after credit for any unrealised or realised losses.

Also in respect of all linked life internal and broker funds and direct held authorised unit trusts, an accounting provision has been made including the sum over all funds of the net provision for Capital Gains Tax where this amount is positive, provision for the potential credit to be given for realised losses, and outstanding amounts payable in respect of deemed disposals.

A sterling reserve for mortality and expenses is calculated on a cash flow basis. For linked contracts, the reasonable expectations of policyholders are taken into account in establishing the sterling reserves. No allowance for increasing the annual management charge or other charges is made, other than inflationary increases in plan fees, even though in some circumstances the Company has the right to increase such charges.

The mortality charges used are an assumed rate based on the average mortality charges for the linked contracts. The morbidity rates are those used in practice.

For Ex-NAL Pension Policies, there is an option to increase the policy fees on these policies each year in line with NAE. Current practice is to increase the fees each year by 75% of the increase in NAE and the valuation assumption is in line with this practice.

Any negative unit reserves and any negative sterling reserves were individually eliminated by increasing the respective reserve to zero except as described below. Where there are unit-linked benefits in addition to conventional benefits, any negative values on the conventional part of the policy were eliminated without regard to any positive value on the unit-linked part.

An additional reserve has been established in respect of amounts yet to be allocated to units. Reserves in respect of the uninvested balance have been established equal to the full amount of the uninvested balance in respect of the AVSP (Whole Life), Pan Plan (Whole life), PIP (Whole Life) and WISP (Series 1 and Series 2) contracts. For WISP Series 3 the reserve is that for an endowment assurance (sum assured equal to the uninvested balance) maturing at age 60 and under which no further premiums are payable.

For WISP policies there is a further reserve of 0.2% of the guaranteed sum assured in respect of the Waiver of Premium benefit. For Super WISP 25 policies there is a further reserve of 2% of one annualised office premium in respect of the Waiver of Premium benefit.

For A-plan policies additional reserves were held as follows:

(i) A reserve in respect of the maturity guarantee.

(ii) An amount equal to 2% of the office annual premium for the Waiver of Premium Benefit.

(iii) An amount equal to 0.1% of the sum at risk in respect of the Accidental Death Benefit cover.

(iv) An amount equal to 3% of the sum assured discounted to the maturity date at 4.5% in respect of the guaranteed insurability option.

For Unit Trust Whole Life and Endowment policies the valuation liability was taken as the market value of attaching units together with the value of the endowment or whole life benefit valued in accordance with the general principles detailed for non-linked policies in this section.

For policies linked to unit trusts which were ex-dividend at the valuation date an adjustment to the mathematical reserves was made, being the respective anticipated total net distribution receivable by the policyholders.

For the Pension Investment Plan and ex-NELPEN Pensions Management contracts a reserve of 2% of the unit liability was made to provide for future expenses.

For policyholders deemed invested in the Income Fund who have elected to receive distributed income in the form of cash rather than units, an additional reserve has been set up being the cash accrued and awaiting distribution. Where a Plan comprises a cluster of policies taken out simultaneously the per plan expenses are divided equally between each policy.

For ex-NBA Life policies, where an extra premium has been charged for the provision of premium waiver during incapacity a reserve of 75% of the total annualised extra premiums paid has been set up.

For ex-NBA Pension policies, where the policy carries a provision for waiver of premium, dependent on the deferred period (either 13 weeks or 26 weeks), the mathematical reserve was taken as being equivalent to either four months or seven months current cost charge based on the age nearest birthday at the valuation date, allowing for extra morbidity if applicable.

The liability for Payment Protection Benefits on ex-NAL Pension Plans was taken as one annual premium. The liability for Payment Protection claims in payment was taken as five times the annual premium for the main contract.

For ex-Crown Pensions 2000 Phase 2 final salary arrangements the discount period for initial units is the outstanding period to 20 years for each block of Initial Units and the discount is based on interest only. For money purchase arrangements the discount period for Initial Units is the outstanding term to the Normal Retirement Date or, in the case of AVCs, the Normal Retirement Date less 5 years.

For ex-Crown Retirement Savings Plan & Contracted Out Money Purchase policies the discount period for Initial Units is the outstanding term to the Normal Retirement Date and for Accumulation Units is the outstanding term to 11 years from the commencement date of the individual account.

A reserve has been held for claims which have not been reported equal to two months expected mortality cost for death claims, three months expected critical illness cost for critical illness claims and seven months PHI cost, all net of reassurance.

Policies have been issued subject to a lien, but no modification has been made to the valuation method.

A policy review reserve has been established in the With Profit Fund to cover any data or other issues arising from policy reviews.

In the Non Profit Fund additional reserves have been established in Form 53 in respect of ex-OMLA, ex-CCL and ex-Prosperity personal pension policies for the expected liability in respect of policies which were "mis-sold".

Policies previously written in BULA

For non-linked non profit insurance, the gross premium method of valuation has been adopted. For products where the valuation method does not allow for future lapses as outlined in paragraph 4(9), negative reserves have been eliminated.

The mathematical reserve for linked contracts is the value of the units allocated together with reserves in respect of expenses and any additional life cover.

The unit liability is the number of units allocated up to the valuation date, multiplied by the valuation unit price without any discounting. The valuation unit prices are determined from the value of each internal linked fund, calculated in accordance with the note to Form 44, without any adjustments for dealing costs or tax on unrealised capital gains or losses, by dividing by the number of units in issue.

The expense reserves are determined by use of projected cashflows and were set such that no policy would produce a future valuation strain.

For regular premium paying business formerly in the BULA Unit Linked Fund, the aggregate expense reserves were based on 50% of the higher of the reserve calculated assuming that regular premiums continued to be paid at the current level and the reserve calculated assuming that regular premiums increased automatically in line with the policy conditions and 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

In respect of contracts which consist of two or more separate types of insurance, each type has for valuation purposes been treated separately. In certain cases where two or more contracts have been issued contemporaneously in respect of the same lives, whether in connection with assurances or annuities, such contracts have been treated as a single contract.

Whole life assurances involving more than one life with sums assured payable on the first death have been valued using independent mortality rates. Joint whole life assurances with sums assured payable on the second death have been valued so as to have regard to the likelihood, on the valuation basis, that one or other life has died, or that neither life has died.

An additional reserve has been made of 50 per cent of the amount of all yearly extra premiums payable. This is included in the reserves shown on Forms 50 to 54.

For the following categories of non-linked contracts the net liability has been determined in the manner indicated.

> Group Life Assurances & Group Permanent Health
> The liability has been taken as the amount of unearned premiums plus a reserve for unpaid amounts relating to profit sharing arrangements, plus a reserve for claims which were incurred but not reported by the valuation date plus a claims in payment reserve.
>
> Where premiums are payable monthly the unearned premium has been taken as one month’s premium. For single premiums the unearned premium has been taken as the same proportion of the premium (after allowance for expenses, incurred immediately on payment of the premium) as the unexpired term bears to the original term of the assurance.

The incurred but not reported reserve was calculated as an estimated one and a half month's claims costs.

The reserve for claims in payment paid as an income stream is set up using a chain ladder approach to estimate the ultimate cost of claims from the pattern of past experience.

The reserve for unpaid amounts relating to profit sharing arrangements was calculated as the profit share proportion of the underwriting profit on each contract less any payments already made under the arrangement. The underwriting profit is calculated as premiums earned less claims incurred, this includes the deduction of the company's fee from premiums earned and estimates of outstanding and incurred but not reported claims.

Policies previously written in BRS

A prospective method of valuation has been used for all mathematical reserves other than for those special reserves described below.

The significant classes of business are pension annuities in payment shown in forms 51 and 54. These liabilities are calculated as the present value of the future annuity payments plus the present value of future expenses. Both the value of expenses and index linked annuity payments allow for increases in the level of RPI in the future.

Policies previously written in BA

A prospective valuation method is used to value all policies.

Traditional life contracts are valued using a net premium valuation method, the reserve generally being subject to a minimum of one year's office premium. The net premium is restricted to 90% of the office premium and an explicit expense reserve established where the value of the margin between the net premium and the office premium is insufficient to cover future expected expenses.

Policies issued subject to an extra premium have been valued at true ages and an additional reserve of one year's extra premium has been established.

For certain decreasing term assurance with critical illness business which is reinsured, the mathematical reserves net of reinsurance allow for the level and incidence of reinsurance premium payments.

The mathematical reserves for annuities in payment are calculated as the present value of the future annuity payments plus the present value of future expenses. The value of expenses allow for increases in the level of RPI in the future.

(2) Valuation Interest Rates

Policies previously written in PLL but not in PAL or SLUK

The interest rates used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Linked Life (unrestricted)	3.85%	3.15%
Linked Life (restricted)	3.10%	2.84%
Seniorplan	3.10%	2.84%
Non-linked Whole Life	3.10%	2.84%
Non-linked Life Term Assurance	3.10%	2.84%
Life Annuities in Payment	4.35%	3.95%
Linked Pensions	4.35%	3.95%
Pension Annuities in Payment	4.35%	3.95%
Annuities in Deferment	3.85%	3.55%
Pension Term Assurance	3.85%	3.55%

Policies previously written in PAL

The interest rates used for business that was previously written in PAL were as follows:

Product Group	Current Valuation	Previous Valuation
Term Assurances	3.10%	2.90%
Other Assurances	3.10%	2.90%
Life Annuities In Payment Non Index Linked	3.85%	4.00%
Permanent Health Insurance – Claims In Payment	4.35%	4.00%
Permanent Health Insurance – Other than Claims In Payment	3.85%	3.60%
Pension Term Assurances	3.85%	3.60%
Pension Annuities In Payment Non Index Linked	4.35%	4.00%
Pension Annuities In Payment Index Linked	1.40%	1.20%
Pension Deferred Annuities	3.85%	3.70%

Policies previously written in SLUK

The interest rates used for business that was originally written in Swiss Life (UK) Plc were as follows:

Product Group	Interest rate at the end of the financial year in question	Interest rate at the end of the previous financial year
Assurances (Life)	3.10%	3.00%
Assurances (Pensions)	3.90%	3.80%
Critical Illness	3.08%	3.00%
Pension Annuities In Payment	4.35%	4.22%
Index-linked Annuities in Payment	1.32%	1.01%
Index-linked Assurances (Life)	1.04%	0.80%
Life Deferred Annuities	3.47%	3.60%
Pension Deferred Annuities	3.85%	4.00%
PHI	3.85%	3.80%
PHI Claims in Payment	4.35%	4.22%

Policies previously written in Alba

The interest rates used for business that was previously written in Alba were as follows:

Product Group	Current Valuation	Previous Valuation
Life	3.10%	4.00%
Pensions	3.90%	4.00%

Policies previously written in Century

The interest rates used in the valuation of the significant groups of business were as follows

Product Group	Current Valuation	Previous Valuation
Non Linked Whole Life and Endowment Assurance	3.10%	2.80%
Term Assurance		
Life	3.10%	2.80%
Pension	3.85%	3.50%
Non Linked Deferred Annuity		
Ex With Profit Fund	3.85%/4.75%	3.50%/4.10%
Ex Non Profit Fund	4.50%/4.50%	4.20%/4.20%
Ex-NELPEN policies		
First Series	3.00%	2.50%
2nd and 3rd Series		5.00%
Immediate annuities		
Ex With Profit Fund	4.75%	4.10%
Ex Non Profit Fund	4.50%	4.20%
Non Linked PHI	3.85%	3.50%
Deposit Administration	3.85%	3.50%
Linked business Sterling Reserves		
Life	3.10%	2.80%
Pension	3.80%	3.50%

Policies previously written in BULA

The interest rates used in the valuation of the significant groups of business were as follows

Product Group	Current Valuation	Previous Valuation
1 - Business formerly in the Unit Linked Fund		
Life business	3.00%	2.50%
Pension business	3.80%	3.25%
3 - Business formerly in the Non Profit Fund		
Life Business		
Guaranteed Bonus Bonds	3.10%	3.00%
Life Non Profit	3.10%	2.75%
Annuities in Payment	3.35%	3.00%
Deferred Annuities	3.10%	2.75%
Pension Business		
Pensions Term	3.85%	3.50%
Pensions in Payment	4.20%	3.75%
Pensions in Payment (I/L)	1.30%	1.00%
Deferred Pensions	3.85%	3.50%

Policies previously written in BRS

The valuation interest rates for the significant classes are business are:

Product Group	Current Valuation	Previous Valuation
Non-linked annuity non profit (CPA)	4.770%	4.239%
Non-linked annuity non profit (CPA impaired lives)	4.770%	4.239%
Index linked annuity	1.617%	1.416%

Policies previously written in BA

Product Group	Current Valuation	Previous Valuation
BLAGAB		
Decreasing term assurances with critical illness cover	3.00%	3.00%
Pensions Business		
Pension annuities in payment	4.26%	3.90%

(3) Risk Adjustments

The yields on approved securities were not reduced. The yields on non-approved assets were reduced in accordance with INSPRU 3.1.41(R) by making a deduction from the yield dependent on the credit rating of the security per the table below:

	Policies previously written in BULA, Century and BRS	Policies previously written in BA	Policies previously written in Alba	Other policies
Rating	Deduction (d)	Deduction (d)	Deduction (d)	Deduction (d)
Sovereign	0.00%	0.00%	0.00%	0.00%
Aaa	0.08%	0.08%	0.08%	0.08%
Aa	0.12%	0.12%	0.12%	0.12%
A	0.24%	0.24%	0.24%	0.24%
BBB	0.66%	0.66%	0.66%	0.65%
BB	2.54%	2.54%	2.54%	2.53%
B	7.22%	7.22%	7.22%	7.22%
CCC	No value	No value	No value	No value
NR & NA *	1.00%	0.66%	7.22%	

* non-rated and un-rated fixed interest securities

i.e. amended yield is y – d where y is the unadjusted yield

(4) Mortality Basis

Policies previously written in PLL but not previously written in PAL or SLUK

The mortality tables used for each product group are shown in the following table:

Category of Business	Current Valuation	Previous Valuation
Linked Life - aggregate	95.8% AM92 / 110.1% AF92	95.8% AM92 / 110.1% AF92
Linked Life – non-smoker	75.4% AM92 / 86.3% AF92	75.4% AM92 / 86.3% AF92
Linked Life – smoker	154.2% AM92 / 187.9% AF92	154.2% AM92 / 187.9% AF92
Seniorplan	140% AM80 / 140% AF80	140% AM80 / 140% AF80
Non linked Whole Life	77% AM92 / 80% AF92	77% AM92 / 80% AF92
Non linked TA - aggregate	68.3% TM92 / 89% TF92	89.3% TM92 / 89% TF92
Non linked TA non-smoker	63.0% TM92 / 74% TF92	78.8% TM92 / 74% TF92
Non linked TA smoker	126% TM92 / 142% TF92	142% TM92 / 142% TF92
Life Annuities in Payment	Modified IM80 c=2010 Modified IF80 c=2010	Modified IM80 c=2010 Modified IF80 c=2010
Pension Annuities in Payment	Modified PMA92 c=2020 Modified PFA92 c=2020	Modified PMA92 c=2020 Modified PFA92 c=2020
Linked Pensions	53.4% AM92 / 60.1% AF92	54.3% AM92 / 61.0% AF92
Annuities in Deferment	53.4% AM92 / 60.1% AF92	54.3% AM92 / 61.0% AF92
Pension TA - aggregate	68.3% TM92 / 89% TF92	89.3% TM92 / 89% TF92
Pension TA - non-smoker	63.0% TM92 / 74% TF92	78.8% TM92 / 74% TF92
Pension TA - smoker	126% TM92 / 142% TF92	142% TM92 / 142% TF92

Allowance for Disease

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company

Life Annuities in payment basis

The mortality basis for the current (previous) year is:

Males 82.5% (83.3%) IM80 c=2010 improving at 1.50% (1.50%) p.a.
Females 83.0% (83.3%) IM80 c=2010 improving at 1.25% (1.25%) p.a.

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	21.23	24.18	21.11	24.10
75	13.25	15.24	13.16	15.17

Pension Annuity basis at 31.12.2006

At the end of the financial year in question, the basis for pension annuities in payment was:

Base table: PMA92 (c=2020) for males, 120% of PFA92 (c=2020) for females, with the following percentages (for sample ages).

		Male	Female
up to age	55	499.36%	460.18%
at age	60	268.64%	238.73%
at age	65	135.27%	127.82%
at age	70	92.45%	98.91%
at age	75	80.55%	93.55%
at age	80	77.64%	93.45%
at age	85	77.36%	94.09%
at age	90	78.09%	95.09%
at age	95	78.45%	95.09%
at age	100	78.45%	95.09%
at age	105	78.45%	95.09%

Mortality improvement rates for both pensions annuities in payment and post-vesting (including GAOs) are as follows:

Males	2007	2017	2027	2037	2047	2057
40	1.50%					
50	1.95%	1.50%				
60	3.23%	1.95%	1.50%			
70	3.82%	2.96%	1.95%	1.50%		
80	2.55%	2.66%	2.65%	1.95%	1.50%	
90	1.36%	1.55%	1.82%	1.93%	1.91%	1.50%
100	1.05%	0.82%	0.94%	1.09%	1.32%	1.50%

Females	2007	2017	2027	2037	2047	2057
40	1.30%					
50	1.71%	1.30%				
60	2.58%	1.71%	1.30%			
70	3.10%	2.36%	1.71%	1.30%		
80	1.78%	2.16%	2.10%	1.71%	1.30%	
90	0.84%	1.09%	1.46%	1.56%	1.66%	1.30%
100	0.75%	0.77%	0.81%	0.87%	1.07%	1.30%

Improvement rates for a cohort are read down the diagonal i.e. a 60 year old male will experience an improvement rate of 3.23% in 2007 and 2.96% in 2017, when he would be 70.

Pensions deferred annuities - basis at 31.12.2005

At the end of the financial year in question, the basis for deferred annuities when in payment was:

Base table: PMA92 (c=2020) for males, PFA92 (c=2020) for females, with the following percentages (for sample ages).

		Male	Female
Up to age	55	523.14%	482.10%
At age	60	281.43%	250.10%
At age	65	141.71%	133.90%
At age	70	96.86%	103.62%
At age	75	84.38%	98.00%
At age	80	81.33%	97.90%
At age	85	81.05%	98.57%
At age	90	81.81%	99.62%
At age	95	82.19%	99.62%
At age	100	82.19%	99.62%
At age	105	82.19%	99.62%

The improvement rates are the same as those for pension annuities in payment.

For pension annuities in payment, the expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Year		**Previous Year**	
Age	Males	Females	Males	Females
65	24.00	25.16	23.97	25.48
75	14.53	15.68	14.62	15.87

For pension deferred annuities, the expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are:

	Current Year		**Previous Year**	
Age	Males	Females	Males	Females
45	27.36	27.79	27.46	28.14
55	25.63	26.34	25.68	26.68

Policies previously written in PAL

The mortality tables used for each product group are shown in the following table:

Category of Business	Current Valuation	Previous Valuation
Term Assurances	Aggregate 89.3%TM92/ 89%TF92 Non-Smoker 63%TM92/ 74% TF92 Smoker 126% TM92/142% TF92	Aggregate 89.3%TM92 / 89%TF92 Non-Smoker 78.8%TM92/ 74%TF92 Smoker 142% TM92/ 142% TF92
Whole Life & Endowment	82% AM92/ 107.1% AF92	82% AM80/ 106% AF80
Pensions pre-vesting	53.4% AM92/ 60.1% AF92	54.3% AM92/ 61.0% AF92
Pensions post vesting (including GAOs)	Modified PMA92 (c=2020)/ Modified PFA92 (c=2020)	Modified PMA92 (c=2020)/ Modified PFA92 (c=2020)
Pension Annuities currently in payment	Modified PMA92 (c=2020)/ Modified PFA92 (c=2020)	Modified PMA92 (c=2020)/Modified PFA92 (c=2020)
Life Annuities currently in payment	Modified IM80 (c=2020)/ Modified IF80 (c=2020)	Modified IM80 (c=2020)/ Modified IF80 (c=2020)
Life Annuities in deferment	53.4% AM92 / 60.1% AF92 (deferment)	54.3% AM80 / 61.0% AF80 (deferment)
Permanent Health Insurance	81.0% TM92/ 80.7% TF92	81.0% TM92/ 80.7% TF92
Linked Life (aggregate)	95.8% AM92/ 110.1% AF92	95.8% AM92/ 110.1% AF92

Pension Annuity basis

The bases for annuities in payment and for deferred annuities are as for PLL business not previously written in PAL or SLUK.

Life Annuity basis

For life annuities in payment, the mortality basis for the current (previous) year is:

Males 81.9% (83.5%) IM80 c=2010 improving at 1.75% (1.75%) p.a.
Females 82.5% (83.7%) IM80 c=2010 improving at 1.50% (1.50%) p.a.

For life annuities in payment, the expectation of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	21.72	24.69	21.52	24.55
75	13.52	15.52	13.36	15.41

For deferred life annuities, the expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
45	26.04	28.76	25.80	28.59
55	23.78	26.67	23.57	26.49

Policies previously written in SLUK

The mortality tables used for each product group are shown in the following table:

Description	Mortality at 31/12/2006		Mortality at 31/12/2005	
	Male	Female	Male	Female
Group Spouses Annuities	N/A	95.5% WA92U	N/A	WA92Umc
Life Annuities in payment	95.5% IMA92U	95.5% IFA92U	IMA92Umc	IFA92Umc
Pension Annuities in payment	95.5% PMA92U	95.5% PFA92U	PMA92Umc	PFA92Umc
Life Deferred Annuities	95.5% IMA92U	95.5% IFA92U	IMA92Umc	IFA92Umc
Pension Deferred Annuities	95.5% PMA92U	95.5% PFA92U	PMA92Umc	PFA92Umc
Whole Life and Endowment	70% AM92 ult	70% AM92 ult -3yrs	AM92 ult (*)	AM92 ult -3yrs
RICTA	85% TM92 ult +2yrs	85% TM92 ult -1yr	85% TM92 ult +2yrs (*)	85% TM92 ult -1yr
Group Term Assurance	TM92 ult	TM92 ult +3yrs	TM92 ult (*)	TM92 ult +3yrs
Individual Life & Pension Term Assurance	TM92 ult S:140%, NS:60%, Agg:90%	TF92 ult S:140%, NS:70%, Agg:90%	TM92 ult (*) S:140%, NS:60%, Agg:90%	TF92 ult S:140%, NS:70%, Agg:90%
Unit Linked policies	AM92 ult	AM92 ult -3yrs	AM92 ult	AM92 ult -3yrs
Accelerated TPD	See below	See below	See below	See below
TPD	See below	See below	See below	See below
IB Whole Life and Endowment, IB	35% ELT15(M)	35% ELT15(M)	35% ELT15(M)	35% ELT15(M)

(**) Additional loadings are applied for certain sources of business. These rates are increased by 2% p.a. after 5 years from the valuation date.

Mortality improvement factors for Annuities in Payment are as follows:

Males	2007	2017	2027	2037	2047	2057
40	1.50%					
50	1.95%	1.50%				
60	3.23%	1.95%	1.50%			
70	3.82%	2.96%	1.95%	1.50%		
80	2.55%	2.66%	2.65%	1.95%	1.50%	
90	1.36%	1.55%	1.82%	1.93%	1.91%	1.50%
100	1.05%	0.82%	0.94%	1.09%	1.32%	1.50%

Females	2007	2017	2027	2037	2047	2057
40	1.30%					
50	1.71%	1.30%				
60	2.58%	1.71%	1.30%			
70	3.10%	2.36%	1.71%	1.30%		
80	1.78%	2.16%	2.10%	1.71%	1.30%	
90	0.84%	1.09%	1.46%	1.56%	1.66%	1.30%
100	0.75%	0.77%	0.81%	0.87%	1.07%	1.30%

The mortality/morbidity tables used to value individual policies which include total & permanent disability benefits have not been published. Specimen rates from the tables applicable to non-smokers are given below.

	TPD		Term & TPD	
Age	Males	Females	Males	Females
25	0.0001900	0.0001900	0.0003680	0.0002520
35	0.0002340	0.0002340	0.0004350	0.0003490
45	0.0007200	0.0007200	0.0012570	0.0010050
55	0.0026890	0.0026890	0.0040210	0.0032380

All the above rates are increased by 2% p.a. after 5 years from the valuation date.

<u>Annuitant mortality - Expectation of life at 31.12.2006</u>

Age	Male PMA92mod1206	Female PFA92mod1206	Male IMA92mod1206	Female IFA92mod1206
65	23.34	25.77	23.91	25.89
75	13.63	16.06	14.32	15.73

<u>Annuitant mortality - Expectation of life at 31.12.2005</u>

Age	Male PMA92mc	Female PFA92mc	Male IMA92mc	Female IFA92mc
65	21.3	24.2	21.9	24.6
75	12.7	15.4	13.4	15.1

Policies previously written in Alba

Table and % of table		
Product Type	**Current Valuation**	**Previous Valuation**
All UL products	100% A67/70	100% A67/70

Age Adjustments		
Product Type	**Current Valuation**	**Previous Valuation**
LAS Homeplan Series 1	females – 4 years	females – 4 years
LAS Homeplan Series 2/3	females – 4 years	females – 4 years
LAS Investment Plan	females – 4 years	females – 4 years
LAS Savings Plan	females – 4 years	females – 4 years
LAS Five Plus Account	females – 4 years	females – 4 years
LAS SP Bonds	females – 4 years	females – 4 years
LAS Blueprint	females – 4 years	females – 4 years
LAS EPP/FPA	females – 4 years	females – 4 years
LAS Healthcheque	females – 4 years	females – 4 years
LAS Vitality	n/a	n/a
BL Genesis RP Pensions	no adjustment	no adjustment
CAPSIL Bonds	females – 4 years	females – 4 years
CAPSIL Whole of Life	females – 4 years	females – 4 years
CAPSIL Mortgage Minder	females – 4 years	females – 4 years
CAPSIL RP Pensions	females – 4 years	females – 4 years
CAPSIL SP Pensions	females – 4 years	females – 4 years
COMPASS Bulk Buyouts	no adjustment	no adjustment
COMPASS GPS	no adjustment	no adjustment
COMPASS UCGF Bulk Buyouts	no adjustment	no adjustment
COMPASS UCGF GPS	no adjustment	no adjustment

Ex-BLAS Contracts

For Blueprint for Security and Vitality contracts, only the terms to the first review dates were taken into account, with the current sums at risk remaining constant over such terms. For level term assurance rider benefits the current sums at risk were taken as constant to expiry. For other annual premium contracts an estimate was made of the terms over which the sums at risk would reduce to nil and it was assumed that the current sums at risk would reduce over such terms in line with the sums at risk for non-profit endowment assurances. For waiver of premium benefits and permanent health benefits the additional AIDS provision was taken as 1% of the annual benefit.

Policies previously written in Century

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	**Current Valuation**	**Previous Valuation**
Ex With Profit Fund Non Profit Whole Life and Endowment Assurances		
Base Table	A67/70 Ult	A67/70 Ult
All groups	75%	75%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
Ex Non Profit Fund Non Profit Whole Life and Endowment Assurances		
Base Table	A67/70 Ult	A67/70 Ult
All groups	60%	60%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
Term Assurance (excluding Ex-NAL)		
Base Table	A67/70 Ult	A67/70 Ult
Aggregate groups	60%	60%
Smoker status included	50%	50%
Non Smoker status included	90%	90%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
Term Assurance (Ex-NAL) – Life Assurance, Mortgage Protection & Pensions Life Assurance		
Gross liabilities		
Base Table - males	AM80 Ult	AM80 Ult
Male Smoker	92%	92%
Male Non-smoker	53%	53%
Base Table - females	AF80 Ult	AF80 Ult
Female Smoker	101%	101%
Female Non-smoker	58%	58%
Net liabilities (pre 30/9/97 business)		
Base Table - males	AM80 Ult	AM80 Ult
Male Smoker	102%	102%
Male Non-smoker	59%	59%
Base Table - females	AF80 Ult	AF80 Ult
Female Smoker	109%	109%
Female Non-smoker	64%	64%
Net liabilities (1/10/97 to 30/6/00 business)		
Base Table - males	AM80 Ult	AM80 Ult
Male Smoker	97%	97%
Male Non-smoker	57%	57%
Base Table - females	AF80 Ult	AF80 Ult
Female Smoker	107%	107%
Female Non-smoker	61%	61%

Product Group	**Current Valuation**	**Previous Valuation**
Net liabilities (post 1/7/00 business)		
Base Table - males	AM80 Ult	AM80 Ult
Male Smoker	98%	98%
Male Non-smoker	54%	54%
Base Table - females	AF80 Ult	AF80 Ult
Female Smoker	107%	107%
Female Non-smoker	59%	59%
R6A (non peak) AIDS allowance – Males	33.30%	33.30%
R6A (non peak) AIDS allowance - Females	11.10%	11.10%
Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Life Cover only	'modified table'	'modified table'
Gross liabilities		
Male Smoker	Table 1	Table 1
Male Non-smoker	Table 1	Table 1
Female Smoker	Table 1	Table 1
Female Non-smoker	Table 1	Table 1
Net liabilities (pre 19/3/01 business)		
Male Smoker	Table 2	Table 2
Male Non-smoker	Table 2	Table 2
Female Smoker	Table 2	Table 2
Female Non-smoker	Table 2	Table 2
Net liabilities (post 20/3/01 business)		
Male Smoker	Table 3	Table 3
Male Non-smoker	Table 3	Table 3
Female Smoker	Table 3	Table 3
Female Non-smoker	Table 3	Table 3
R6A (non peak) AIDS allowance – Males	33.30%	33.30%
R6A (non peak) AIDS allowance - Females	11.10%	11.10%
Non Linked Deferred Annuity – in deferment		
Base Table	A67/70 Ult	A67/70 Ult
Ex With Profit Fund business	55%	55%
Ex Non Profit Fund business	60%	60%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
Ex-NELPEN policies		
Base Table	A67/70 Ult	A67/70 Ult
Funding of Units	100%	100%
All groups	60%	60%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
Immediate annuities (& deferred annuities - in payment)		
Base Table - Males	PMA92 (yob)	PMA92 (yob)
All groups	100%	100%
Improvement factors*	MC	MC
Base Table - Females	PFA92	PFA92

Product Group	**Current Valuation**	**Previous Valuation**
	(yob)	(yob)
All groups	100%	100%
Improvement factors*	SC	SC
Non Linked PHI		
Base Table	A67/70 Ult	A67/70 Ult
All groups	60%	60%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years
Linked business		
Base Table	A67/70 Ult	A67/70 Ult
Funding of Units	100%	100%
Sterling Reserves with mortality deductions		
Ex-OMLA	100%	100%
Ex-Sentinel & Ex-UK Life – Non Smokers	65.25%	65.25%
Ex-Sentinel & Ex-UK Life – Smokers	97.50%	97.50%
Others	75%	75%
Sterling Reserves without mortality deductions		
All groups	60%	60%
R6A (peak) AIDS allowance	33%	33%
Age deduction for females	3 years	3 years

*Allowance for future reduction in mortality of annuitants has been made in the valuation of annuities in payment and for tied deferred annuities. For males, mortality improvement factors are based on the Medium Cohort projections published by the CMI in December 2002. For females, mortality improvement factors are based on the Short Cohort projections published by the CMI in December 2002.

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced. No additional AIDS reserve was deemed necessary for Group Death in Service benefits by recurrent single premium in view of the limited periods for which the premium rates are guaranteed. No specific provision was made for the minor risk associated with ex-NBA linked 'Bond' business. Ex-NBA pensions death in service benefits are all provided for by monthly current cost deduction from an associated linked fund; as the Company is freely able to review the premium rates charged no provision for AIDS is considered necessary.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

For annuity bases shown above, the expectations of life at age 65 and 75 are shown in the following table:

Product	Male 65	Male 75	Female 65	Female 75
Non Linked Deferred Annuity – in deferment				
Current age 45	20.44	N/A	24.62	N/A
Current age 55	19.86	N/A	24.15	N/A
Immediate annuities (& deferred annuities - in payment)	19.11	10.94	23.53	14.67

For assurances listed above where 'modified table' has been used, sample mortality rates per 1000 lives are shown in the tables below

Table 1

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.73	0.43	0.32	0.18
35	0.78	0.43	0.59	0.34
45	1.99	0.87	1.78	0.87
55	6.41	2.74	4.77	2.35

Table 2

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.74	0.45	0.32	0.19
35	0.79	0.46	0.59	0.35
45	2.03	0.92	1.77	0.91
55	6.52	2.91	4.77	2.43

Table 3

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.70	0.40	0.28	0.18
35	0.75	0.41	0.51	0.34
45	1.92	0.82	1.56	0.88
55	6.18	2.58	4.18	2.35

The morbidity bases (combined morbidity and mortality rates where both benefits are covered) used in the valuation of the significant groups of business were as follows:

Product Group	**Current Valuation**	**Previous Valuation**
Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Combined Life & Critical Illness Cover		
Gross liabilities		
Male Smoker	Table 4	Table 4
Male Non-smoker	Table 4	Table 4
Female Smoker	Table 4	Table 4
Female Non-smoker	Table 4	Table 4
Net liabilities (pre 19/3/01 business)		
Male Smoker	Table 5	Table 5
Male Non-smoker	Table 5	Table 5
Female Smoker	Table 5	Table 5
Female Non-smoker	Table 5	Table 5
Net liabilities (post 20/3/01 business)		
Male Smoker	Table 6	Table 6
Male Non-smoker	Table 6	Table 6
Female Smoker	Table 6	Table 6
Female Non-smoker	Table 6	Table 6
Non Linked PHI (Ex-NAL) – Critical Illness		
Gross liabilities		
Male Smoker	Table 7	Table 7
Male Non-smoker	Table 7	Table 7
Female Smoker	Table 7	Table 7
Female Non-smoker	Table 7	Table 7
Net liabilities		
Male Smoker	Table 8	Table 8
Male Non-smoker	Table 8	Table 8
Female Smoker	Table 8	Table 8
Female Non-smoker	Table 8	Table 8
Non Linked PHI (Ex-NAL) – Tailored Mortgage Protection, Critical Illness Cover only		
Gross liabilities		
Male Smoker	Table 7	Table 7
Male Non-smoker	Table 7	Table 7
Female Smoker	Table 7	Table 7
Female Non-smoker	Table 7	Table 7
Net liabilities (pre 19/3/01 business)		
Male Smoker	Table 9	Table 9
Male Non-smoker	Table 9	Table 9
Female Smoker	Table 9	Table 9
Female Non-smoker	Table 9	Table 9
Net liabilities (post 20/3/01 business)		
Male Smoker	Table 10	Table 10
Male Non-smoker	Table 10	Table 10
Female Smoker	Table 10	Table 10
Female Non-smoker	Table 10	Table 10

For products listed above where ‘modified table’ has been used, sample mortality rates per 1000 lives are shown in the tables below:

Table 4

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.44	1.52	0.86	0.92	1.33	1.34	0.84	0.84
35	2.94	3.00	1.58	1.62	3.69	3.73	2.06	2.08
45	9.26	9.55	4.19	4.43	9.74	9.89	4.37	4.49
55	23.79	24.99	10.4	11.45	20.24	20.90	8.48	9.04

Table 5

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.35	1.42	0.82	0.87	1.18	1.18	0.74	0.75
35	2.63	2.68	1.43	1.46	3.23	3.26	1.81	1.83
45	8.20	8.45	3.74	3.95	8.54	8.68	3.88	3.98
55	21.30	22.32	9.41	10.31	17.92	18.48	7.65	8.13

Table 6

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.06	1.11	0.62	0.65	0.79	0.80	0.52	0.52
35	1.85	1.88	0.99	1.01	2.10	2.11	1.21	1.22
45	5.62	5.77	2.51	2.63	5.61	5.69	2.66	2.72
55	15.03	15.64	6.48	7.02	12.06	12.40	5.47	5.76

Table 7

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.67	0.77	0.40	0.47	0.99	1.02	0.63	0.64
35	2.04	2.18	1.07	1.15	3.05	3.19	1.67	1.75
45	7.00	7.50	3.16	3.48	7.61	8.02	3.35	3.58
55	18.01	19.60	7.83	8.99	15.71	16.79	6.25	6.95

Table 8

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.58	0.66	0.34	0.40	0.83	0.86	0.53	0.54
35	1.75	1.87	0.92	0.99	2.56	2.68	1.40	1.47
45	6.02	6.45	2.72	2.99	6.39	6.74	2.81	3.01
55	15.49	16.86	6.73	7.73	13.20	14.10	5.25	5.84

Table 9

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.57	0.65	0.34	0.40	0.84	0.87	0.54	0.54
35	1.73	1.85	0.91	0.98	2.59	2.71	1.42	1.49
45	5.95	6.38	2.69	2.96	6.47	6.82	2.85	3.04
55	15.31	16.66	6.66	7.64	13.35	14.27	5.31	5.91

Table 10

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.41	0.47	0.24	0.29	0.60	0.62	0.38	0.39
35	1.24	1.33	0.65	0.70	1.86	1.95	1.02	1.07
45	4.27	4.58	1.93	2.12	4.64	4.89	2.04	2.18
55	10.99	11.96	4.78	5.48	9.58	10.24	3.81	4.24

Policies previously written in BULA

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	**Current Valuation**	**Previous Valuation**
1 - Business formerly in the Unit Linked Fund		
Linked Business		
Base Table	AM80 Ult	AM80 Ult
Percentage - All groups	100%	100%
Age deduction for females	3 years	3 years
2 - Business formerly in the Non-Profit Fund		
Single Life Pensions in Payment		
Base Table	PMA/PFA92 **	PMA/PFA92 MC *
Percentage - All groups	Modified	100%
Age deduction for males and females	nil	nil
Unit Linked Business with aggregate smoker status		
Base Table	AM/AF92	AM/AF92
Percentage - All groups	110%	100%
Age deduction for males and females	nil	nil
Unit Linked Business with smoker split		
Base Table	AM/AF92	AM/AF92
Percentage - All groups	100%	100%
Age deduction for males and females	nil	nil

*Allowance for future reduction in mortality of annuitants has been made in the valuation of annuities in payment and for tied deferred annuities. Mortality improvement factors are based on the Medium Cohort projections published by the CMI in December 2002. No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

** Mortality improvement factors for Pensions in Payment are as follows:

Males	2007	2017	2027	2037	2047	2057
40	1.50%					
50	1.95%	1.50%				
60	3.23%	1.95%	1.50%			
70	3.82%	2.96%	1.95%	1.50%		
80	2.55%	2.66%	2.65%	1.95%	1.50%	
90	1.36%	1.55%	1.82%	1.93%	1.91%	1.50%
100	1.05%	0.82%	0.94%	1.09%	1.32%	1.50%

Females	2007	2017	2027	2037	2047	2057
40	1.30%					
50	1.71%	1.30%				
60	2.58%	1.71%	1.30%			
70	3.10%	2.36%	1.71%	1.30%		
80	1.78%	2.16%	2.10%	1.71%	1.30%	
90	0.84%	1.09%	1.46%	1.56%	1.66%	1.30%
100	0.75%	0.77%	0.81%	0.87%	1.07%	1.30%

There are no mortality bases for significant groups of business which cannot be expressed as a flat percentage of a standard table

For annuity bases shown above, the expectations of life at age 65 and 75 are shown in the following table:

	Current Year		Previous Year	
Age	Males	Females	Males	Females
65	24.00	25.16	18.96	24.04
75	14.53	15.68	11.08	15.33

Policies previously written in BRS

The mortality tables used are modified PMA92/PFA92 mortality factors plus longevity improvement factors. For males, the annual rates of improvement follow the CMI R17 basis for calendar years to 2003 and thereafter follow the 'medium cohort' series of improvement factors proposed by the CMI Bureau in October 2002. The CMI R17 factors are used for females for all years. The table below shows the expectation of life for each class of impaired life:

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium impairment	High impairment	Seriously ill
31 December 2006							
Male aged 65	24.8	22.2	20.9	18.6	17.8	16.4	18.4
Male aged 75	15.8	13.7	12.8	11.1	10.6	10.8	12.4
Female aged 65	26.1	23.7	22.8	20.8	20.4	20.3	22.0
Female aged 75	17.0	14.9	14.3	12.9	12.8	13.7	14.1

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium impairment	High impairment	Seriously ill
31 December 2005							
Male aged 65	24.6	22.0	20.7	18.3	17.5	15.9	17.9
Male aged 75	15.5	13.3	12.4	10.6	10.0	10.0	11.9
Female aged 65	26.0	23.5	22.6	20.6	20.1	19.9	21.7
Female aged 75	16.7	14.6	14.0	12.4	12.3	13.2	13.7

Policies previously written in BA

Fund	Product Group	31 December 2006	31 December 2005
BLAGAB	Decreasing term assurance with critical illness cover	145% AM80 ult	145% AM80 ult
Pensions	Non linked immediate annuity	105% modified PMA92 90% modified PFA92	85% PMA92 C2020 85% PFA92 C2020

Note that the mortality basis for the assurances is combined with the allowance for mortality described in section 4(5).

The mortality basis for immediate annuities is modified to include longevity improvement factors which follow the CMI R17 basis to 2003 and Resolution Group factors thereafter. The longevity improvement factors used are:

Males	2007	2017	2027	2037	2047	2057
40	1.50%					
50	1.95%	1.50%				
60	3.23%	1.95%	1.50%			
70	3.82%	2.96%	1.95%	1.50%		
80	2.55%	2.66%	2.65%	1.95%	1.50%	
90	1.36%	1.55%	1.82%	1.93%	1.91%	1.50%
100	1.05%	0.82%	0.94%	1.09%	1.32%	1.50%

Females	2007	2017	2027	2037	2047	2057
40	1.30%					
50	1.71%	1.30%				
60	2.58%	1.71%	1.30%			
70	3.10%	2.36%	1.71%	1.30%		
80	1.78%	2.16%	2.10%	1.71%	1.30%	
90	0.84%	1.09%	1.46%	1.56%	1.66%	1.30%
100	0.75%	0.77%	0.81%	0.87%	1.07%	1.30%

The expectation of life for non linked immediate annuities are:

Sex	Current Age	Expectation of life	
		December 2006	December 2005
Male	65	20.6	20.6
Male	75	11.4	12.4
Female	65	24.6	23.7
Female	75	15.1	15.3

(5) Morbidity Basis

Policies previously written in PLL but not in PAL or SLUK

For PHI policies previously written in PLL but not in PAL or SLUK, the reserve has been calculated as a proportion of the annual premium in force. No morbidity tables are used for this business.

Policies previously written in PAL

For PHI benefits previously written in PAL, the assumed inception & recovery rates are expressed as varying percentages of CMIR12. Sample inception & recovery rates for occupational class 1 lives, based on a 12 month deferred period, are as follows:

Inception rates (%CMIR12)

	At 31.12.2006		At 31.12.2005	
Age	Male	Female	Male	Female
25	287.5%	488.75%	287.5%	488.75%
35	287.5%	488.75%	287.5%	488.75%
45	310.5%	527.5%	310.5%	527.5%
55	310.5%	527.5%	310.5%	527.5%

Recovery rates (% CMIR12) at 31.12.2006

	2 year duration		5 year duration	
Age	Male	Female	Male	Female
25	59.2%	59.2%	59.2%	59.2%
35	59.2%	59.2%	59.2%	59.2%
45	59.2%	59.2%	59.2%	59.2%
55	59.2%	59.2%	59.2%	59.2%

Recovery rates (%CMIR12) at 31.12.2005

	2 year duration		5 year duration	
Age	Male	Female	Male	Female
25	32.38%	32.38%	32.38%	32.38%
35	32.38%	32.38%	32.38%	32.38%
45	32.38%	32.38%	32.38%	32.38%
55	32.38%	32.38%	32.38%	32.38%

For policies previously written in SLUK

For PHI and critical illness policies previously written in SLUK, the following morbidity assumptions are used (for male non-smoker lives, occupational class 1):

Inception rates at 31.12.2006:

			Age			
Type of business	Deferred period (weeks)	Table	25	35	45	55
Individual PHI (Direct written)	26	CMIR12	239.2%	217.35%	192.05%	166.75%
Individual PHI (Reassurance Accepted)	26	CMIR12	239.2%	217.35%	192.05%	166.75%
Critical Illness	-	CIBT93M	51%	51%	51%	51%
Accelerated Critical Illness	-	CIBT93M	52%	52%	52%	52%

Inception rates at 31.12.2005:

			Age			
Type of business	Deferred period (weeks)	Table	25	35	45	55
Individual PHI (Direct written)	26	CMIR12	200%	200%	150%	100%
Individual PHI (Reassurance Accepted)	26	CMIR12	210%	210%	160%	105%
Critical Illness	-	CIBT93M	51%	51%	51%	51%
Accelerated Critical Illness	-	CIBT93M	52%	52%	52%	52%

Recovery rates at 31.12.2006:

		Duration	
Type of business	Table	2 years	5 years
Individual PHI Claims	CMIR12	59.2%	59.2%
Group PHI Claims	CMIR12	59.2%	59.2%

Recovery rates at 31.12.2005:

		Duration	
Type of business	Table	2 years	5 years
Individual PHI Claims	CMIR12	60%	80%
Group PHI Claims	CMIR12	60%	100%

Policies previously written in Alba

The reserves for products covering morbidity risk do not exceed the materiality limits.

Policies previously written in BRS

No products cover morbidity risk.

Policies previously written in BA

The morbidity rates are based on those charged by the reinsurer and reflect the fact that the business relates to the United Kingdom. The valuation morbidity rates are combined rates for different sex and smoker statuses.

Morbidity rates for Joint Life Decreasing Temporary Assurances

	Age			
Valuation date	**25**	**35**	**45**	**55**
31 December 2006	0.00064	0.00139	0.00400	0.00935
31 December 2005	0.00064	0.00139	0.00400	0.00935

(6) Expenses

The following table shows the gross attributable expenses per policy (excluding renewal commission).

Product Group	**Per Policy Expense**	
	Current Valuation (£)	**Previous Valuation (£)**
CWP savings endowment (product code 120)	n/a	n/a
CWP target cash endowment (125)	n/a	n/a
CWP pensions (155/165)	n/a	n/a
Term assurance (325 / 330)	11.75	11.21
Critical illness (340 / 345 / 350 / 355)	51.84	49.88
Income protection (360 / 365)	30.44	30.06
Income protection claims in payment (385)	0.00	0.00
Annuity (400)	20.83	21.84
UWP Bond (500)	n/a	n/a
UWP savings endowment (510)	n/a	n/a
UWP target cash endowment (515)	n/a	n/a
UWP regular premium pension (525 / 545)	n/a	n/a
UWP single premium pension (525 / 545)	n/a	n/a
UWP group regular premium pension (535)	n/a	n/a
UWP group single premium pension (535)	n/a	n/a
UL bond (700)	28.70	27.70
UL savings endowment (715)	34.41	31.51
UL target cash endowment (720)	34.41	31.51
UL regular premium pension (725)	34.41	31.51
UL single premium pension (725)	40.44	39.04
UL group regular premium pension (735)	34.41	31.51
UL group single premium pension (735)	27.58	26.37

For BULA, in addition to the per policy expenses, the per premium cost assumptions for non-linked policies valued using a gross premium method and for the calculation of unit linked sterling reserves were:

Product Group	31/12/2006	31/12/2005
Ex-Unit Linked fund	1.50%	1.50%

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply..

The non-attributable expenses are for fund merger costs, migration costs, additional project costs and endowment review costs. The reserves for the non-attributable expenses is equal to the expected expenses after allowing for tax relief on life business.

(7) Unit Growth Rates

Previous Company	Product Group	Unit growth rate before management charge (% p.a.)	Expense inflation rate assumed (% p.a.)	Policy charge increase rate assumed (% p.a.)
PLL but not SLUK	Life business except for Home Ownership Plan	4.40%	7.10%	3.30%
	Home Ownership Plan	2.70%	7.10%	3.30%
	Pensions business	4.95%	7.10%	3.30%
SLUK	Life business	4.40%	5.20%	0.00%
	Pensions business	4.40%	5.20%	0.00%
Alba	Life business	4.30%	4.30%	
	Pensions business	4.90%	4.30%	
Century	Life Funds	3.90%	4.30%	4.30%
	Pension Funds	4.55%	4.30%	4.30%
BULA				
Former UL Fund business	Life business	4.35%	3.30%	3.30%
	Pensions business	4.95%	3.30%	3.30%
Former Non-Profit Fund business	Life business	4.40%	5.30%	3.30%
	Pensions business	4.95%	5.30%	3.30%

Previous Company	Product Group	Unit growth rate before management charge (% p.a.)	Expense inflation rate assumed (% p.a.)	Policy charge increase rate assumed (% p.a.)
BRS	Pension Annuities	n/a	4.3%	n/a
BA	Pension Annuities	n/a	5.3%	n/a

In the case of linked contracts previously written in Alba, where there is discretion in the level at which charges are set, provision has been made for policy fees to increase according to the increases in the either the Retail Price Index or the National Average Earnings Index according to the terms of the policy. No other increases to policy charges have been assumed.

(8) Future Bonus Rates

Not applicable

(9) Persistency Assumptions

For products where the valuation method has not been changed for CP06/16 legislation, no future lapses are taken credit for in the valuation method used.

Policies previously written in PLL

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse (if reserve positive)	8.4%	8.2%	6.0%	6.0%
Level term	Lapse (if reserve positive)	5.6%	5.4%	4.0%	4.0%
Decreasing term	Lapse (if reserve positive)	12.0%	12.5%	10.8%	10.8%
Decreasing term	Lapse (if reserve positive)	8.0%	8.3%	7.2%	7.2%
Accelerated critical illness	Lapse (if reserve positive)	12.0%	11.0%	11.0%	11.0%
Accelerated critical illness	Lapse (if reserve positive)	8.0%	7.4%	7.4%	7.4%

* The reserve for an individual policy is equal to the most onerous calculation from assuming:

- A positive margin at all durations
- A negative margin at all durations
- A positive margin when the policy is an asset and a negative margin when the policy is a liability.

Policies previously written in Alba

The valuation makes no allowance for lapses.

Policies previously written in BULA

Product		**Average lapse / surrender / paid-up rate for the policy years**			
		1-5	**6-10**	**11-15**	**16-20**
Level term	Lapse				
With Negative margin *		7.4%	6.4%	6.4%	6.4%
With Positive margin *		11.0%	9.6%	9.6%	9.6%
Decreasing term	Lapse				
With Negative margin *		17.0%	18.6%	18.6%	18.6%
With Positive margin *		25.6%	28.0%	28.0%	28.0%

* The reserve for an individual policy is equal to the most onerous calculation from assuming:

- A positive margin at all durations
- A negative margin at all durations
- A positive margin when the policy is an asset and a negative margin when the policy is a liability.

Policies previously written in BRS

The valuation makes no allowance for lapses as all of the policies are immediate annuities.

Policies previously written in BA

No allowance for lapses is made in the valuation.

(10) Other Material Assumptions

Policies previously written in BRS

A proportion of the mortality risk is reinsured to Hanover Re on a prescribed basis. The reinsurance reserves allow for 90% of the recoveries which would be due under the treaty on the valuation mortality assumptions.

The reinsurance treaty also allows for payments from the reinsurer in respect of administration expenses. Reinsurance reserves are established equal to the present value of the payments expected from the reinsurer.

(11) Allowance for Derivatives

The fund holds a number of swap contracts. The swap contracts (both assets and liabilities) are incorporated within the fixed interest portfolio for the purposes of determining a valuation rate of interest. Specifically for interest rate swaps we:

(i) Calculate the cashflows that the swaps will produce if future interest rates are in accordance with the LIBOR forward yield curve at the valuation date.

(ii) Calculate the cashflows arising from the fixed interest portfolio (excluding swaps) if held to redemption.

(iii) Find the overall yield on the fixed interest portfolio (excluding swaps) by equating the cashflows in (ii) to the market value of the fixed interest assets (excluding swaps).

(iv) Find the overall yield on the combined fixed interest and swap portfolio by equating the cashflows in (i) and (ii) to the market value of the swaps plus the fixed interest assets.

(v) The difference between the yields in (iii) and (iv) shows the impact on yield of folding the swaps in with the fixed interest portfolio.

The non-linked business previously written by BRS reported on form 51 is backed by a segregated pool of assets (the PLL Non-Profit Optimised Fund). This includes euro denominated bonds together with currency swaps to convert the coupon and redemption proceeds to sterling. To allow for these steps (i) and (ii) above are amended to project future cashflows in sterling using forward exchange rates.

In addition to the swaps, the assets described in form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities.

(12) Effect of Basis Changes

The effects on mathematical reserves of the changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006 are:

£m	Policies previously written in PLL	Policies previously written in BULA	Total
Allowance for lapses on valuation of protection business	(25.675)	(15.609)	(41.284)
Allowance for negative reserves on valuation of protection business	(12.194)	(39.529)	(51.723)
Allowance for lapses on valuation of unit-linked business	Nil	Nil	Nil
Allowance for attributable expenses on valuation of unit-linked business	Nil	Nil	Nil
Total	(37.869)	(55.138)	(93.007)

The above changes to the regulations have been specified in CP06/16, and are applied to a number of protection contracts previously written in the PLL NP Fund and BULA NP Fund. The changes are assumed to be applied in the order shown, e.g. the effect of negative reserves is after the effect of lapses.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

Policies previously written in PLL

(a) Methods

A reserve to cover possible liabilities under the guaranteed annuity option is calculated using scenarios from the Barrie & Hibbert investment model to estimate the additional liability at the normal retirement date, assuming that 5% of the maturity value will be taken as cash. The following mortality basis is used:

Mortality:	before vesting: 53.40% of AM92 for males 60.10% of AF92 for females after vesting: 62.40% of PMA80 for males and 76.40% of PFA80 for females with allowances for future improvements before and after vesting of 1.50% per annum for males and 1.50% per annum for females.

(b)

Product Name	Personal Pension Investment Plan contracts issued in 1982 and 1983, Directors' and Executives Pension Plan	Personal Pension Plan and Retirement Annuity Policy
Basic reserve	£19.787m	£6.312m
Spread of outstanding durations	As a percentage of guarantee reserve 64.1% < 5 years 24.8% between 5 and 10 years 10.9% between 10 and 20 years 0.2% over 20 years	As a percentage of guarantee reserve 67.9% < 5 years 26.9% between 5 and 10 years 5.1% between 10 and 20 years nil over 20 years
Guarantee reserve	£3.170m	£2.167m
Guarantee annuity rate (age 65 male)	£109.30 p.a. for £1000 cash sum for Personal Pension Investment Plan £111.37 p.a. for £1000 cash sum for Directors' and Executives Pension Plan (PGP&A)	£106.67 p.a. for £1000 cash sum.
Increments	Increments are not allowed	Increments are not allowed
Frequency	Annually in arrears, no guarantee period	Annually in arrears, no guarantee period
Retirement ages	Between 60 and 75	Between 60 and 75

Policies previously written in SLUK

(a) Methods

An additional reserve is calculated for options on the FT30 index-linked life policies. The following basis is used:

Age	Surrender rate
Prior to age 50	0% p.a.
At exact age 50	10%
55	20%
60	40%
65	100%

It is assumed that 80% of policyholders exercise the option to purchase an annuity, valued on the basis of 95% IMA92/IFA92, 3.9% pa interest with 2% expenses.

The uncertainty of future interest rates has been allowed for by valuing the annuity using the alternative assumptions that interest rates will be 30% lower or 30% higher than those underlying the central rate. The reserve is taken as the average of the three results.

(b)

Product Name	Protection Plan	Escalator Plan
Basic reserve	£21.150m	£56.463m
Spread of outstanding durations	0-25 years	0-25 years
Guarantee reserve	£3.158m	£6.465m
Guarantee annuity rate (age 65 male)	£102.88 p.a. for £1000 cash sum for policies commencing before 1979 £79.88 p.a. for £1000 cash sum for policies commencing in 1979 or 1980	£102.88 p.a. for £1000 cash sum for policies commencing before 1979 £79.88 p.a. for £1000 cash sum for policies commencing in 1979 or 1980
Increments	Increments are not allowed	Increments are not allowed
Frequency	Half-yearly in arrears, 5 years guarantee period	Half-yearly in arrears, 5 years guarantee period
Retirement ages	Available on surrender at 50, 55, 60 or 65	Available on surrender at 50, 55, 60 or 65

Policies previously written in Alba

Not applicable

Policies previously written in Century

(a)

The liabilities for Guaranteed Annuity rate Options (GAOs) were calculated at policy level using a deterministic valuation interest rate. All the policies were significantly in the money at the valuation date and are likely to remain so in the future unless interest rates increase substantially. The value of the GAOs is therefore virtually all intrinsic value, and if a stochastic method had been used, the reserves thus calculated would not be materially different from the values reported.

The main assumptions used to value GAOs were:

(i) 20% of policies take 25% of their fund as cash at retirement leading to a 95% GAO take-up rate assumption for all outstanding durations;

(ii) mortality was assumed to be on the same basis as for the underlying policy valuation;

(iii) an expense allowance of 4% was included for payment expenses post vesting for all classes;

(iv) a valuation interest rate of 3.85%; and

(v) the rate of interest used after vesting was 4.75%.

For Ex-NEL Guaranteed growth policies, swaptions are held to hedge the GAO risk. The liabilities for these contracts are valued using the method above, and full value is given to the swaption contract.

The swaption asset is included at fair value from information provided by Deutche Bank.

Details of GAOs that were in force at the valuation date are shown in the table below

Product	Basic Reserve £000	O/S Durn Spread	Gtee Reserve £000	GAO Rate	Incrs Allowed ?	Ann. Form	Ret. Ages
Ex-NEL Gteed Growth	21,846	0-27	13,064	11.11%	Yes	*	60-75
Ex-NEL Linked	15,046	0-23	8,558	11.11%	Yes	*	60-75
Ex-Crown Dep Admin	2,501	0-24	84	10.25%	Yes	*	60-65
Ex-OMLA Ex-WP	8,893	0-19	2,568	8.90%	Yes	*	50-75

*The GAO rates shown are for a male age 65, monthly level annuity, payable in advance with 5 year guarantee period – other options are available. For the Ex-Crown policies, the rate shown is for policies retiring during policy years 11 to 20.

In general, where policyholders may make increments to the policy, the GAO does not apply to the regular premium increases or additional single premiums.

Policies previously written by BULA

There are no guaranteed annuity rate options

Policies previously written by BRS

There are no guaranteed annuity rate options

Policies previously written in BA

There are no guaranteed annuity rate options

(2) Guaranteed Surrender and Unit-linked Maturity Values

Policies previously written in PLL

a) Methods

<u>Surrender Guarantees</u>

Multiple Growth Bonds: Some policies have a special minimum value on surrender (only payable in certain extreme circumstances) of 100% of premiums paid to date. It was not considered necessary to incorporate an additional reserve.

Property Growth Plan and Executive Property Growth Plan: From the fifteenth policy anniversary onwards there is the guarantee that the surrender value is not less than the sum of premiums paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Flexible Savings Plan: From the tenth policy anniversary onwards there is the guarantee that the surrender value is not less than five-sixths of premiums paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Protection Plan: This contract provides a guaranteed surrender value and contains an in-built contingency margin as the value of the units in the reserve account at the previous policy anniversary will usually exceed this surrender value. A further contingency reserve of £10,000 is set up in respect of the guarantee. This reserve has not been included in the table below.

All-Weather Bond: From the fifteenth policy anniversary onwards there is the guarantee of a cash value of at least 150% of the single premium paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

For non-linked single premium contracts to which guaranteed surrender values currently apply, the reserve was, if necessary increased so that it is not less than the current guaranteed surrender value.

Maturity Guarantees

The reserving bases for investment performance guarantees are summarised below.

Lloyds Bank contracts issued between 1968 and 1973: These have a minimum amount guaranteed on maturity. Some of these contracts have been endorsed at maturity to continue for a further period of ten years but the original guarantee only has been retained and not increased despite the payment of a further ten years' premiums. It is considered that no reserve is necessary to provide against these guarantees because of the current size of the unit liabilities compared with the guarantees given.

Fairshare Endowment Plans (Series I), Endowment Plans (Property and Managed Fund units): A reserve to cover possible liabilities under the maturity guarantee is calculated using the Barrie & Hibbert stochastic investment model to assess the market value of the guarantee.

Endowment Plans (Fixed Interest Fund units): A stochastic investment model was considered unnecessary and a reserve of £10,000 is included for the maturity guarantee reserve on this small group of policies. This reserve has not been included in the table below.

Home Ownership Plan (including Low Start variant): Any projected shortfall at maturity has been allowed for in the cash flow projections and no further reserve is necessary. The deterministic cash flow reserve exceeds the market value of the guarantee as estimated using a Barrie and Hibbert market consistent stochastic asset model.

Acorn Plan, Flexible Savings Plan, Endowment Policy and Whole Life Policy: No reserve is considered necessary.

b)

Product Name	Fairshare Endowment Plans (Series I)	Endowment Plans (Property and Managed Fund units):
Basic reserve	£6.218m	£0.946m
Spread of outstanding durations	As a percentage of unit fund: 26.0% < 5 years 31.3% between 5 and 10 years 24.9% between 10 and 15 years 9.4% between 15 and 20 years 8.3% over 20 years	As a percentage of unit fund: 80.0% < 5 years 19.3% between 5 and 10 years 0.7% between 10 and 15 years nil between 15 and 20 years nil over 20 years
Guarantee reserve	£0.131m	£0.001m
Guaranteed amount	Guaranteed sum assured at maturity specified at outset of the policy	Guaranteed sum assured at maturity specified at outset of the policy
MVA free conditions	No MVAs are allowed	No MVAs are allowed
In force premiums	£0.055m	£0.012m
Increments	Increments are not allowed	Increments are not allowed

Product Name	Wealth Assured Endowments
Basic reserve	£39.130m
Spread of outstanding durations	Up to 45 years outstanding duration.
Guarantee reserve	£0.838m (aggregate reserve for all Wealth Assured Contracts)
Guaranteed amount	For contracts issued before April 1979 there is a guarantee that at the end of ten years and throughout the eleventh year the sum payable will not be less than 100% of the total premiums paid (excluding the policy fee). This proportion will increase by 1% at each policy anniversary until final maturity. For later contracts the minimum sum assured payable at the end of ten years for each £10 per month premium (excluding policy fee) is £1000 and this amount increases by £125 for males and £140 for females at the end of each complete year thereafter until final maturity.
MVA free conditions	No MVAs are allowed
In force premiums	£0.473m
Increments	Increments are not allowed

Product Name	Wealth Assured Ten + Ten contracts
Basic reserve	£0.446m
Spread of outstanding durations	Outstanding durations until the next guarantee date range from 3 months to 9 years
Guarantee reserve	£0.838m (aggregate reserve for all Wealth Assured Contracts)
Guaranteed amount	Minimum sum assured payable at end of ten years is the total premiums paid
MVA free conditions	No MVAs are allowed
In force premiums	£0.003m
Increments	Increments are not allowed

Product Name	Wealth Assured Bonds
Basic reserve	£8.138m
Spread of outstanding durations	Whole Life contract. The youngest current age is 30.
Guarantee reserve	£0.838m (aggregate reserve for all Wealth Assured Contracts)
Guaranteed amount	On surrender the cash value of the bond is the value of the units allocated at the last published bid price, subject to a provision that if the bond had been in force for ten years and no part of it had been cashed or withdrawn, the cash value is guaranteed to be not less than 125% of the original single premium; this guarantee increases to 200% after 20 years and 300% after 30 years. Reduced guarantees apply if part of the bond has been cashed.
MVA free conditions	No MVAs are allowed
In force premiums	N/A
Increments	Increments are not allowed

Policies previously written in Alba

There are no guaranteed surrender and unit-linked maturity values.

Policies previously written in Century

The total basic reserve for guaranteed surrender and unit-linked maturity values, where an additional reserve is considered necessary, is below the lesser of £10m and 0.1% of total mathematical reserves.

Policies previously written in BULA

The Flexible investment plan (first series) contains a maturity guarantee. The contract is an endowment assurance maturing on the anniversary of the date of the contract preceding the sixty-fifth birthday of the life assured. The contract is closed to new business.

The amount payable on maturity of the contract or on earlier death of the life assured is the greater of the value of the relevant shares at the current bid price and the premiums payable over the entire term of the contract. There is an option on maturity for the contract to be continued for an indefinite period without the continued payment of premium. The amount payable at the end of the continuation is the value of the relevant shares at the current bid price. The amount payable on death during the continuation is the greater of the value of the relevant shares at the current bid price and the premiums payable over the entire term of the contract.

The unit reserves are calculated as described in section 4(1) above.

Expense reserves are determined by use of projected cashflows which allow for the guarantee and the reserves were set such that no policy would produce a future valuation strain.

(b)
In respect of the guarantees described in 5(2) (a)

Product	Basic Reserve (£m)	O/S Durn Spread (years)	Gtee Reserve (£m)	Gtee Amount (£m)	MVA Free conditions	In Force Premiums (£m)	Incrs Allowed?
Flexible Investment Plan (first series)	19.3	0-23	0.0	8.0	N/A	0.2	No

Policies previously written in BRS

There are no guaranteed surrender or unit-linked maturity values.

Policies previously written in BA

There are no guaranteed surrender or unit-linked maturity values.

(3) Guaranteed Insurability Options

Policies previously written in PAL

Some term assurance policies include options to extend the policy term or convert to other policies without requiring further evidence of heath. Where there are options to convert or extend an additional reserve is calculated as the larger of 10% of the normal term assurance reserve and 20% of the office premium except for Renewable Convertible Term Assurance. For Renewable convertible Term Assurance this reserve is the larger of 20% of the normal reserve and 30% of the office premium. The sum assured under the policies is less than £1bn.

The Progressive Protection Plan and Flexible Mortgage Plan include a Special Events option which allows the planholder to increase the sum assured without further underwriting on certain events such as marriage of the life assured or birth of each of the life assured’s children. The cost of the options is implicitly allowed for in the normal reserve.

Policies previously written in SLUK

Some term assurance and critical illness policies contain conversion and renewal options. Some policies also contain guaranteed insurability options where a term assurance may be taken out at standard rates if the life survives for 12 months following a critical illness claim. Loadings are applied in the calculation of the reserve, usually as a percentage of premiums paid, to allow for the cost of these options. The total sum assured under these policies is less than £1bn.

Policies previously written in Alba

The reserves for guaranteed insurability options do not exceed the materiality limits.

Policies previously written in Century

Guaranteed insurability, continuation and conversion options are available on a number of conventional and linked products.

For Century Level and Increasing Term Assurances which carry the right to renew the policy on the expiry of the term, provision was made for an additional reserve at the end of the term equal to £3.00 for each £1,000 of sum assured then in force.

A reserve has been set up in respect of the provision included in ex-NEL Convertible Term Assurance to effect replacement contracts without further evidence of health. This reserve is included in the net premium reserve for the contract. An additional reserve of £40,000 has been made to cover options to effect new contracts without evidence of health under other policies. A further revival reserve of £80,000 has been made with respect to ex-NEL policies.

The provision for the options under Convertible Term Assurances and Mortgage Protection - New Series contracts was determined by accumulating the proportion of the office premium reserved for options at the appropriate valuation rates of interest.

For ex-CCL convertible term assurances, an additional reserve was held equal to the proportion of the total office premiums in respect of the conversion option paid since the inception of the contract. The premium rates for convertible term assurances are equal to those for ordinary term assurances with a 15% loading for the conversion option (10% for policies issued before March 1979).

For ex-CCL Versatile Investment Plan policies, provision has been made for the guaranteed insurability option of 0.1% of the total office premiums paid since inception.

For A-plan policies additional reserves were held equal to 3% of the sum assured discounted to the maturity date at 4.5% in respect of the guaranteed insurability option.

No provision was deemed necessary in respect of the options under the Flexible Protection Plans, Serious Illness Plans and Flexible Mortgage Plans, on the grounds that (i) there are already margins in the existing rates of monthly mortality deductions, and (ii) these, and the rates of morbidity deductions, can be increased at the Company's discretion.

No specific provision has been made in the reserves for the option under the ex-NBA Mortgage Protection contract as it is not expected, under current conditions, that any option effected will result in a loss to the Company.

No explicit provision has been made for the option under the ex-NAL Mortgage Protection Plans or Tailored Mortgage Protection to increase the sum assured. The margins in the mortality assumptions are assumed to cover any cost of the option.

In respect of certain Retirement Annuities, where the pension date and the benefits payable may be altered within the limits imposed by statute, and in respect of cash options under certain deferred annuity bonds, no specific provision has been made for the options available. Deferred annuity bonds with cash options have been valued by discounting the amounts of the cash options. No significant liability would arise if the policyholders elected to exercise the annuity options.

(b)

The total sum assured for policies with guaranteed insurability, continuation and conversion options is less than £1bn.

Policies previously written in BULA

A number of term assurance products have a renewability option on expiry. A reserve is held equal to 13% of the total office premium payable over the whole term of the policy.

There are no products with conversion or renewal options where the total sum assured exceeds £1bn.

Policies previously written in BRS

There are no guaranteed insurability options.

Policies previously written in BA

There are no guaranteed insurability options.

(4) Other Guarantees and Options

Policies previously written in PLL

<u>Investment Performance Guarantees</u>

<u>Price Guarantees</u>

The prices of units in a number of deposit funds are guaranteed not to fall, for some of the products investing in those funds.

The assets backing these funds and the nature of the institutions with whom the investments are placed (mainly building societies and banks) are such that no reserve is considered necessary for these guarantees.

Units in the Old Building Society Linked Pension Fund are guaranteed to increase in value on a year to year basis in line with the lending rate of interest used by Abbey plc on residential mortgages. An additional provision of £2.242m has been made within the long-term insurance business liabilities in respect of this arrangement. This is calculated as 15% of the value of the fund, taking into account the outstanding term of the business and the expected difference between the rate guaranteed and the rate earned on the underlying assets.

Investment Guarantees on Deposit Administration Pension Contracts (PAL)

The Deposit Administration Pension contracts previously written by PAL have investment guarantees. The additional provision in respect of the guarantee is £5.077m. This is calculated as 15% of the base reserves for these contracts, taking into account the outstanding term of the business and the expected difference between the rate guaranteed and the rate earned on the underlying assets.

Policies previously written in Alba

There are no other significant guarantees or options.

Policies previously written in Century

Investment guarantees operate on ex-NELPEN Guaranteed Growth plans, ex-Crown plans investing in the Deposit Administration fund, and certain ex-OMLA and ex-Hiscox ex-With Profit plans. These are explicitly valued and form part of the basic reserves.

In view of the nature of the investments of the ex-NELPEN Nelex Deposit Fund, ex-NBA Building Society Fund (Life Assurance Business), the Crown Money Fund and the ex-Prosperity Deposit and Pension Deposit Funds, no provision has been made for the guarantee that unit prices will not fall.

On ex-Prosperity Accident Income plans, WISP and Super WISP 25 policies, there is an option to change the beneficiary at any time – no reserve is currently held for this option.

Policies previously written in BULA

Some term assurance products include an option to increase the sum assured on marriage or birth. This option is allowed for by holding a reserve equal 10% of the of the office premiums, which have become due by the valuation date.

Policies previously written in BRS

There are no other guarantees or options.

Policies previously written in BA

There are no other guarantees or options.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown below.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non – attributable expenses	Total
Policies previously written in PLL	0.1	9.0	26.0	7.7	42.8
Policies previously written in Alba	0.0	6.8	0.0	1.3	8.1
Policies previously written in Century	0.0	0.9	10.0	0.0	10.9
Policies previously written in BULA	0.0	2.7	10.4	0.0	13.2
Policies previously written in BRS	0.7	0.0	0.2	1.6	2.5
Policies previously written in BA	1.6	0.0	0.0	0.4	2.0
All expenses attributable	2.4	19.4	46.6	n/a	68.4
Total	2.4	19.4	46.6	11.0	79.4

(2) Implicit Allowances

Implicit allowances for expenses include:

(i) the margin between the office premium and the net premium for prospectively valued contracts where the net premium method has been employed;

(ii) the margin between the valuation interest rate and the yield on the assets to cover investment expenses;

(iii) margins expressed as a percentage of certain non linked reserves e.g. single premium and paid up assurances where a net premium valuation method has been employed;

(iv) in respect of the deposit administration business, the margin, if any, between the earned rate of interest and that allocated to policyholders; and

(v) for Century ex-NAL Creditor life schemes the valuation methods make implicit allowance for expenses.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in 6 (1) is significantly different from the total shown in line 14 of Form 43, since the latter amount does not include the expenses relevant to the business which transferred into the Company at 31 December 2006.

The following table compares the expense loadings in section 6(1) with the expenses in line 14 of Form 43 of the FSA Returns for each company transferring into the Non Profit Fund.

£'m	subfund	F43.14	table 6(1)	ratio
		(a)	(b)	(a)/(b)
PLL	NP	45.6	42.8	107%
ALBA	UL	7.4	8.1	92%
Century	WP & NP	13.1	10.9	120%
BULA	NP & UL	13.1	13.2	99%
BRS	NP	2.6	2.5	104%
BA	LNP & PNP	1.0	2.0	49%
Total		**82.7**	**79.4**	**104%**

The expenses shown in Form 43 of Century are higher then the expense allowances in table 6(1) as Form 43 includes some expenses which relate to the with profits policies that transfer into the Britannic With Profit Fund.

For the BA non profit funds, £0.9m of the expenses in table 6(1) correspond to expenses that are reported in Form 43 of BRS rather than BA. This is a result of the surplus reinsurance treaty in force until the fund merger where all PNP business is reinsured to BRS.

The expenses in table 6(1) for BRS after adjusting for the £0.9m BA expenses are significantly higher then the expenses in Form 43. This is because the non-attributable expenses include the £1.6m expense reserve described in 6(5) below which relates to expense increases from 2014.

(4) New Business Expense Overrun

The company is closed to new business except for contractual increments which includes immediate annuities arising from vesting deferred pension policies. The agreement with the management services company specifies the expenses to be incurred and premium rates allow for the expenses to be charged. The company does not therefore expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6.1 are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts except as described below.

The expense assumptions allow for the fees payable under a management services agreement plus a prudent allowance for costs that are not covered by standard fees payable under the agreement.

Policies previously written in Alba

For the LASPEN Managed Fund contracts. (As the basis of charging for both administrative and investment management services can be varied outside the period of guarantee, which covers only the first three years following the commencement of a policy, no explicit provision for future expenses is deemed necessary.)

Other than a reserve of £0.228m, no allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

An additional reserve of £0.6m has been set up in respect of the Capita contract to allow for the potential cost of renegotiating the contract at the renewal date. No such reserve is considered necessary in respect of RMS contract since the contract allows for Alba IT costs to fall to BA unit cost levels which has not been allowed for in the expense assumptions.

Policies previously written in BRS

The expenses in table 6(1) make no allowance for future redundancy costs. An additional reserve of £1.6m is established to cover the risk that there is a one-off increase in expenses when the current management services agreement is reviewed in 2014. This reserve assumes a 25% uplift in per policy expenses at the review date.

Policies previously written in BA

The expenses in table 6(1) make no allowance for future redundancy costs. An additional reserve of £0.9m is established to cover the risk that there is a one-off increase in expenses when the current management services agreement is reviewed in 2014. This reserve assumes a 20% uplift in per policy expenses at the review date.

(6) Non-attributable expenses

The non-attributable expenses are for fund merger costs, system migration costs, additional project costs and endowment review costs. The reserves for the non-attributable expenses is equal to the expected expenses after allowing for tax relief on life business.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency £m	Mathematical Reserves *	Backed by assets
Sterling (£)	6,477.175	6,477.175
Other currencies	3.444	3.444
Total	6,480.619	6,480.619

* Includes liabilities in respect of deposits received from reinsurers

(2) Other Currency Exposures

The proportion of these liabilities which are matched by assets in the same currency is 54%.

(3) Currency Mismatching Reserve

All of the liabilities and the majority of the assets are denominated in sterling and are backed mainly by fixed interest assets and cash. Euro denominated bonds are held together with currency swaps to convert the coupon and redemption proceeds to sterling. This combined holding results in minimal currency risk and so no additional currency mismatching reserve is required.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

There are no significant territories outside the United Kingdom.

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required in respect of INSPRU 1.1.34(2)(R).

The size, currency and term of assets in respect of non profit fund are reviewed regularly. The liabilities are backed mainly by fixed interest assets and cash and projections are carried out on appropriate, realistic assumptions and Investment Managers are given rules to control the duration of such assets.

In view of this, no additional reserves for cashflow mismatching are regarded as appropriate.

8. OTHER SPECIAL RESERVES

Endowment Compensation Reserve

Some policyholders may have been given non-compliant advice to take out an endowment policy to repay a mortgage.

An amount of £26.1m has been provided to cover the cost of providing compensation to them. This has been assessed from the number of complaints expected to be received, the proportion anticipated to be valid and the expected amount of compensation per case payable, account being taken of the FSA guidelines on determination of compensation. Provision has also been made for the cost of handling complaints received.

The amount is included in the mathematical reserve for the relevant endowment products.

Other Reserves

Further additional reserves, exceeding the lesser of £10m and 0.1% of total mathematical reserves, comprise:

(i) Data contingency reserves of £29.6m for additional expenses which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

(ii) Reserves of £22.5m for future litigation settlements and similar costs, which are calculated having regard to past experience.

(iii) A counterparty risk reserve of £13.0m in respect of the Company's policy administration and investment management outsourcing arrangements.

(iv) A £20.0m annuity longevity reserve is held for Peak 1 purposes. This allows for improvements in future annuitant longevity in excess of the margins allowed for in the basic reserves.

9. REINSURANCE

(1) Facultative treaties

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of the reinsurance treaties in force at the valuation date are set out below.

For Policies previously written in PLL

(d)	Swiss Life Insurance and Pension Company.
(e)	A block of single premium compulsory purchase annuity contracts are reinsured on original terms.
(f)	No premiums were payable by the company under the treaty during the year.
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	The amount of mathematical reserves ceded under the treaty at the valuation date was £17,547m.
(k)	As (e)

(d)	UNUM Provident.
(e)	Claims resulting from Group PHI contracts are 100% reinsured
(f)	The premiums payable by the company under the treaty during the year were £6,005m.
(g)	There are no deposit back arrangements.
(h)	The treaty is open to new business.
(i)	There are no undischarged obligations
(j)	The amount of mathematical reserves ceded under the treaty at the valuation date was £143,435m.
(k)	As (e)

(d)	Swiss Re
(e)	Group PHI, excluding schemes written under multinational pooling, is reinsured on a 50% quota share basis with a maximum retention on any one life of £75,000 p.a. All individual claim benefits greater than the maximum retention are 100% reinsured with Swiss Re.
(f)	The premiums payable by the company under the treaty during the year were £0.227m
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	The amount of mathematical reserves ceded under the treaty at the valuation date was £79,653m
(k)	As (e)

(d)	Swiss Re
(e)	PHI policies are reinsured on a 50% quota share basis with a maximum retention of £25,000p.a.
(f)	The premiums payable by the company under the treaty during the year were £2,445,m
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	See Note 1
(k)	As (e)

(d)	Swiss Re.
(e)	Term, Term & TPD and waiver of premium policies are reinsured on a 90% quota share basis with a maximum retention of £50,000 / £300 p.a. (or $75,000 / $450 p.a.). Advance commission is also provided.
(f)	The premiums payable by the company under the treaty during the year were £2,191m.
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	See Note 2
(k)	As (e)

(d)	GE Frankona.
(e)	Certain Critical illness, TPD and Term & CI policies are reinsured on an 85% quota share basis with a maximum retention of £50,000. The business covered is the same as under (xiv) below. Certain other policies of the same types are reinsured on a 90% quota share basis with a maximum retention of £50,000, and for these policies. Advance commission is also provided.
(f)	The premiums payable by the company under the treaty during the year were £1,407m.
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations

(j)	See Note 2
(k)	As (e)

(d)	GE Frankona.
(e)	The treaty covers PHI reinsurance business accepted by the company. Where the P.H.I. reinsurance exceeds £25,000p.a. the excess is reinsured.
(f)	The premiums payable by the company under the treaty during the year were £0.880m
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	See Note 1
(k)	As (e)

(d)	Munich Re
(e)	Term and Term & TPD policies are reinsured on a 90% quota share basis with a maximum retention of £50,000 (or $75,000). Advance commission is also provided.
(f)	The premiums payable by the company under the treaty during the year were £7,336m.
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	See Note 2
(k)	As (e)

(d)	Gen Re. And Kolnische Ruck
(e)	Critical Illness, TPD and Term CI policies are reinsured on a 75% quota share basis (90% prior to 7 July 2003) with a maximum retention of £100,000 (£50,000) prior to 7 July 2003). Advance commission was also provided until 26th January 2003. The treaty is a co-reinsurance arrangement, 5% of the reinsured business being underwritten by Gen Re and 95% by Kolnische Ruck.
(f)	The premiums payable by the company under the treaty during the year were £9,465m.
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	See Note 2
(k)	As (e)

(d)	GE Frankona
(e)	PHI policies are reinsured on an 85% quota share basis with a maximum retention of £25,000pa. With effect from 1 January 2003, reinsurance is on a risk premium basis.
(f)	The premiums payable by the company under the treaty during the year were £14,200m
(g)	There are no deposit back arrangements.
(h)	The treaty is closed to new business.
(i)	There are no undischarged obligations
(j)	See Note 1
(k)	As (e)

(d)	Legal and General
(e)	A 50% quota share of Fair Share Whole Life business written between 1.9.74 and 30.9.80.
(f)	£0.197 m
(g)	£ nil
(h)	The treaty is closed to new business.
(i)	£ nil
(j)	£ 10.871m
(k)	The treaty is a 50% quota share arrangement.

(l) All reinsurers included are authorised to carry on insurance business in the UK.

(m) None of the above reinsurers is a connected company of the insurer.

(n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(o) Under each treaty consideration has been given to the overall position in the event of contracts lapsing. Where the commission refund due to the reinsurer is proportionate to the commission refund due to the company on the original contract, then taking into account the reserves released on the retained benefits, and the refunds of commission expected to be received by the company in respect of the original contracts, it has not been considered necessary to hold any additional reserve. Where the commission refund due to the reinsurer is more than an amount proportionate to the commission refund due to the company on the original contract, then a reserve has been set up to cover the expected shortfall.

(p) There are no financing reassurance treaties.

Note 1 The total reserves ceded in respect of treaties covering individual PHI business previously written by SLUK are £43.750m

Note 2 The total reserves ceded in respect of treaties covering TA, CI and TPD business previously written by SLUK are £47.537m

For Policies previously written in Alba

Not applicable

For Policies previously written in Century

Name of Reinsurer	XL Re
Cover given	100% of the benefits under the company's ex-OMLA non linked immediate annuity business that was n force at the end of 16 December 1999.
Premims payable in the period	0
Amount deposited under deposit back arrangements	There is no deposit back arrangement
Open or Closed to new business	Closed
Undischarged obligation	None
Mathematical Reserve ceded	£374.8m
Retention for new business	N/A

In respect of the reinsurance with XL Re:

- The reinsurer is not authorised to carry on insurance business in the United Kingdom
- The reinsurer is not a connected company of the company
- The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
- No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract

For policies previously written in BULA

Name of Reinsurer	HSBC
Cover given	95% quote share reinsurance in respect of Group life schemes with cover of five years or more.
Premims payable in the period	0
Amount deposited under deposit back arrangements	N/A
Open or Closed to new business	Closed
Undischarged obligation	None
Mathematical Reserve ceded	£17.5m
Retention for new business	N/A

In respect of the reinsurance with HSBC:

- The reinsurer is authorised to carry on insurance business in the United Kingdom
- The reinsurer is not a connected company of the company
- Assets backing the liabilities are held in trust with appropriate security arrangements in place.
- No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract

For Policies previously written in BRS

(d) **Hanover Ruechversicherung AG.**

(e) The treaties provide stop loss mortality cover for a proportion of the business reinsured.

(f) No premiums are payable in respect of the treaties. A repayment of the financing advance of £3.1m was made during the year

(g) There is no deposit back arrangement.

(h) All the treaties are closed to new business.

(i) The amount of undischarged obligations of the insurer is £18.0m :

Treaty	Undischarged obligation £m
2000	2.0
2001	7.8
2002	13.5
2003	0.0

(j) The amount of mathematical reserves ceded under the treaties is £37.4m.

(k) The insurer retains 25% of the mortality risk for the 2000 and 2001 treaties and 50% of the mortality risk for the 2002 and 2003 treaties.

(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom.

(m) The company and the reinsurer are not connected.

(n) There are no material contingencies, such as credit risk or legal risk, to which the treaties are subject.

(o) No provision is made for any liability of the insurer to refund any commission in the event of lapse or surrender of the contract.

(p) (i) Repayment of the undischarged obligation is contingent on the emergence as surplus of margins in the valuation basis.

(ii) No provision has been made in the valuation for the amount of the undischarged obligation at the valuation date. The impact of the arrangements on the valuation result is to increase the fund and surplus carried forward by the amount of the undischarged obligation. No allowance has been made for contingencies, such as credit or legal risk, associated with the financing arrangements.

For policies previously written in BA

(d) The reinsurer is SCOR Global Life Reinsurance UK Limited

(e) The treaty covers mortality and critical illness benefits on a quota share basis.

(f) The premiums payable to the insurer during the report period are £2.3m.

(g) There are no deposit back arrangements.

(h) The treaty is closed to new business.

(i) The insurer has no undischarged obligations under the treaty.

(j) The amount of mathematical reserves ceded under the treaty is £12.2m

(k) The insurer retains 10% of the risk

(l) The reinsurer is authorised to carry on reinsurance business in the United Kingdom.

(m) The reinsurer is not a connected company of the insurer.

(n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.

(o) There is no reinsurance commission payable under the contract.

(p) The treaty is not a financing arrangement.

(10) REVERSIONARY (OR ANNUAL) BONUS

Not applicable

APPENDIX 9.4A

PHOENIX LIFE LIMITED

1. Introduction

(1) Valuation date

The valuation date is 31 December 2006.

(2) Previous valuation

There is no previous valuation since the Company was not previously a realistic basis firm. Alba, BA and PLP were realistic basis firms as at 31 December 2005 and the previous valuation in respect of the business previously written in them was carried out as at 31 December 2005. Where previous year information is presented it relates to the valuation in the previous company.

(3) Interim valuations

No interim valuations have been carried out.

ALBA WITH PROFITS FUND

2. Assets

(1) Economic assumptions for valuing non-profit business

The economic assumptions used to calculate the value of future profits on non-profit business are as follows:

	Current Valuation	Previous Valuation
Fixed Interest Investment return	4.72%	4.22%
Risk discount rate	4.72%	4.22%
Inflation	3.3%	3.0%
Expense inflation	4.3%	4.0%

For the first 8 years the inflation assumption for individual business is 9.3% to reflect the terms of the MSA agreement.

(2) Amount determined under INSPRU 1.3.33R(2)

Not applicable

(3) Valuation of contracts written outside the fund

Not applicable

(4) Different sets of assumptions

Not applicable

(5) De minimis limit

Not applicable – the assumptions in (1) relate to all non-profit business within the with-profits fund.

3. With-profits Benefits Reserve Liabilities

(1) Calculation of with profits benefits reserve

Type	Method	With profits benefits reserve	Future policy related liabilities
Unitised With Profits 0% guarantee	On an individual policy basis the face value of units has been multiplied by a factor representing the ratio of units to asset shares calculated retrospectively for representative policies of similar duration and premium paying type (i.e. single or recurring).	£50m	£0m
Unitised With Profits 4% guarantee		£23m	£0m
Deposit Administration		£146m	£4m
Unitised Capital Guarantee Fund		£27m	£0m
Paid up policies without guaranteed annuity options for which premium history is insufficient to calculate retrospective asset shares.	The present value of future benefits less expenses. The mathematical reserve was calculated using the published statutory basis.	£62m	£1m
As above but with guaranteed annuity options.		£27m	£14m
Other policies without guaranteed annuity options	Individual asset shares calculated using actual premiums received, fund performance and expenses incurred in accordance with the PPFM.	£750m	£106m
Other policies with guaranteed annuity options.		£142m	£100m
Adjustments			£35m
Total		£1,227m	£260m

(2) Correspondence with Form 19

The above reconcile to lines 31 and 49 of Form 19.

The adjustments consist of £18m provision to repay part of the Contingent Loan (see 7), plus the £3m future transfer of BL pre 1990 business (see 8) less £38m of expected future surrender profits. Furthermore, a GN45 adjustment of £52m is included in Line 34.

(3) With Profits benefits reserves below de minimis limit

Not applicable as all products have been disclosed

(4) Types of products

The main class of guarantees are minimum annuity rate options and these have been separately identified in the table above. The only significant bonus guarantees are on UWP 4% guarantee policies.

4. With-profits benefits Reserve – Retrospective method

(1) Retrospective methods

(a) All contracts have been calculated on an individual policy basis.

(b) No contracts have been valued on a grouped basis.

(c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant changes to valuation method

(a) There have been no significant changes in the method of calculating the with-profits benefits reserve.

(b) No policies were valued using approaches more approximate than used for the previous valuation.

(3) Expense allocation

(a) The previous expense investigation was carried out in December 2006

(b) Expense investigations are carried out annually

(c) A specific investigation was carried out for this valuation.

(i) Being closed to new business, all expenses were identified as maintenance expenses.

(ii) Maintenance expenses for the Fund for the year to the valuation date were:

Life - individual	£6.7m
Pensions - individual	£1.8m
Pensions - corporate	£3.7m
Total	£12.1m

(iii) Expenses incurred in the year are allocated to specific classes of business, e.g. life / pensions and individual / corporate. The individual corporate split represents the business administered by Resolution Management Services and Capita respectively. These are then apportioned using the number of policies per category.

(iv) The following expenses were charged to non-profit business

Life – individual	£1.2m
Pensions - individual	£2.6m
Pensions - corporate	£0.8m
Total	£4.6m

(4) Significant charges

The PPFM sets out the rules for allocating charges to asset shares. This takes into account the requirement to treat policyholders fairly. Overall no charges (e.g. in respect of cost of guarantees or guaranteed annuity options) are applied to asset shares in 2006. This compares to zero overall charge made to asset shares in 2005.

(5) Charges for non-insurance risk

Not applicable

(6) Ratio of claims to reserves

Average ratio of total claims to asset shares:

Year	**Ratio of claims to asset shares**
2004	106.9%
2005	103.2%
2006	106.1%

(7) Allocated return

Unsmoothed yields for the full year (gross of tax), applied to the With Profit Reserve:

Life policies (gross)	3.04%
Pensions policies (Low guarantee)	3.04%
Pensions policies (High guarantee)	0.95%

The asset allocation for Life policies and pensions low guarantee was 25% property and 75% fixed interest. For pensions high guarantee it was 10% property and 90% fixed interest.

5. With-profits benefits reserve – Prospective method

(1) Key assumptions

(a) As described in 3(1), the prospective method uses the statutory reserves. These are detailed in APPENDIX 9.4 4(2). These comply with the Peak 1 rules and hence differ from the risk free rates required by 6(4)(a)(iii).

(b) Not applicable as future bonus rates are not projected.

(c) Expense inflation of 4.3% was used, except for the first 8 years of the business administered by Resolution Management Services where the inflation assumption was 9.3% to reflect the terms of the administration agreement;

(d) No future reversionary or terminal bonuses were assumed;

(e) The following expenses were used:

Product Type	Current Valuation	Previous Valuation
Individual		
Annuities	£36.67	£33.91
RP WP & Unitised WP Life	£61.12	£56.52
RP WP & Unitised WP Pensions	£101.87	£94.20
SP/PUP WP & Unitised WP	£30.56	£28.26
Corporate		
Buyouts	£27.58	£26.75
Group money purchase & Group personal plans	£55.15	£53.49
Group deferred annuity & Executive pension plan	£82.73	£80.24

(f) No lapses were assumed in calculating the prospective reserves except that the expense assumptions do make an implicit allowance for the effect of expected future lapses.

(2) Different sets of assumptions

Not applicable

6. Costs of guarantees, options and smoothing

(1) De minimis limit

The cost of smoothing is £0m as all benefits are based on unsmoothed asset shares.

(2) Valuation method for guarantees etc.

(a) The company uses a stochastic model to place a value on the costs of guarantees and options for with-profits contracts.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefit reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) Policies are grouped according to product type, premium status, year of maturity, year of entry, individual / corporate business and expense group (as per the management service agreement). For certain endowment assurance classes, policies are also grouped by premium size (in bands of <£500, £500-1000, >£1000).

For some product types, policies are grouped according to maturity date more frequently than yearly (e.g. quarterly for first 10 years and yearly thereafter). The year of entry grouping is carried out in 5 year bands.

Within each group, simple averages are taken. Gender is assumed to be that of the majority within any particular group.

Model Points

The following table shows the number of model points that result from applying the grouping criteria, when compared to the number of individual with-profits records.

Individual Records	Model Points
151,913	11,974

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the present value of key variables as well as progression of these variables over a period of up to 40 years. The comparison includes items such as asset shares, mathematical reserves, claims outgo and premium income, split by product type as necessary. Where material discrepancies arise, these may result in grouping being revisited.

(c) No significant approximation methods were used for any residual types of products or classes.

(3) Significant changes

A full stochastic model was used to value the cost of guarantees and options at this valuation, whereas a closed form approximation was used at the previous valuation.

(4) Further information on stochastic approach

(a) (i) The stochastic model is used to value the following guarantees and options:

- No negative terminal bonus guarantees at maturity and death within conventional with-profits (CWP) contracts,
- MVA-free spot maturity guarantees within unitised with-profit (UWP) and deposit administration (DA) contracts,
- Guaranteed annuity options (GAO's) on conventional with-profits (CWP) contracts,
- Surrender guarantees on flexible endowments.

Of these, the guarantees and options which are strongly "in the money" at the valuation date are the GAO's and maturity guarantees on conventional pensions policies.

An indication of the extent of these guarantees is given in (vi) below.

(ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in an Annual LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model.

The calibration at 31 December 2006 was as follows:

Term	Govt. + 10bp	Model	Difference (Model - Market bp)
1	5.38%	5.39%	0
2	5.31%	5.32%	0
3	5.25%	5.25%	0
4	5.19%	5.19%	0
5	5.13%	5.13%	0
6	5.07%	5.07%	0
7	5.01%	5.01%	0
8	4.96%	4.96%	0
9	4.91%	4.91%	0
10	4.86%	4.86%	0
12	4.76%	4.77%	1
15	4.63%	4.64%	1
20	4.45%	4.46%	1
25	4.29%	4.30%	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at 31 December 2006 is as follows:

Term	Market IV	Model	Difference (Model - Market bp)
1	11.55	11.7	15
2	11.75	11.78	3
3	11.9	11.87	-3
4	12	11.97	-3
5	12	12.06	6
7	12.1	12.25	15
10	12.35	12.49	14
15	12.7	12.7	0
20	12.65	12.71	6
25	12.5	12.55	5
30	12.35	12.28	-7

Equities

Not applicable since the Alba Life with profit fund has zero equity exposure.

Property

Excess returns over risk free on property are modelled using a separate (but correlated) lognormal model.

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Output Correlations @ Year 10							
	Cash	Property	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	*1*	0.07	0.42	-0.53	0.25	-0.46	0.42	0.09
Property		1	0.08	0.06	0.09	0.06	0.11	0.12
5yr Govt ZCB			1	0.24	0.67	0.22	0.21	0.06
15yr Govt ZCB				1	0.20	0.87	-0.16	0.09
5yr Corp ZCB					1	0.50	0.19	0.09
15yr Corp ZCB						1	-0.10	0.11
5yr Index Linked ZCB							1	0.83
15yr Index Linked ZCB								1

(iii)

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	5.13%	4.64%	4.30%	4.04%	X	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	£778,849	£506,347	£349,160	£249,911	X	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	£61,381	£199,854	£282,245	£354,480	£156,764	£338,927	£444,628	£531,824	£523,644	£687,411	£821,421	£922,936
3		FTSE All Share Index (p=0.8)	£51,975	£155,302	£203,166	£239,955	£133,915	£266,049	£320,740	£361,941	£459,891	£546,902	£602,948	£638,904
4		Property (p=1)	£29,613	£103,078	£160,630	£224,505	£130,682	£234,116	£308,237	£387,369	£523,275	£597,431	£682,589	£772,431
5		Property (p=0.8)	£21,894	£68,101	£96,383	£127,584	£104,788	£162,477	£194,159	£231,139	£457,965	£449,343	£463,513	£489,822
6		15 year risk free zero coupon bond (p=1)	£2,055	£7,265	£7,248	£13,081	£52,653	£60,530	£69,750	£115,065	£499,598	£500,368	£500,358	£532,450
7		15 year risk free zero coupon bond (p=0.8)	£914	£3,143	£1,908	£2,162	£33,349	£22,947	£12,814	£15,053	£427,872	£312,874	£234,696	£216,997
8		15 year risk free bonds (p=1)	£2,785	£12,422	£17,079	£33,771	£57,515	£77,897	£91,307	£135,355	£498,279	£498,946	£499,630	£535,590
9		15 year risk free bonds (p=0.8)	£1,467	£4,996	£5,137	£7,879	£37,768	£34,122	£27,481	£36,310	£426,553	£313,055	£242,426	£230,053
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	£31,068	£123,241	£189,215	£255,591	£119,321	£251,380	£336,683	£417,118	£511,346	£608,151	£702,030	£795,614
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£24,158	£87,388	£122,265	£156,586	£96,068	£181,091	£223,431	£262,256	£444,142	£463,492	£486,581	£518,340
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	£26,701	£115,245	£170,301	£228,547	£106,990	£234,582	£308,476	£380,089	£505,526	£583,355	£667,402	£746,478
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	£20,191	£81,041	£108,518	£137,896	£85,451	£169,873	£201,989	£234,774	£436,308	£436,851	£455,365	£476,625
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£8,759	£56,904	£92,774	£141,178	£77,335	£160,645	£214,453	£277,108	£501,835	£530,267	£576,328	£643,801
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£5,647	£32,545	£47,737	£69,730	£55,942	£100,947	£118,223	£146,260	£430,748	£372,309	£357,297	£370,073
			L=15				L=20				L=25			
16		Receiver swaptions	8.37%	9.79%	8.51%	6.72%	11.10%	12.37%	10.60%	8.30%	13.59%	14.62%	12.37%	9.63%

Notes:

1. The above option prices were produced by the ESG used to calibrate the Alba WP Fund stochastic model. As the Alba WP fund has no exposure to equities, rows 2, 3, 10-13 are not relevant. The prices in rows 14 and 15 show the impact of correlations between different asset classes – note that this is based on the defined asset allocations which differ from those of Alba WP Fund which in particular has zero equity exposure.
2. For the purposes of this table, all bonds are zero coupon and property income is reinvested.

(iv) UK initial property rental yield: 4.30%

(v) The asset model is not calibrated to any risk free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories.

(vi) The table below shows the outstanding durations of significant guarantees and options within material types of product and classes of with-profit insurance contracts. The table shows the proportion of the total present value of cost of guarantees and options split by policy maturity year.

Maturity year	WP endowments	WP mortgage endowments	WP pensions funding for cash (no GAO)	WP pensions funding for annuity	WP funding for cash (with GAO)
2007	0.0%	0.2%	0.1%	2.6%	1.3%
2008	0.0%	0.3%	0.1%	3.2%	1.2%
2009	0.1%	0.2%	0.4%	7.6%	2.1%
2010	0.0%	0.2%	0.1%	2.8%	1.5%
2011	0.0%	0.1%	0.1%	2.6%	2.0%
2012	0.0%	0.2%	0.1%	3.2%	1.7%
2013	0.1%	0.1%	0.1%	2.9%	2.0%
2014	0.0%	0.1%	0.3%	4.2%	3.0%
2015	0.0%	0.1%	0.0%	2.0%	2.3%
2016	0.0%	0.0%	0.0%	1.5%	2.1%
2017	0.0%	0.1%	0.0%	1.9%	2.1%
2018	0.0%	0.0%	0.1%	1.7%	2.8%
2019	0.0%	0.0%	0.3%	2.6%	3.1%
2020	0.1%	0.0%	0.0%	1.3%	2.4%
2021	0.0%	0.0%	0.0%	0.5%	2.1%
2022	0.0%	0.0%	0.0%	0.5%	2.7%
2023	0.0%	0.0%	0.1%	1.3%	1.8%
2024	0.0%	0.0%	0.2%	2.0%	2.2%
2025	0.0%	0.0%	0.0%	0.2%	1.5%
2026	0.0%	0.0%	0.0%	0.3%	1.3%
2027	0.0%	0.0%	0.0%	0.2%	0.9%
2028	0.0%	0.0%	0.2%	0.7%	1.0%
2029	0.0%	0.0%	0.0%	0.8%	0.9%
2030	0.0%	0.0%	0.0%	0.1%	0.5%
2031	0.0%	0.0%	0.0%	0.1%	0.6%
2032	0.0%	0.0%	0.0%	0.1%	0.5%
2033	0.0%	0.0%	0.1%	0.2%	0.4%
2034	0.0%	0.0%	0.0%	0.3%	0.3%
2035	0.0%	0.0%	0.0%	0.0%	0.2%
2036	0.0%	0.0%	0.0%	0.0%	0.1%

Calibration of the asset model to market data is shown, where available, in 6(4)(a)(ii) above.

(vii) We carry out comprehensive tests on the output produced by Barrie & Hibbert asset model as follows:

For UK property we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity - the martingale property.

The same test has been undertaken for gilts and bonds with terms of 1, 3, 5, 10, 15, 20, 30 and 40 years. Departures from unity in the average discounted present values have not been significant.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

We have also verified, within acceptable limits, that implied volatility calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The stochastic model is run on one thousand investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

Reasonable convergence of the model result was validated by analysing the valuation result in 50 scenario batches in order to determine the maximum sampling error.

(b) Not applicable

(c) Not applicable

(5) Management actions

(a) No management actions were assumed in calculating the Working Capital.

(b) No exposure to equities is assumed in the future and non guaranteed reversionary bonus rates are assumed to be zero throughout.

(6) Persistency assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years			
		1-5	**6-10**	**11-15**	**16-20**
CWP savings endowment	Surrender	6%	6%	6%	6%
CWP target cash endowment	Surrender	6%	6%	6%	6%
UWP savings endowment	Surrender	14%	14%	14%	14%
UWP target cash endowment	Surrender	N/A	N/A	N/A	N/A
UWP bond	Surrender	N/A	N/A	N/A	N/A
UWP bond	Automatic withdrawals	N/A	N/A	N/A	N/A
CWP pension regular premium	PUP	0%	0%	0%	0%
CWP pension regular premium	Surrender	2%	2%	2%	2%
CWP pension single premium	Surrender	2%	2%	2%	2%
UWP individual pension regular premium	PUP	0%	0%	0%	0%
UWP individual pension regular premium	Surrender	2%	2%	2%	2%
UWP individual pension single premium	Surrender	8%	8%	8%	8%

A take up rate of 75% for guaranteed annuity options is assumed. This is consistent with the terms of the agreement with the Britannic with profit fund where any deviation from this assumption is met by that fund.

(7) Policyholders' actions

No such assumptions were made.

7. Financing Costs

A Contingent Loan has been provided by the PLL Non Profit Fund investment reserve to ALBA WP Fund (the borrower). The purpose is to maintain a regulatory surplus pursuant to both INSPRU 1.1.27 and INSPRU 1.1.28. The loan is subordinate to policyholders' interests insofar as repayment will not take place if treating policyholders fairly cannot be maintained.

The face value outstanding at 31 December 2006 was £18.2m. Interest payable is the interest received by the borrower on the Memorandum Account. Fees are payable by the borrower. Any amount not required to maintain a surplus for the purposes of INSPRU 1.1.27 and INSPRU 1.1.28 can be repaid.

Following the conditions of the agreement, a provision for repayment of the full £18.2m of the contingent loan has been included in the realistic balance sheet as this is not required to maintain realistic solvency and would therefore ultimately be repaid.

8. Other long-term insurance liabilities

For BL pre 1990 business it is necessary to calculate the PV of future shareholder transfers to be generated from this class of business as these will not be deducted from the With Profit Benefit Reserve. This amount is shown on line 47 of Form 19.

9. Realistic current liabilities

The realistic current liabilities of £40.9m consist of regulatory current liabilities consistent with Form 14 Line 49.

10. Risk capital margin

(a) The risk capital margin amounted to £16.5m.

(i) No equities are held in the Fund hence no equity stress was required. A fall in properties of 12.5% was assumed. A property fall was the most onerous.

(ii) A yield fall of 17.5% of the annualised 15 year gilt yield (of 4.62%), i.e. 0.81% was assumed for UK fixed interest stocks. For foreign stocks the yield fall was calculated as 17.5% of the yield on 10 year government bonds of the relevant country. On average, this was 0.3%. (The foreign investments were all European apart from a small holding, £4m, of US Treasury bonds.) The interest rate fall was the most onerous.

(iii) The average change in spread for bonds (weighted by value) was 0.63%, and the total change in asset value for bonds was 5.53%. Items (b) debts, (d) analogous non-reinsurance financing agreements and (e) other assets do not apply. Furthermore (c) does not apply as all of our reassurance arrangements have preferential access to the reassurer's assets in the event of default.

(iv) The impact of the persistency risk scenario is that the realistic value of liabilities increases by £16.4m or 1.1% of basic asset shares prior to any management action being taken.

(v) These were assumed to be materially independent.

(b) The effects of management actions are as follows.

(i) The PPFM details the procedure to restate the asset share yields to target payouts at 100% on the new basis. On the pre adjusted basis, maturity payouts are targeted at 90% of asset share. Under the stress scenarios, the target ratio is unchanged. The provision to repay the Contingent Loan of £18.2m was excluded.

We assume that the data contingency reserve will be increased from £5m to £10m.

(ii) No management action has been assumed under the stress scenarios except that no provision has been made to repay the contingent loan of £18.2m in Form 19 Line 45 and there is no GN45 planned benefit enhancements to the with-profits benefit reserve in Form 19 Line 34.

(iii) No exposure to equities is assumed in the future and non guaranteed bonus rates are assumed to be zero throughout.

(iv) The requirements of INSPRU 1.3.188R would be met if the management action described in (i) had in fact taken place.

(c)

(i) The assets covering the RCM are held in the ALBA With Profits Fund and the Non Profit Fund. They consist of approved and other fixed interest securities and other assets.

(ii) The scheme for the funds merger as at 31 December 2006 included a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. Tax

(i) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets.

Expenses attributed to the with profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

(ii) In calculating the value of future policy related liabilities, tax is allowed for as follows.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees, and this allows for policyholder tax as described in (i).

(iii) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

12. Derivatives

The fund has a portfolio of European-style receiver swaptions, to mitigate the effect that falls in interest rates have on the value of contracts written with a guaranteed annuity option. At 31 December 2006, the fund held swaptions valued at £15m with an aggregate nominal value of £145m.

The option dates for swaptions range from 2007 until 2035, with swap tenors of between 16 and 25 years. The majority of contracts are for a strike rate of interest of 5%. In recognition of an agreement with the Britannic with profits fund (referred to in 6 (6)), the relevant policies were modelled assuming a 75% take-up rate for the option.

13. Analysis of working capital

The movement in working capital over the twelve months to the valuation date is shown in the following table. The opening working capital is as reported in the Alba FSA Returns as at 31 December 2005.

	£m
Opening working capital	**0.0**
Write back provision to repay part of UL contingent loan	12.2
Revised opening working capital ignoring loan	**12.2**
Opening adjustments	64.7
Restated Opening Working Capital ignoring loan	**76.9**
Interest Return on working capital	4.0
Emergence of modelling margins	3.8
Unallocated investment return	5.9
NP methodology change	1.7
Contingent Loan Payments (including interest)	-45.1
Tax	2.7
Assumption Changes	18.5
Change in provisions	-18.0
Surrender profit	4.2
Asset transfer on Funds merger	2.0
Unexplained	13.5
Closing position ignoring loan	**70.1**
Provision to repay contingent loan	18.2
Planned benefit enhancements to zeroise working capital	51.9
Closing working capital	**0.0**

The opening adjustments comprise three main elements. The first of these related to prior year asset adjustments of £11m. The second results from the introduction of the new asset liability model during 2006. This was developed partly as a requirement to determine a fair market value for the sale of ALBA Life from the BA with profits fund. The previous methodology allowed for significant implicit margins which it was now possible to quantify and release. In total this improved the working capital by £59.4m. The third element reflects other modelling adjustment with a -£5.7m impact.

A reconciliation of Form 19 Line 51 follows:

Form 19 Line 51 @ 31/12/2005	56
Movements	
Claims Outstanding – Gross	2
Claims Outstanding - Reinsurers' Share	-1
Creditors - Reinsurance ceded	4
Amounts owed to credit institutions	-3
Taxation	-12
Other creditors	-3
Accruals and deferred income	-2
Form 19 Line 51 @ 31/12/2006	41

14. Optional disclosure

None made.

Britannic With Profits Fund

2. Assets

(1) Economic assumptions for valuing non-profit business

The following table shows the principal economic assumptions that have been used to determine the value of future profits arising from non-profit business written in the fund. The assumptions vary under the scenario of events assumed to occur when determining the *Risk Capital Margin* (RCM) and these are shown separately from the base scenario.

		Current Valuation		Previous Valuation	
Economic Assumption*		**Base**	**RCM**	**Base**	**RCM**
Valuation interest rate p.a.	Pensions (pre/ post vesting)	3.75% / 3.75%	3.00% / 3.60%	3.75% / 3.75%	3.25% / 3.25%
	Life	3.00%	2.25%	3.00%	2.50%
Experience interest rate p.a.	Pensions	4.59%	3.76%	4.10%	3.40%
	Life	4.08%	3.34%	3.59%	2.72%
Risk discount rate p.a.		4.72%	3.90%	4.22%	3.48%
Expense inflation p.a.		4.30%	4.30%	4.00%	4.00%

* Investment rates are shown net of investment expenses of 0.12% gross per annum.

(2) Amount determined under INSPRU 1.3.33R(2)

Not applicable

(3) Valuation of insurance contracts written outside the fund

Not applicable

(4) Different sets of assumptions

Not applicable. The same assumptions are used for all funds for calculating the future profits or losses on non-profit insurance contracts.

3. With-Profits Benefits Reserve Liabilities

(1) Calculation of with profits benefit reserve

In determining the With Profits Benefit Reserve shown in Line 31 of Form 19, the Fund uses several methods. The methods can be summarised as:

(i) Asset Share Calculations

Asset shares are a roll up, at historic achieved investment returns, of premiums, less expenses, charges and tax, adjusted for the profit or loss on providing death benefits and the profit or loss from contracts that terminated early.

(ii) Prospective Method

This method takes the basic policy reserve, including the Long Term Insurance Capital Requirement, and deducts the present value of retained earnings (PVRE). The PVRE is the present value of the surplus or deficit compared to the reserve, after taking into account all future policy-related income and outgo.

For the former Century business, the with profits benefits reserve is the amount transferred from the former Century Life With Profit fund as at 31 December 2006 in respect of this business (excluding the value of future profits and loss transfers). The amount transferred was determined using a bonus reserve valuation approach with future bonuses set so as to equal the amount available for transfer. This amount transferred became the opening asset share as at 31 December 2006 in the Phoenix Life Limited Britannic With-Profits Fund in respect of this business. The value transferred in respect of the Century business is provisional and may be adjusted in 2007 when the value transferred is finalised.

Consequently much of the information in subsequent paragraphs relating to the retrospective experience in 2006 underlying the 31 December 2006 with profits benefits for this business is not meaningful and has not been included.

(iii) Shadow Funds

For most unitised with profits policies the with-profits benefits reserve is taken as the shadow fund available from the company's mainframe systems. The shadow fund is the result of accumulating premiums less policy charges at the earned investment rate.

(iv) Regulatory Reserves

For some small classes of business it is not practical to apply any of the methods in (i) to (iii). In these cases the realistic reserve is taken as the Regulatory Reserve, excluding the Long Term Insurance Capital Requirement (and, in the case of the Insurance ISA, the sterling reserves).

The table below shows the breakdown of the with profits benefits reserve into these methods.

Class	Product Type	Method	With Profits Benefit Reserve £m	Future Policy Related Liabilities £m
Conventional	Premium-Paying Regular Premium Endowments	Asset Share	768	81
	Channel Islands Regular Premium Pensions (Premium Paying)	Asset Share	6	1
	Regular Premium, Premium Paying Pensions	Asset Share	57	47
	Whole of Life	Asset Share	16	0
	Whole of Life	Prospective Method	12	1
	Other Endowments	Prospective Method	5	1
	Other Channel Islands Pensions	Prospective Method	1	0
	Other Pensions	Prospective Method	2	0
	Miscellaneous pensions & With-profits annuity	Regulatory Reserve	16	0
	Claims Pending	Regulatory Reserve	7	0
Unitised With Profits	Insurance ISA	Regulatory Reserve	21	2
	Other UWP products	Shadow Funds	3,625	361
Additional				12
Total			4,537	505
Form 19 Line 31			4,537	
Form 19 Line 49				505

In the table above, the split of the future policy related liabilities into the same detail as the with-profits benefit reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing rely on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

(2) Correspondence with Form 19

The amounts in (1) above reconciles directly to Form 19.

(3) With profits benefit reserves below de minimis limit

Not applicable

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective methods

In valuing contracts on a retrospective basis for the purposes of the with-profits benefits reserve, the company calculates either asset shares or shadow funds, as described in section 3(1). All calculations are carried out on individual contracts. Shadow Funds are, for the vast majority of applicable products, available in "real time" from the company's mainframe systems, with prices being updated weekly.

Class	Product Type	Method	Proportion of With Profits Benefit Reserve Calculated from Individual Contracts	Proportion of With Profits Benefit Reserve Calculated from Grouped Contracts
Conventional	Premium-Paying Regular Premium	Asset Share	100%	0%
	Channel Islands Regular Premium Pensions (Premium Paying)	Asset Share	100%	0%
	Regular Premium, Premium Paying Pensions	Asset Share	100%	0%
	Other UWP products	Shadow Funds	100%	0%

(2) Significant changes to valuation method

There have been no significant changes to the valuation method for any types of product or classes of with-profits insurance contracts compared to the previous valuation for policies previously written in BA.

Policies previously written in Century have not been subject to realistic reporting before so the valuation methods adopted for them are new.

(3) Expense allocation

For each with profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

(a) The previous expense investigation was carried out in respect of the financial year ended 31 December 2005.

(b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.

(c) The method by which expenses are charged to the with profits benefits reserve in respect of individual contracts depends on the type of business and the method of determining asset shares as follows:

- Traditional business asset shares are charged expenses based on the expenses charged by Resolution Management Services in respect of this business. The expenses are an amount per policy which varies by product type and by premium paying status. The amount charged to asset shares is subject to an uplift to cover direct costs and an element of project costs. Additional one off project costs are not charged to asset shares. Investment expenses are charged to asset shares by reducing the investment return allocated.

- Unitised with profits business asset shares are charged expenses using product charges, rather than actual expenses. The product charges cover acquisition, maintenance and investment expenses.

- Smoothed return business i.e. with profits annuity business, overseas with profits bond business and with profits bond business, asset shares are charged expenses using product charges, rather than actual expenses. The product charges cover acquisition, maintenance and investment expenses.

The Resolution Management Services Charges and expenses charged to asset shares are all charged as maintenance expenses as the with profits fund is no longer actively seeking new business and, for the purposes of this expense investigation all expenses have been treated as maintenance and consequently the subsequent analysis does not identify any initial expenses.

The expenses charged to with profits fund in addition to those allocated to the with profits benefits reserve comprise:

- one off costs not charged to asset shares;
- the difference between the expenses charged to the fund in respect of unitised with profits business and smoothed business compared to the product charges charged to the associated asset shares;
- expenses in respect of with profits policies that were in force at the previous financial year end and no longer in force at the current financial year end;

- the expenses incurred in respect of non profit business in the fund;
- the investment expenses reduction not charged to asset shares;
- investment expenses associated with the investments backing other with profits reserves and the estate;
- Wythall Green costs are netted off against the rental income when assessing the investment return on Wythall Green to be credited to asset shares and are thus only indirectly charged to asset shares;
- Prior year adjustments; and
- Balance between aggregation of the amounts charged to assets shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with profits benefits reserve and the residual balance charged to the with profits funds during the financial year were as follows:

Policies previously written in BA			
	Item		**£000s**
(i)	expenses charged to with profits benefits reserve	traditional business	5,442
		unitised with profits business	19,984
		smoothed return business	1,506
(ii)	other expenses charged to fund	other project costs	4,474
		excess product charges	(6,388)
		exiting with profits policies	795
		non profit policies	1,056
		investment expenses	3,191
		Wythall Green Costs	2,552
		prior year adjustments	(16,664)
		balance	(266)
(iii)	Total expenses		15,682

The prior year adjustments is the reallocation between subfunds for pension scheme costs that had all been allocated to the OB instead of being split between funds.

As explained earlier it is not appropriate to provide information on the expenses for former Century policies.

(4) Significant charges

Charges for cost of guarantees, cost of capital are not charged to traditional business or unitised with profits business with profits benefit reserves. Charges for cost of guarantees and cost of capital are included in the product charges for smoothed return business and hence are charged to the with profits benefit reserves. The cost of capital funds the shareholder profit and loss transfer and associated tax in respect of this business. The amounts charged to the with profits benefit reserves are:

	During financial year		**Preceding financial year**	
Policies previously written in	**cost of guarantees £000**	**cost of capital £000**	**cost of guarantees £000**	**cost of capital £000**
BA	222	484	225	486

(5) Charges for non-insurance risk

No charges were deducted from the with profits funds for non insurance risk.

(6) Ratio of claims to reserve

The average percentage of the ratio of total claims paid on with profits insurance contracts compared to the sum of the with profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with profits benefits reserve less any miscellaneous deficit attributed to the with profits benefits reserves in respect of those claims, for the three preceding financial years is:

Policies previously written in	Average total with profits claims ratio for financial year			
	2005	2004	2003	Overall
BA	100%	102%	109%	103%

(7) Allocated return

The investment return before tax and expenses allocated to the with profits benefit reserve in respect of the financial year in question is as follows:

Type of business	Investment Return
Policies previously written in BA other than Euro denominated business	7.69%
Policies previously written in BA- Euro denominated business (return in sterling terms)	10.29%

The assets backing sterling and euro with profits business asset shares and those backing former Century business are different and hence the investment returns in the above table are correspondingly different.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key assumptions

Prospective methods of valuation are used in determining a proxy for an asset share calculation in respect of certain contracts. These methods are used where a retrospective asset share calculation may be inappropriate or impractical.

The prospective method was described in 3(1) (ii).

The following table sets out the main assumptions used. There are no explicit risk adjustments made to assets.

Policies previously written in BA		
Economic Assumptions*		
Valuation interest rate p.a.	Pensions (pre/ post vesting)	3.75% / 3.75%
	Life	3.00%
Experience interest rate p.a.	Pensions	4.59%
	Life	4.05%
Discount rate p.a.		4.72%
Expense Assumptions		
Investment Expense p.a.		0.12%
Per policy Expenses p.a.	Valuation	£39.48
	Experience	£34.78
Expense Inflation p.a.		4.30%

* Investment rates are shown net of the investment expenses of 0.12% gross per annum.

** This discount rate is the 15 year gilt yield + 10 basis points which is consistent with the risk free rates in 6(4)(a)(iii) which are derived from the proprietary ESG model as described in 6(4)(a)(ii) using the gilt yield curve + 10 basis points.

No future reversionary bonus is assumed in the projections. Sample final bonus rates are:

Policies previously written in BA					
Sample Final Bonus Rates * - %					
	Policy Term				
Year of Maturity	**5**	**10**	**15**	**20**	**25**
2010	0.0	17.5	13	21.5	58
2015	0.0	28	34	37.5	49
2020	0.0	0.0	35	58	57.5
2025	0.0	0.0	0.0	48	75.5
2030	0.0	0.0	0.0	0.0	74

* Other than deferred annuities, for which the projected rates are zero.

For deferred annuity products valued on a prospective basis, lapses are not modelled. Sample lapse rates for other products valued on a prospective basis, which are based on historic experience, are:

Policies previously written in BA					
Sample Lapse Rates %					
	Policy Year				
Product	**5**	**10**	**15**	**20**	**25**
Whole of Life	2.9	2.4	1	1	0.7
Endowment*	6.0	2	0	0	0

* The range arises because lapse rates vary by the original term of policy as well as duration.

For the former Century business, the with profits benefits reserve is the amount transferred from the former Century Life With Profit fund as at 31 December 2006 in respect of this business (excluding the value of future profits and loss transfers). The amount transferred was determined using a bonus reserve valuation approach with future bonuses set so as to equal the amount available for transfer. This amount transferred became the opening asset share as at 31 December 2006 in the Phoenix Life Limited Britannic With-Profits Fund in respect of this business. The value transferred in respect of the Century business is provisional and may be adjusted in 2007 when the value transferred is finalised.

6. Costs of Guarantees, Options and Smoothing

(1) De minimis limit

Not applicable

(2) Valuation methods for guarantees etc.

(a) The company uses a stochastic model to place a value on the costs of guarantees, options and smoothing for with-profits contracts.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefit reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) The stochastic model uses three grouped policy data files: one for formerly Britannic conventional with profits policies, another one formerly Century conventional with profits policies and one for unitised with profits policies.

<u>Conventional Business Grouping</u>

Policies are grouped chiefly according to product type, premium status, premium mode, year of maturity, year of entry, premium term, age and joint life status. For single life policies, all are assumed to be male lives.

Years of maturity are grouped into one or two year bands up to and including 14 years after the valuation date. Policies maturing from 15 to 20 years after the valuation date are grouped, as are policies maturing after that time.

For the 5 years preceding the valuation date, the year of entry is not grouped. Before that, years of entry are banded into 2-3 year intervals up to 22 years preceding the valuation date. Policies that were taken out from 23 to 37 years before the valuation date are grouped, as are any taken out earlier than that.

Within each group, weights are applied to certain key policy features before averaging. For example, the elapsed duration is weighted by the sum assured, as is the premium term. For other data, such as sums assured and premiums, a simple average is taken.

Former Century Business Grouping

Policies are grouped chiefly according to product type, premium status, year of maturity, policy term, entry age and joint life status. For single life policies, all are assumed to be male lives.

Years of maturity are grouped into one year bands up to and including 20 years after the valuation date. Policies maturing after 20 years after the valuation date are grouped together.

Policy terms are grouped into 5 year bands around terms of 10, 15 and twenty years. Policies of longer terms are grouped together.

Entry ages are grouped depending on whether greater than or less than age 40.

Within each group, weights are applied to certain key policy features before averaging. For example, the elapsed duration is weighted by the sum assured, as is the premium term. For other data, such as sums assured and premiums, a simple average is taken.

Groups which contain very small subsets of the business are grouped together.

UWP Grouping

Policies are grouped chiefly according to product type, series number (this being relevant for bonds that have different dates at which benefits can be taken without reduction), premium status, premium mode, year of maturity (where relevant), policy size (by units) and the ratio of the shadow fund to the value of policy units.

For policies other than whole of life bonds, the maturity year is taken as the earliest year in which benefits can be taken without reduction. The grouping by maturity year is carried out in ten year bands, excluding policies due to mature in the next year.

For the ratio of the shadow fund to the value policy units, banding is normally carried out in 5% intervals. However, individual bands may be sub-divided where it is felt that there would otherwise be a bunching of policies.

Within each group, simple averages are taken to determine a representative policy.

Model Points

The following table shows the number of model points that result from applying the grouping criteria, when compared to the number of individual with-profits records.

Type	Individual Records	Model Points
Conventional policies previously written in BA	161,962	878
UWP policies previously written in BA	527,498	639
Conventional policies previously written in Century	7,249	539

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the present value of key variables as well as progression of these variables over a period of up to 40 years. The comparison includes items such as reserve run off, claims outgo and premium income, split by product type as necessary. Where material discrepancies arise, these may result in grouping being revisited.

For unitised with-profit business a closed form model is used to compare the results from individual policy data and grouped data.

(3) Significant changes

There have been no significant changes to the valuation methods for valuing the costs of guarantees, options or smoothing since the previous valuation for policies previously written in BA

Policies previously written in Century were not subject to realistic reporting previously so the methods for valuing the costs of guarantees, options and smoothing are new.

(4) Further information on stochastic approach

(a) (i) The stochastic model is used to place a value on:

- Maturity guarantees on conventional endowments
- Guarantees on vesting of deferred annuity contracts
- Guarantees on maturity or retirement for UWP contracts
- Nil-penalty guarantees on the surrender of with profit bonds at certain durations
- The impact of bonus smoothing

Of these, the guarantees which are strongly “in the money” at the valuation date are the maturity guarantees on conventional endowments and the guarantees on the vesting of deferred annuities.

As at 31 December, for a significant proportion of the with profit business maturity payouts (including retirements) exceed asset shares. It is intended to reduce this overpayment in line with the company’s smoothing policy subject to the level of guarantees. The impact of bonus smoothing is shown in Line 44 of Form 19.

An indication of the combined impact of guarantees and smoothing is provided in (vi), below.

(ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Barrie & Hibbert. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in a Monthly LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model.

The calibration at 31 December 2006 was as follows:

Term	**Govt. + 10bp**	**Model**	**Difference (Model - Market bp)**
1	5.38	5.39	0
2	5.31	5.32	0
3	5.25	5.25	0
4	5.19	5.19	0
5	5.13	5.13	0
6	5.07	5.07	0
7	5.01	5.01	0
8	4.96	4.96	0
9	4.91	4.91	0
10	4.86	4.86	0
12	4.76	4.77	1
15	4.63	4.64	1
20	4.45	4.46	1
25	4.29	4.30	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at 31 December 2006 is as follows:

Term	**Market IV**	**Model**	**Difference (Model – Market bp)**
1	11.55	11.63	(8)
2	11.75	12.07	(32)
3	11.9	12.22	(32)
4	12	12.16	(16)
5	12	11.89	11
7	12.1	12.67	(57)
10	12.35	12.49	(14)
15	12.7	12.95	(25)
20	12.65	12.96	(31)
25	12.5	11.99	51
30	12.35	11.92	43

Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The equity model uses a volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatilities are assumed to be constant beyond quoted strikes and maturities.

The UK equities asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at 31 December 2006 is shown below:

Market

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	19.9	17.12	14.4	12.2	10.91
2	19.32	17.22	15.26	13.6	12.36
3	19.4	17.63	16.02	14.61	13.49
5	20.09	18.68	17.39	16.25	15.29
10	22.18	21.12	20.13	19.25	18.48

Model

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	20.63	18.17	15.56	13.55	12.22
2	19.99	18.04	16.03	14.36	13.15
3	19.84	18.26	16.70	15.41	14.62
5	19.13	18.15	17.25	16.47	15.78
10	22.24	21.58	20.97	20.43	19.94

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
15	25.96	25.27	24.68	24.19	23.73
20	23.45	23.14	22.91	22.72	22.54
25	24.71	24.43	24.21	24.00	23.83
30	24.87	24.74	24.58	24.43	24.31
35	23.53	23.43	23.38	23.31	23.23
40	25.42	25.25	25.13	25.05	24.97

Difference (Model – Market) %

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	0.73	1.05	1.16	1.35	1.31
2	0.67	0.82	0.77	0.76	0.79
3	0.44	0.63	0.68	0.80	1.13
5	(0.96)	(0.53)	(0.14)	0.22	0.49
10	0.06	0.46	0.84	1.18	1.46

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Cash	Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	*1*	(0.08)	0.07	(0.06)	0.42	(0.53)	0.25	(0.46)	0.42	0.09
UK Equities		1	0.13	0.25	0.00	0.09	0.20	0.18	0.16	0.19
Property			1	0.05	0.08	0.06	0.09	0.06	0.11	0.12
Overseas Equities				1	0.07	0.17	0.10	0.17	0.25	0.30
5yr Govt ZCB					1	0.24	0.67	0.22	0.21	0.06
15yr Govt ZCB						1	0.20	0.87	(0.16)	0.09
5yr Corp ZCB							1	0.50	0.19	0.09
15yr Corp ZCB								1	(0.10)	0.11
5yr IL ZCB									1	0.83
15yr IL ZCB										1

(iii) The table is shown on the next page.

		Asset type (all UK assets)	**K=0.75**				**K=1**				**K=1.5**			
	n		**5**	**15**	**25**	**35**	**5**	**15**	**25**	**35**	**5**	**15**	**25**	**35**
	r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	5.13%	4.64%	4.30%	4.04%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	778,849	506,347	349,160	249,911	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	61,381	199,854	282,245	354,480	156,764	338,927	444,628	531,824	523,644	687,411	821,421	922,936
3		FTSE All Share Index (p=0.8)	51,975	155,302	203,166	239,955	133,915	266,049	320,740	361,941	459,891	546,902	602,948	638,904
4		Property (p=1)	29,613	103,078	160,630	224,505	130,682	234,116	308,237	387,369	523,275	597,431	682,589	772,431
5		Property (p=0.8)	21,894	68,101	96,383	127,584	104,788	162,477	194,159	231,139	457,965	449,343	463,513	489,822
6		15 year risk free zero coupon bond (p=1)	2,055	7,265	7,248	13,081	52,653	60,530	69,750	115,065	499,598	500,368	500,358	532,450
7		15 year risk free zero coupon bond (p=0.8)	914	3,143	1,908	2,162	33,349	22,947	12,814	15,053	427,872	312,874	234,696	216,997
8		15 year corporate bonds (p=1)	2,776	12,432	17,236	34,061	57,431	77,728	90,774	137,448	498,183	499,703	499,797	537,653
9		15 year corporate bonds (p=0.8)	1,451	4,865	5,296	7,999	37,194	33,846	27,651	36,732	426,458	314,083	242,388	232,365
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	31,068	123,241	189,215	255,591	119,321	251,380	336,683	417,118	511,346	608,151	702,030	795,614
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	24,158	87,388	122,265	156,586	96,068	181,091	223,431	262,256	444,142	463,492	486,581	518,340
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	26,701	115,245	170,301	228,547	106,990	234,582	308,476	380,089	505,526	583,355	667,402	746,478
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	20,191	81,041	108,518	137,896	85,451	169,873	201,989	234,774	436,308	436,851	455,365	476,625
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,735	56,943	92,868	141,354	77,229	160,768	214,361	277,219	501,830	530,283	576,353	644,095

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		**5**	**15**	**25**	**35**	**5**	**15**	**25**	**35**	**5**	**15**	**25**	**35**
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	5,632	32,564	47,784	69,821	55,876	101,070	118,261	146,447	430,759	372,412	357,027	370,351
			L=15				L=20				L=25			
16		Receiver swaptions	8.37%	9.79%	8.51%	6.72%	11.10%	12.37%	10.60%	8.30%	13.59%	14.62%	12.37%	9.63%

(iv) In all investment scenarios the initial equity dividend yield is set to 3.86% and the initial property rental yield to 4.30% p.a.

(v) The asset model is not calibrated to any risk free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories, even where Britannic has significant investments in those territories.

(vi) The following table shows the approximate percentage of the total present value of guarantees and smoothing by duration, as projected by the stochastic model. It is based on the average overpayment across all projected investment scenarios using the base assumptions.

	Traditional		UWP	
Year	**Endowments**	**Whole Life**	**Endowments**	**Pensions**
2007	-1%	0%	0%	0%
2008	4%	0%	0%	0%
2009	6%	0%	0%	2%
2010	4%	0%	0%	3%
2011	2%	0%	0%	0%
2012	3%	0%	0%	0%
2013	2%	0%	0%	1%
2014	3%	0%	0%	7%
2015	3%	0%	0%	0%
2016	1%	0%	0%	0%
2017	0%	0%	0%	0%
2018	2%	0%	0%	1%
2019	2%	0%	0%	8%
2020	2%	0%	0%	0%
2021	-1%	0%	0%	0%
2022	0%	0%	0%	0%
2023	1%	0%	0%	1%
2024	2%	0%	0%	9%
2025	2%	0%	0%	0%
2026	0%	0%	0%	0%
2027	0%	0%	0%	1%
2028	1%	0%	0%	0%
2029	2%	0%	0%	11%
2030	0%	0%	0%	0%
2031	0%	0%	0%	0%
2032	0%	0%	0%	0%
2033	0%	0%	0%	0%
2034	0%	0%	0%	7%
2035	0%	0%	0%	0%
2036	0%	0%	0%	0%
2037	0%	0%	0%	0%
2038	0%	0%	0%	2%
2039	0%	0%	0%	0%
2040	0%	0%	0%	0%

Calibration of the asset model to market data is shown, where available, in 6(4)(a)(ii) above.

(vii) We carry out comprehensive tests on the output produced by Barrie & Hibbert asset model as follows:

For UK and Overseas equities and for UK property we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity - the martingale property.

The same test has been undertaken for gilts and bonds with terms of 5, 10, 15, 20, 25, 30, 35 and 40 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatility calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The stochastic model is run on one thousand investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

A test to demonstrate the effectiveness of the sampling method was done by running the stochastic model on three thousand investment scenarios and the difference of the results to a one thousand scenarios run were not material.

(b) Not applicable

(c) Not applicable

(5) Management actions

(a) The stochastic model does not take into account the possibility of actions taken by management in the projected investment scenarios, other than to the extent as described below.

Bonus Policy – Conventional With Profits Business

Future reversionary bonus rates are assumed to be zero except for business formerly written in Century. For business formerly written in Century, the reversionary bonuses are those declared at the valuation data and are kept constant over the projections period. The cost of guarantees on business formerly written in Century is immaterial.

Maturity payouts are targeted to be 100% of asset share, subject to the company's smoothing policy. To achieve this, the model compares policies maturing in one year against similar policies maturing in the previous year and derives a scale of final bonus rates such that:

(i) The maximum change in payout from year to year is 10%

(ii) This change is increased by up to 20% in order to achieve a payout ratio of between 90% and 110%

(iii) The maximum change is unlimited in order to ensure that the payout ratio is not above 125% or below 75%

Bonus Policy – Unitised With Profits Business

The reversionary bonus rate is zero for UWP life business. For pensions business, no reversionary bonus is paid unless the ratio (in aggregate) of the shadow fund to the unit fund (including bonus units) exceeds 105%. In this case a 3% bonus is paid.

Final bonus rates are calculated based on a vintage unit method, by month of purchase. The bonus smoothing logic as described for conventional business is then applied to each monthly payout. Final bonus rates for each calendar year are taken as an average of the calculated monthly values.

Investment Mix

Appropriate allowance is made for the expectation that the exposure of the fund to real assets will reduce as the portfolios reach maturity. For policies previously written in BA the proportion of real assets is assumed to reduce by 0.125% per month from 50 % at the mid of 2009 to 20% after 20 years. For policies previously written in Century the proportion of real assets is assumed to reduce by 1.00% per annum from 30 % at the mid of 2011 to 12% after 17 years

(b) For the management actions assumed to determine the costs in paragraph 6.(4), the best estimates as to the future proportions of the asset backing the with profits benefits reserve which would consist of equities and as the future annual bonus rates for significant accumulating with profits business as at the end of the financial year in question, in 5 years time and 10 years time, based on the 5 year gilt yield plus 10 basis points of 5.13%, that yield increased by 17.5% of the long term gilt yield, i.e. 5.94% and that yield decreased by 17.5% of the long term gilt yield, i.e. 4.32% are shown in the following tables.

Policies previously written in BA						
Yield = 5.13%	Equity Proportion of assets backing with profits benefits reserve			Future Annual Bonus Rate for accumulating with profits business		
Type of business	at end of financial year	In 5 years time	in 10 years time	at end of financial year	in 5 years time	in 10 years time
Traditional business	45%	39%	33%	n/a	n/a	n/a
UWP life regular premium	45%	39%	33%	0.00%	0.00%	0.00%
UWP life single premium	45%	39%	33%	0.00%	0.00%	0.00%
UWP pensions	45%	39%	33%	3.00%	3.00%	3.00%

Policies previously written in BA						
Yield = 5.94%	Equity Proportion of assets backing with profits benefits reserve			Future Annual Bonus Rate for accumulating with profits business		
Type of business	at end of financial year	In 5 years time	in 10 years time	at end of financial year	in 5 years time	in 10 years time
Traditional business	45%	39%	33%	n/a	n/a	n/a
UWP life regular premium	45%	39%	33%	0.00%	0.00%	0.00%
UWP life single premium	45%	39%	33%	0.00%	0.00%	0.00%
UWP pensions	45%	39%	33%	3.00%	3.00%	3.00%

Policies previously written in BA						
Yield = 4.32%	Equity Proportion of assets backing with profits benefits reserve			Future Annual Bonus Rate for accumulating with profits business		
Type of business	at end of financial year	In 5 years time	in 10 years time	at end of financial year	in 5 years time	in 10 years time
Traditional business	45%	39%	33%	n/a	n/a	n/a
UWP life regular premium	45%	39%	33%	0.00%	0.00%	0.00%
UWP life single premium	45%	39%	33%	0.00%	0.00%	0.00%
UWP pensions	45%	39%	33%	3.00%	3.00%	3.00%

Policies previously written in Century						
Yield = 5.13%	Equity Proportion of assets backing with profits benefits reserve			Future Annual Bonus Rate for accumulating with profits business		
Type of business	at end of financial year	in 5 years time	in 10 years time	at end of financial year	in 5 years time	in 10 years time
Traditional business	25%	24%	20%	n/a	n/a	n/a

Policies previously written in Century						
Yield = 5.94%	Equity Proportion of assets backing with profits benefits reserve			Future Annual Bonus Rate for accumulating with profits business		
Type of business	at end of financial year	in 5 years time	in 10 years time	at end of financial year	in 5 years time	in 10 years time
Traditional business	25%	24%	20%	n/a	n/a	n/a

Policies previously written in Century						
Yield = 4.32%	Equity Proportion of assets backing with profits benefits reserve			Future Annual Bonus Rate for accumulating with profits business		
Type of business	at end of financial year	in 5 years time	in 10 years time	at end of financial year	in 5 years time	in 10 years time
Traditional business	25%	24%	20%	n/a	n/a	n/a

(6) Persistency assumptions

The surrender and paid-up assumptions are:

Product		**Average surrender / paid-up rate for the policy years**			
		1-5	**6-10**	**11-15**	**16-20**
CWP savings endowment	Surrender	3.82	4.88	2.56	1.68
CWP target cash endowment	Surrender	n/a	n/a	n/a	n/a
UWP savings endowment	Surrender	6.28	7.62	6.98	7.4
UWP target cash endowment	Surrender	n/a	n/a	n/a	n/a
UWP bond	Surrender	5.4	13.72	12.52	11.2
UWP bond	Automatic withdrawals	n/a	n/a	n/a	n/a
CWP pension regular premium	PUP	n/a	n/a	n/a	n/a
CWP pension regular premium	Surrender	0.0	0.0	3.52	1.56
CWP pension single premium	Surrender	0.0	0.0	3.52	1.56
UWP individual pension regular premium	PUP	9.76	7.98	5.96	5.3
UWP individual pension regular premium	Surrender	0.7	0.7	0.7	0.7
UWP individual pension single premium	Surrender	0.7	0.7	0.7	0.7

There is an exposure to guaranteed annuity options in respect of an agreement with the Alba With Profits Fund. In summary the agreement is such that the Alba With Profits Fund pays the Britannic With Profits Fund 75% of the potential guaranteed annuity cost which could arise when a customer retires and the Britannic With Profits Fund pays the actual cost. Thus the Britannic With Profits Fund bears the cost (and takes the profits) if the take up rate is more (less) than 75%. The current take-up rate is below 75% and no provision has been made for this liability under the "base" scenario, but a provision has been made under the "RCM" scenarios.

(7) Policyholders' actions

The model adds an extra 10% to the underlying rates shown in the table in (6) above on no market value adjustment dates for unitised with profit whole life bonds when the guarantees are in the money.

7. Financing Costs

There are no financing arrangements currently in place for the fund.

8. Other Long Term Insurance Liabilities

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

£m	
Pensions Review Reserve	19
Mortgage Endowment Reserve	9
Expense Overrun Reserve	1
Value of future charges less expenses on UWP contracts	(43)
Additional provision for tax*	98
Investment Expense Rebate credited to future asset shares	3
Data/modelling/unknown mis-selling	8
Litigation	11
SERPS mis-selling	2
Total	107

* Consisting of: Tax on future shareholder transfers, CGT reserve, deferred relief on acquisition expenses, and any adjustments in respect of amounts included in current liabilities.

9. Realistic Current Liabilities

The realistic current value of liabilities, shown at line 51 of Form 19, is taken to be equal to the value assessed on a regulatory basis, this being £40m. The figure includes creditors (including outstanding claims), provisions (including taxation), accruals and deferred income.

10. Risk Capital Margin

(a) The Risk Capital Margin for the fund was calculated to be zero at 31 December 2006. The RCM takes into account a number of changes in asset values, yields and persistency rates, as described below.

(i) The RCM allows for a fall in equity values of 20%. This was compared to a rise in equity values of the same amount and found to be more onerous for the fund.

A fall of 12.5% was allowed for in the value of property assets, and again this was found to be more onerous than a rise in property values of the same amount.

(ii) The scenario of a fall in fixed interest yields of 17.5% of the long-term gilt yield was compared against a rise in yields of the same amount. The more onerous result was assumed and represented a fall in yields. The nominal rise and fall in the (annualised) yields was 81 basis points.

There are no significant overseas territories. Overseas stocks were subjected to the same basis point adjustment as for UK stocks.

(iii) The RCM allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in the spread for bonds subject to the test, weighted by market value, was 72 basis points for the fund. This change in yields resulted in a fall in the value of these bonds by an average of 6.15% for the fund.

(iv) Persistency rates were assumed to improve by 32.5%. This was allowed for in the projections by multiplying the assumed lapse, paid-up and surrender rates at each duration by 67.5%, excluding in respect of UWP contracts the amount of any surrender rate attributable to dates where market value reductions cannot be applied.

Applying the persistency test, on top of the tests already described in (i) to (iii) results in an increase in the value of realistic liabilities of £16m but this is offset by a corresponding reduction in planned enhancements as described below.

(v) Not applicable

(b) In the stress scenarios, we further assume that the data contingency reserve will be increased from £7.5m to £15.0m.

The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the with profit funds. These enhancements are assumed to be removed in the RCM conditions to the extent that they would not be payable due to reductions in the excess assets. This action has a value of £68m in the fund.

Some policies have been granted discretionary enhancements to investment returns attributed to asset shares or shadow units. These enhancements will be removed if the estate of the with-profit fund is insufficient to finance them. No removal of enhancements has been assumed for the fund in the RCM conditions.

For the fund, the effect of the above management actions would be to leave a working capital of zero in the RCM conditions.

(c) (i) The risk capital margin is zero.

(ii) The scheme for the funds merger as at 31 December 2006 included a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. Tax

(i) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets. For unrealised gains, a reduced rate is used in order to reflect deferral of the gain.

Expenses attributed to the with profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

Where asset share calculations are used, the value of outstanding tax relief arising on acquisition expenses is not capitalised. This asset is reflected in Line 47 of Form 19.

Additional tax arising on shareholder transfers is met from the estate and is not chargeable to asset shares.

(ii) In calculating the value of future policy related liabilities, tax is allowed for in a number of ways.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees and smoothing, and this allows for policyholder tax as described in (ii).

Additional tax on shareholder transfers, which is payable from the estate, is reflected in Line 47 of Form 19 and is derived from the stochastic model results.

The accrued amount of any unrealised capital gains is included in Line 47 of Form 19. This is based on the actual unrealised gains on the valuation date multiplied by an assumed tax rate that allows for deferral of the gain being realised. This deferral takes into account an assumed annual turnover of equities of 35% p.a.

Outstanding tax relief on acquisition expenses is allowed for in Line 47 of Form 19 and is based on outstanding amounts from the company's tax computation, discounted at a risk-free rate.

The tax relief from any deferred expenses from the company's tax computation is assumed to be recovered after one year, and the discounted value (at a risk free rate) is included in Line 47 of Form 19.

In Line 47 of Form 19, adjustments are made in respect of any amounts already included as current liabilities.

(iii) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

12. Derivatives

Not applicable

13. Analysis of Working Capital

The movement in working capital over the twelve months to the valuation date is shown in the following table. The opening working capital is as reported in the BA FSA Returns as at 31 December 2005 for the OB Fund.

	£m
Opening working capital	**0**
Write back opening zeroisation of working capital	**135**
Opening adjustment	20
Revised opening working capital	**156**
Modelling changes	(7)
Retrospective changes to asset shares	1
Investment return on revised working capital	2
Investment mis-match	(13)
Economic assumption changes on guarantee costs	23
Non-economic assumption changes on guarantee costs	0
Policyholder action changes on guarantee costs	0
Experience deviations on guarantee costs	15
Assumption changes on charges	0
Experience deviations on charges	2
Economic effects on value of charges	0
Tax	3
Compensation costs	(0)
Transfers into /out of fund as a result of fund merger	8
Other	14
Unexplained	24
Closing working capital before zeroisation	228
Planned benefit enhancements to zeroise working capital	**(228)**
Closing working capital	**0**

It is not possible to split the assumptions changes on guarantee costs between economic and non-economic factors or to derive the economic effects on value of charges. The investment mismatch includes a £13m loss on the sale of Alba Life.

14. Optional Disclosure

Not applicable

Britannic IB Fund

2. Assets

(1) Economic assumptions for valuing non-profit business

The following table shows the principal economic assumptions that have been used to determine the value of future profits arising from non-profit business written in the fund. The assumptions vary under the scenario of events assumed to occur when determining the *Risk Capital Margin* (RCM) and these are shown separately from the base scenario.

		Current Valuation		Previous Valuation	
Economic Assumption*		**Base**	**RCM**	**Base**	**RCM**
Valuation interest rate p.a.	Pensions (pre/ post vesting)	3.75% / 3.75%	3.25% / 3.25%	3.75% / 4.25%	3.25% / 3.25%
	Life	3.00%	2.50%	3.00%	2.50%
Experience interest rate p.a.	Pensions	4.10%	3.40%	4.79%	3.99%
	Life	3.59%	2.72%	3.83%	3.20%
Risk discount rate p.a.		4.22%	3.48%	7.40%	6.75%
Expense inflation p.a.		4.00%	4.00%	4.00%	4.00%

* Investment rates are shown net of investment expenses of 0.12% gross per annum.

(2) Amount determined under INSPRU 1.3.33R(2)

Not applicable

(3) Valuation of insurance contracts written outside the fund

Not applicable. In determining the value of relevant assets required to cover the *risk capital margin*, no account is taken of the value of future profits from business written outside of the fund.

(4) Different sets of assumptions

Not applicable. The same assumptions are used for all funds for calculating the future profits or losses on non-profit insurance contracts.

3. With-Profits Benefits Reserve Liabilities

(1) Calculation of with profits benefit reserve

In determining the With Profits Benefit Reserve shown in Line 31 of Form 19, the company uses several methods. The methods can be summarised as:

(i) Asset Share Calculations

Asset shares are a roll up, at historic achieved investment returns, of premiums, less expenses, charges and tax, adjusted for the profit or loss on providing death benefits and the profit or loss from contracts that terminated early.

(ii) Prospective Method

This method takes the basic policy reserve, including the Long Term Insurance Capital Requirement, and deducts the present value of retained earnings (PVRE). The PVRE is the present value of the surplus or deficit compared to the reserve, after taking into account all future policy-related income and outgo.

(iii) Regulatory Reserves

For some small classes of business it is not practical to apply any of the methods in (i) to (iii). In these cases the realistic reserve is taken as the Regulatory Reserve, excluding the Long Term Insurance Capital Requirement.

The table below shows the breakdown of the with profits benefits reserve into these methods.

	Product Type	**Method**	**With Profits Benefit Reserve £m**	**Future Policy Related Liabilities £m**
	Endowment	Asset Share	348	168
	Whole of Life	Prospective Method	137	50
	Miscellaneous Adjustments	Regulatory Reserve	3	0
	Claims Pending	Regulatory Reserve	7	0
Total			495	218
Form 19 Line 31			495	
Form 19 Line 49				218

In the table above, the future policy related liabilities' split into the same detail as the with-profits benefit reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing rely on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

(2) Correspondence with Form 19

The amounts in (1) above reconciles directly to Form 19.

(3) With profits benefit reserves below de minimis limit

Not applicable

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective methods

In valuing contracts on a retrospective basis for the purposes of the with-profits benefits reserve, the company calculates asset shares, as described in section 3(1). All calculations are carried out on individual contracts.

Product Type	Method	Proportion of WP Benefit Reserve Calculated from Individual Contracts	Proportion of WP Benefit Reserve Calculated from Grouped Contracts
Endowment	Asset Share	100%	0%

(2) Significant changes to valuation method

There have been no significant changes to the valuation method for any types of product or classes of with-profits insurance contracts compared to the previous unpublished valuation.

(3) Expense allocation

For each with profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

(a) The previous expense investigation was carried out in respect of the financial year ended 31 December 2005.

(b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.

(c) The method by which expenses are charged to the with profits benefits reserve in respect of individual contracts depends on the type of business and the method of determining asset shares as follows:

- Traditional business asset shares are charged expenses based on the expenses charged by Resolution Management Services in respect of this business. The expenses are an amount per policy which varies by product type and by premium paying status. The amount charged to asset shares is subject to an uplift to cover direct costs and an element of project costs. Additional one off project costs are not charged to asset shares. Investment expenses are charged to asset shares by reducing the investment return allocated.

The Resolution Management Services Charges and expenses charged to asset shares are all charged as maintenance expenses as the with profits fund is no longer actively seeking new business and, for the purposes of this expense investigation all expenses have been treated as maintenance and consequently the subsequent analysis does not identify any initial expenses.

The expenses charged to with profits fund in addition to those allocated to the with profits benefits reserve comprise:

- one off costs not charged to asset shares;
- expenses in respect of with profits policies that were in force at the previous financial year end and no longer in force at the current financial year end;
- the expenses incurred in respect of non profit business in the fund;
- the investment expenses reduction not charged to asset shares;
- investment expenses associated with the investments backing other with profits reserves and the estate;
- Prior year adjustments; and
- Balance between aggregation of the amounts charged to assets shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with profits benefits reserve and the residual balance charged to the with profits funds during the financial year were as follows:

	Item		**Industrial Branch Fund £000**
	Expenses Benefits reserve	Traditional business	14,219
		Smoothed return business	0
(ii)	Other Expenses Charged to fund	Other project costs	(125)
		Excess product charges	0
		Exiting with profits policies	1,380
		Non-profit policies	3,134
		Investment expenses	388
		Prior year adjustments	14,417
		Balance	168
(iii)	Total expenses		33,582

The prior year adjustments is the reallocation between subfunds for pension scheme costs that had all been allocated to the OB instead of being split between funds.

(4) Significant charges

There were no significant charges deducted in the year or the preceding year.

(5) Charges for non-insurance risk

No charges were deducted from the with profits funds for non insurance risk.

(6) Ratio of claims to reserve

The average percentage of the ratio of total claims paid on with profits insurance contracts compared to the sum of the with profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with profits benefits reserve less any miscellaneous deficit attributed to the with profits benefits reserves in respect of those claims, for the three preceding financial years is:

With Profits Fund	**Average total with profits claims ratio for financial year**			
	2006	**2005**	**2004**	**Overall**
Industrial Branch Fund	102%	137%	143%	125%

(7) Allocated return

The investment return before tax and expenses allocated to the with profits benefit reserve in respect of the financial year in question was 7.74%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key assumptions

Prospective methods of valuation are used in determining a proxy for an asset share calculation in respect of certain contracts. These methods are used where a retrospective asset share calculation may be inappropriate or impractical.

The prospective method was described in 3(1) (ii).

The following table sets out the main assumptions used. There are no explicit risk adjustments made to assets.

Economic Assumptions*		
Valuation interest rate p.a.		3.00%
Experience interest rate p.a.	Life	4.08%
Discount rate p.a.		4.72%
Expense Assumptions		
Investment Expense p.a.		
Per policy Expenses p.a.	Valuation	£34.36
	Experience	£33.52
Expense Inflation p.a.		4.30%

* Investment rates are shown net of the investment expenses of 0.12% gross per annum.

** This discount rate is the 15 year gilt yield + 10 basis points which is consistent with the risk free rates in 6(4)(a)(iii) which are derived from the proprietary ESG model as described in 6(4)(a)(ii) using the gilt yield curve + 10 basis points.

No future reversionary bonus is assumed in the projections. Sample final bonus rates are:

Sample Final Bonus Rates %					
	Policy Term				
Year of Maturity	**5**	**10**	**15**	**20**	**25**
2010	0.0	22.5	23.0	19.0	75.5
2015	0.0	8.5	23.0	27.5	33.5
2020	0.0	0.0	23.5	38.0	57.0
2025	0.0	0.0	0.0	37.5	54.0
2030	0.0	0.0	0.0	0.0	52.0

Sample lapse rates for other products valued on a prospective basis, which are based on historic experience, are:

Sample Lapse Rates %					
	Policy Year				
Product	**5**	**10**	**15**	**20**	**25**
Whole of Life	2.4	1.8	1.7	1.7	1.7

* The range arises because lapse rates vary by the original term of policy as well as duration.

6. Costs of Guarantees, Options and Smoothing

(1) De minimis limit

Not applicable

(2) Valuation methods for guarantees etc.

(a) The company uses a stochastic model to place a value on the costs of guarantees, options and smoothing for with-profits contracts.

(b) (i) In the stochastic model, no projections are carried out on individual policy data.

(ii) The model uses grouped policy data. However, the values for the with-profits benefit reserve are calculated on an individual basis and added to the data file before the data is grouped.

(iii) The stochastic model uses a grouped policy data file.

Policies are grouped according to product type, premium status, year of maturity, year of entry, age and premium term. All policies are assumed to be male lives.

There are separate groups for each year of maturity up to and including 11 years after the valuation date. Policies maturing from 12 to 14 years after the valuation date are grouped, as are policies maturing after that time.

The year of entry grouping is carried out in 5 year bands.

Within each group, weights are applied to certain key policy features before averaging. For example, the elapsed duration is weighted by the total of the sum assured and attaching bonuses. For other data, such as premium term, a simple average is taken.

Model Points

The following table shows the number of model points that result from applying the grouping criteria, when compared to the number of individual with-profits records.

Individual Records	Model Points
612,116	513

Grouping Validations

It is impractical to attempt to validate, using the stochastic model, projections that use grouped data against projections that use individual data. Instead, comparisons are carried out using deterministic projections.

Comparison is made of the present value of key variables as well as progression of these variables over a period of up to 40 years. The comparison includes items such as reserve run off, claims outgo and premium income, split by product type as necessary. Where material discrepancies arise, these may result in grouping being revisited.

(3) Significant changes

There have been no significant changes to the valuation methods for valuing the costs of guarantees, options or smoothing since the previous valuation.

(4) Further information on stochastic approach

(a) (i) The stochastic model is used to place a value on:

- Maturity guarantees on conventional endowments
- The impact of bonus smoothing

Of these, the guarantees which are strongly “in the money” at the valuation date include the maturity guarantees on conventional endowments.

As at 31 December, for a significant proportion of the with profit business maturity payouts exceed asset shares. It is intended to reduce this overpayment in line with the company’s smoothing policy subject to the level of guarantees. The impact of bonus smoothing is shown in Line 44 of Form 19.

An indication of the combined impact of guarantees and smoothing is provided in (vi), below.

(ii) As for the Britannic With Profits Fund

(iii) As for the Britannic With Profits Fund.

(iv) As for the Britannic WPF

(v) The asset model is not calibrated to any risk free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories.

The following table shows the approximate percentage of the total present value of guarantees and smoothing by duration, as projected by the stochastic model. It is based on the average overpayment across all projected investment scenarios using the base assumptions.

Year	Endowments	Whole Life
2007	25%	2%
2008	23%	2%
2009	12%	2%
2010	8%	1%
2011	7%	1%
2012	5%	1%
2013	3%	1%
2014	0%	1%
2015	0%	1%
2016	0%	1%
2017	0%	1%
2018	0%	0%
2019	0%	0%
2020	0%	0%
2021	0%	0%
2022	0%	0%
2023	0%	0%
2024	0%	0%
2025	0%	0%
2026	0%	0%
2027	0%	0%
2028	0%	0%
2029	0%	0%
2030	0%	0%
2031	0%	0%
2032	0%	0%
2033	0%	0%
2034	0%	0%
2035	0%	0%
2036	0%	0%
2037	0%	0%
2038	0%	0%
2039	0%	0%
2040	0%	0%

Calibration of the asset model to market data is shown, where available, in 6(4)(a)(ii) above.

We carry out comprehensive tests on the output produced by Barrie & Hibbert asset model as described for the Britannic With Profits Fund.

(viii) The stochastic model is run on one thousand investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

A test to demonstrate the effectiveness of the sampling method was done by running the stochastic model on three thousand investment scenarios and the difference of the results to a one thousand scenarios run were not material.

(b) Not applicable

(c) Not applicable

(5) Management actions

(a) The stochastic model does not take into account the possibility of actions taken by management in the projected investment scenarios, other than to the extent as described below.

<u>Bonus Policy</u>

Future reversionary bonus rates are assumed to be zero.

Maturity payouts are targeted to be 100% of asset share, subject to the company's smoothing policy. To achieve this, the model compares policies maturing in one year against similar policies maturing in the previous year and derives a scale of final bonus rates such that:
(i) The maximum change in payout from year to year is 10%
(ii) This change is increased by up to 20% in order to achieve a payout ratio of between 90% and 110%
(iii) The maximum change is unlimited in order to ensure that the payout ratio is not above 125% or below 75%

<u>Investment Mix</u>

Appropriate allowance is made for the expectation that the exposure of the fund to real assets will reduce as the portfolios reach maturity. The proportion of real assets (UK equities, overseas equities and property) is assumed to reduce by 1.00% per month from 50 % at the end of 2006 to 20% after 30 months.

(b) For the management actions assumed to determine the costs in paragraph 6.(4), the best estimates as to the future proportions of the asset backing the with profits benefits reserve which would consist of equities are shown in the following tables. There is no accumulating with profit business in the IB fund.

	Equity Proportion of assets backing with profits benefits reserve		
	at end of financial year	In 5 years time	In 10 years time
Traditional business	44%	18%	18%

(6) Persistency assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	1.54	1.90	1.63	1.60

The fund has no exposure to guaranteed annuity options.

(7) Policyholders' actions

Not applicable

7. Financing Costs

There are no financing arrangements currently in place for the fund.

8. Other Long Term Insurance Liabilities

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

£m	
Additional provision for tax*	3.7
Investment Expense Rebate credited to future asset shares	2.0
Data/modelling/unknown mis-selling	2.5
Litigation	3.8
MSC expense contingency / RMS SLA review	0.1
Total	12.1

* Consisting of: Tax on future shareholder transfers, CGT reserve, deferred relief on acquisition expenses, and any adjustments in respect of amounts included in current liabilities.

9. Realistic Current Liabilities

The realistic current value of liabilities, shown at line 51 of Form 19, is taken to be equal to the value assessed on a regulatory basis, this being £12m. The figure includes creditors (including outstanding claims), provisions (including taxation), accruals and deferred income.

10. Risk Capital Margin

(a) The Risk Capital Margin for the fund was calculated to be zero at 31 December 2006. The RCM takes into account a number of changes in asset values, yields and persistency rates, as described below.

(i) The RCM allows for a rise in equity values of 20%. This was compared to a fall in equity values of the same amount and found to be more onerous for the fund.

A rise of 12.5% was allowed for in the value of property assets, and again this was found to be more onerous than a fall in property values of the same amount.

(ii) The scenario of a rise in fixed interest yields of 17.5% of the long-term gilt yield was compared against a fall in yields of the same amount. The more onerous result was assumed and represented a rise in yields for the IB fund. The nominal rise and fall in the (annualised) yields was 81 basis points.

There are no significant overseas territories. Overseas stocks were subjected to the same basis point adjustment as for UK stocks.

(iii) The RCM allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in the spread for bonds subject to the test, weighted by market value, was 69 basis points for the fund. This change in yields resulted in a fall in the value of these bonds by an average of 4.96% for the fund.

(iv) Persistency rates were assumed to improve by 32.5%. This was allowed for in the projections by multiplying the assumed lapse, paid-up and surrender rates at each duration by 67.5%.

Applying the persistency test, on top of the tests already described in (i) to (iii) results in an decrease in the value of realistic liabilities of £2m but this is offset by a corresponding increase in planned enhancements as described below.

(v) Not applicable

(b) In the stress, scenarios we further assume that the data contingency reserve will be increased from £2.5m to £5.0m.

The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the with profit funds. These enhancements are assumed to be removed in the RCM conditions to the extent that they would not be payable due to reductions in the excess assets. This action has a value of £16m in the fund.

Some policies have been granted discretionary enhancements to investment returns attributed to asset shares. These enhancements will be removed if the estate of the with-profit fund is insufficient to finance them. No removal of enhancements has been assumed for the fund in the RCM conditions.

(c) (i) The risk capital margin is zero.

(ii) The scheme for the funds merger as at 31 December 2006 included a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. Tax

(i) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets. For unrealised gains, a reduced rate is used in order to reflect deferral of the gain.

Expenses attributed to the with profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

Where asset share calculations are used, the value of outstanding tax relief arising on acquisition expenses is not capitalised. This asset is reflected in Line 47 of Form 19.

Additional tax arising on shareholder transfers is met from the estate and is not chargeable to asset shares.

(ii) In calculating the value of future policy related liabilities, tax is allowed for in a number of ways.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees and smoothing, and this allows for policyholder tax as described in (ii).

Additional tax on shareholder transfers, which is payable from the estate, is reflected in Line 47 of Form 19 and is derived from the stochastic model results.

The accrued amount of any unrealised capital gains is included in Line 47 of Form 19. This is based on the actual unrealised gains on the valuation date multiplied by an assumed tax rate that allows for deferral of the gain being realised. This deferral takes into account an assumed annual turnover of equities of 35% p.a.

Outstanding tax relief on acquisition expenses is allowed for in Line 47 of Form 19 and is based on outstanding amounts from the company's tax computation, discounted at a risk-free rate.

The tax relief from any deferred expenses from the company's tax computation is assumed to be recovered after one year, and the discounted value (at a risk free rate) is included in Line 47 of Form 19.

In Line 47 of Form 19, adjustments are made in respect of any amounts already included as current liabilities.

(iii) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

12. Derivatives

On 31 December 2006, the company held futures contracts to sell indices as described in the table below:

Index	Units	Price on 31 December 2006	Settlement Price	Unit Multiple for Settlement	Settlement Date
FTSE 100	1,320	6,216.00 GBP	6,181.00 GBP	10	March 2007
DJ Euro Stoxx 50	480	4,157.00 EUR	4,077.00 EUR	10	March 2007
S&P 500	34	1,429.00 USD	1,421.00 USD	250	March 2007

13. Analysis of Working Capital

The movement in working capital over the twelve months to the valuation date is shown in the following table. The opening working capital is as reported in the BA FSA Returns as at 31 December 2005 for the IB Fund.

	£m
Opening working capital	**0**
Write back opening zeroisation of working capital	**173**
Opening adjustment	(10)
Revised opening working capital	**163**
Modelling changes	(2)
Retrospective changes to asset shares	(60)
Investment return on revised working capital	1
Investment mis-match	(14)
Economic assumption changes on guarantee costs	(3)
Non-economic assumption changes on guarantee costs	0
Policyholder action changes on guarantee costs	0
Experience deviations on guarantee costs	(3)
Assumption changes on charges	0
Experience deviations on charges	0
Economic effects on value of charges	0
Tax	2
Compensation costs	(4)
Transfers into /out of fund as a result of fund merger	3
Other	2
Unexplained	(7)
Closing working capital before zeroisation	78
Planned benefit enhancements to zeroise working capital	**(78)**
Closing working capital	**0**

It is not possible to split the assumptions changes on guarantee costs between economic and non-economic factors. The investment mismatch includes a £6m loss on the sale of Alba Life.

14. Optional Disclosure

Not applicable

PHOENIX WITH PROFITS FUND

2. Assets

(1) Economic assumptions for valuing non-profit business

The economic assumptions for non-profit products are as follows:

Item	Current Valuation	Previous Valuation
Gross Investment Return	See below	See below
RPI Inflation	3.30%	3.00%
Risk Discount Rate	See below	See below

The value of future profits on non-profit products was calculated by assuming risk free rates of investment return and discount rates. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment expenses.

Discount rates used were spot yields taken from the curve, net of tax and investment expenses.

The risk free yields (gilt yield curve plus 10 basis points) were:

	Risk free rate	
Term (years)	Current Valuation	Previous Valuation
1	5.38%	4.40%
2	5.31%	4.31%
3	5.25%	4.30%
4	5.19%	4.30%
5	5.13%	4.29%
6	5.07%	4.28%
7	5.01%	4.26%
8	4.96%	4.25%
9	4.91%	4.24%
10	4.86%	4.24%
12	4.76%	4.22%
15	4.63%	4.20%
20	4.45%	4.14%
25	4.29%	4.08%

(2) Amount determined under INSPRU 1.3.33R(2)

Not applicable

(3) With profit benefit reserves below de minimis limit

Not applicable

(4) Different sets of assumptions

Not applicable

3. With-Profits Benefits Reserve Liabilities

(1) Calculation of with profits benefits reserve

Product Type	Method	With-profits Benefit Reserve (£m)	Future Policy Related Liabilities (£m)
With-profits – Whole Life	Prospective	137	5
With-profits – Other Life	Retrospective	2,650	96
With-profits – Pensions (Regular and Single Premium)	Retrospective	446	163
With-profits – Pensions (Paid-Up)	Prospective	353	129
UWP Life (including Whole Life With-Profits Bond)	Retrospective	1,197	101
UWP Pensions	Retrospective	751	32
Other		14	
TOTAL		5,549	527

In the table above, the future policy related liabilities for with profits life business and with profits pensions business have been split in proportion to the with profits benefit reserves.

(2) Correspondence with Form 19

Not applicable

(3) With profits benefit reserves below de minimis limit

The amount categorised as “Other” above falls within the de minimis limit.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective methods

(a), (b)

Product Type	Proportion Calculated using Individual Data (a)	Proportion Calculated using Grouped Data (b)
With-profits – Life (excluding whole life)	100%	0%
With-profits – Pensions (excluding paid-up policies)	100%	0%
UWP Life (including Whole Life With-Profits Bond)	100%	0%
UWP Pensions	100%	0%

(i) Whilst the asset shares have been calculated using individual data in all cases, the method used for unitised with-profits (including Whole Life With-Profits Bond) has been the application, to the individual data, of a factor (the ratio of asset share to face value of units) which has been calculated by reference to grouped / sample data. This is consistent with the way the business is operated in practice.

(2) Significant changes to valuation method

(a) There are no significant changes.

(b) Not applicable

(3) Expense allocation

There was only one long-term fund within PLP and all the PLP expenses attributable to long-term business in 2006 were charged to that fund.

(a) The previous expense investigation was carried out in the fourth quarter of 2006.

(b) Expense investigations are carried out twice annually.

(c)

(i) Initial Expenses	£Nil[1]
(ii) Maintenance Expenses	£12.0m
(iii) Investment Expense	£11.4m
(iv) Method	Average expense charge deducted
(iv) Expenses charged other than to with-profits benefits reserve	£19.7m

[1] Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

The £19.7m of expenses not attributable to the with profits benefit reserve comprise: £2.2m maintenance expenses, £4.0m investment expenses (including transaction costs) and £13.5m in respect of the expenses associated with paying the additional compensation claims for mortgage endowment and GAO policies and other non-recurring costs.

(4) Significant charges

The charges deducted from the with-profits benefit reserve in the year to the valuation date and the preceding year were (£m):

	Current Valuation	**Previous Valuation**
Charges for guarantees and smoothing	7.3	22.0
Net losses on non-profit business	(9.4)	99.8
Proportion of up-front outsourcing costs attributable to the period	4.4	4.4
Write-off of initial spreads on derivative contracts	3.8	4.6

(5) Charges for non-insurance risk

Not applicable

(6) Ratio of claims to reserve

Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with profits benefits reserve, for the following specimen products and terms:

	Endowment Policies	Regular Premium Personal Retirement Plan	Single Premium Personal Retirement Plan	Regular Premium Retirement Plan	Single Premium Retirement Plan
1/1/2004 to 17/8/2004					
10 year term	102	99	99	101	104
15 year term	99	99	100	99	99
20 year term	99	99	99	99	101
25 year term	99	99	98	100	99
18/8/2004 to 31/12/2004					
10 year term	101	100	96	100	99
15 year term	100	100	103	100	103
20 year term	100	100	100	100	100
25 year term	100	100	100	100	100
1/1/2005 to 30/4/2005					
10 year term	103	100	101	109	104
15 year term	100	108	101	105	106
20 year term	102	105	104	107	111
25 year term	104	106	102	100	104
1/5/2005 to 31/8/2005					
10 year term	102	100	100	108	104
15 year term	100	102	100	100	100
20 year term	100	100	100	102	107
25 year term	100	102	100	100	103
1/9/2005 to 31/12/2005					
10 year term	102	100	103	106	108
15 year term	100	100	100	100	99
20 year term	100	100	100	100	103
25 year term	100	100	102	100	103

	Endowment Policies	Regular Premium Personal Retirement Plan	Single Premium Personal Retirement Plan	Regular Premium Retirement Plan	Single Premium Retirement Plan
1/1/2006 to 30/4/2006					
10 year term	100	100	100	103	110
15 year term	102	101	100	114	100
20 year term	100	100	101	101	103
25 year term	100	100	101	100	101
1/5/2006 to 31/8/2006					
10 year term	100	100	103	103	114
15 year term	100	101	100	109	101
20 year term	101	100	101	101	102
25 year term	100	100	100	100	100
1/9/2006 to 31/12/2006					
10 year term	100	100	100	100	117
15 year term	100	100	100	102	100
20 year term	100	100	112	100	103
25 year term	100	100	102	100	100

Payouts on surrenders will generally have been based on a lower percentage of the with profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with profits benefits reserve. Payouts on surrenders of unitised with profits bonds have been set to the following percentages of the with profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with profits benefits reserve but not less any exit charge:

Year	
2004	99.0% to 100.0%
2005	100.0%
2006	100.0%

(7) Allocated return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix depends on the outstanding term and the level of guarantees under the policy (see PPFM for more details).

The average rates of investment return (before tax) added are:

Product Type	**Investment Return**
Conventional Life	4.9%
Conventional Pensions	5.1%
UWP Bonds	3.1%
UWP Pensions	5.4%
Profit Plus Fund	5.4%

5. With-Profits Benefits Reserve – Prospective Method

(1) Key assumptions

A prospective method has been used for with-profits whole life business and for paid-up with-profits pensions business.

Bonus rates on with-profits whole life business and paid-up pensions contracts are the same as the bonus rates on endowments and regular premium pension contracts respectively for the same term. A bonus reserve valuation is used to determine the with-profits benefits reserve, where:

- the bonus rates are the supportable bonus rates determined from the relevant product, and
- the economic assumptions are consistent with the supportable bonus rates

The supportable bonus rates are determined using one of the sets of economic assumptions that the company uses for illustrative projections on the business. Hence, the risk free rates are not directly relevant to the calculation of the prospective with profits benefit reserves.

The assumptions underlying this method are as follows:

With-Profits Whole Life Business

The discount rate is 4.9%, the same as the investment return assumption. These rates are consistent with the assumed supportable bonus rates.

The investment return is 4.9%.

Expense inflation is 7.00%, which is the rate that underlies the supportable bonus rates for this product.

Future reversionary bonuses are assumed to be 0.25% per annum on both the basic sum assured and accrued bonuses.

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

Sample terminal bonus rates are as follows:

Elapsed Term	Year of Payment								
in Years	2007	2012	2017	2022	2027	2032	2037	2042	2047
5	2.2%	6.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10	4.5%	12.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
15	4.6%	17.6%	51.0%	69.6%	n/a	n/a	n/a	n/a	n/a
20	19.5%	23.3%	37.0%	74.0%	99.5%	n/a	n/a	n/a	n/a
25	29.7%	40.2%	44.7%	58.1%	103.2%	141.1%	n/a	n/a	n/a
30	65.7%	53.4%	66.4%	68.1%	85.2%	122.9%	138.7%	n/a	n/a
35	141.0%	94.0%	84.6%	84.3%	49.6%	107.7%	95.0%	77.7%	n/a
40	180.3%	186.2%	125.5%	141.5%	136.4%	38.2%	172.8%	196.0%	197.4%

The assumed per policy maintenance expense for with-profits whole life business is £29.98 for 2006, which is the rate that underlies the supportable bonus rates for this product.

There are no lapses.

Paid-Up With-Profits Pensions Business

The discount rate is 5.38%; the same as the investment return assumption. These rates are consistent with the assumed supportable bonus rates.

The investment return is 5.38%.

Expense inflation is 7.00%, which is the rate that underlies the supportable bonus rates for this product.

Future reversionary bonuses are assumed to be 0.2% per annum.

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

Sample terminal bonus rates are as follows:

Personal Retirement Plan

Elapsed Term in Years	Year of Payment 2007	2012	2017	2022	2027	2032	2037	2042	2047
5	16.6%	12.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10	9.3%	21.6%	15.3%	n/a	n/a	n/a	n/a	n/a	n/a
15	21.6%	20.2%	25.3%	17.6%	n/a	n/a	n/a	n/a	n/a
20	33.0%	37.9%	34.2%	44.5%	41.9%	n/a	n/a	n/a	n/a
25	47.4%	50.8%	54.3%	53.6%	54.7%	49.7%	n/a	n/a	n/a
30	97.4%	67.6%	68.1%	69.7%	74.0%	74.2%	68.5%	n/a	n/a
35		69.8%	89.2%	86.6%	97.5%	89.7%	83.2%	70.5%	n/a
40			134.6%	109.6%	104.3%	131.1%	127.7%	120.8%	115.0%

Retirement Plan

Elapsed Term in Years	Year of Payment 2007	2012	2017	2022	2027	2032	2037	2042	2047
5	9.2%	10.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10	1.6%	17.9%	16.0%	n/a	n/a	n/a	n/a	n/a	n/a
15	8.5%	9.1%	19.6%	17.0%	n/a	n/a	n/a	n/a	n/a
20	26.5%	20.1%	18.2%	28.0%	25.5%	n/a	n/a	n/a	n/a
25	49.2%	35.3%	27.8%	27.6%	35.0%	31.6%	n/a	n/a	n/a
30	88.8%	63.9%	41.2%	45.5%	46.9%	48.0%	42.1%	n/a	n/a
35		101.8%	89.4%	66.1%	64.4%	66.9%	74.4%	69.6%	n/a
40			115.2%	106.8%	83.1%	93.8%	97.4%	105.8%	102.3%

The assumed per policy maintenance expense for with-profits paid up pensions business is £29.98 for 2006, which is the rate that underlies the supportable bonus rates for this product.

There are no lapses.

(2) Different sets of assumptions

Not applicable

6. Cost of guarantees, options and smoothing

(1) De minimis limit

Not applicable

(2) Valuation methods for guarantees etc.

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	Deterministic calculation	All business	403,333	5,164

(a) Cost of Guarantees & Options

The costs of guarantees are determined using a stochastic model, with the asset returns being generated by a proprietary model. The following items were calculated stochastically:

(i) Guaranteed annuity option reserves.
(ii) The reserves required in addition to asset share to meet guaranteed benefits.
(iii) Future retentions at maturity where payouts of less than 100% of asset share are being targeted (this applies to the Risk Capital Margin only.)
(iv) Future profits and losses where amounts payable upon surrender are less or more than asset share.
(v) The value of future guarantee charges deducted from asset share.

The calculations were carried out using a risk neutral approach.

Early Retirements

For Personal Retirement Policies the stochastic model does not allow for lapses in the period from the earliest possible retirement age up to NRD. Such contracts allow benefits to be taken, with a guaranteed annuity rate ("GAR") at any age after 50 (60 for some earlier series). The use of a nil lapse rate after age 50 is considered to make suitable allowance for this early retirement option. For Retirement Plans a GAR is not available on early retirements.

Our calculations allow for the assumed expenses of paying the annuity.

We assume that policyholders elect to take a proportion of their benefits as cash where permitted.

Cost of Smoothing

The small amount of smoothing cost was determined deterministically as the excess of the projected actual payouts over the projected target payouts.

For pensions policies the smoothing cost allows for any GARs that will be provided on the overpayment.

We compare actual payouts at the valuation date with target payouts.

Where there is currently an overpayment relative to the target we assume that payouts will be cut at 4 monthly intervals, the first cut being 2 months after the valuation date. We assume that payouts can be cut by up to 5% at any one change and 15% over 12 months until the target is reached. Projected maturity payouts are obtained for this calculation.

(b) (i) None

(ii) All of the contracts are valued on a grouped basis.

(iii) For each product type we initially create separate model points for each combination of year of commencement and year of maturity. For unitised with profits bonds we split by commencement month.

This grouping allows for the asset mix associated with each cohort of business. It is aligned with the way in which we declare bonus rates on our business (our actual terminal bonus rate calculation are based on specimen policies split out in the same way i.e. product type, year of commencement and year of maturity although at quinquennial rather than annual intervals with monthly cohorts for UWP bonds).

The initial model point files outlined above are then more heavily grouped to improve the run times in the stochastic model by amalgamating some of the smaller model points that were not making a significant contribution to the overall results. In order to test that this heavier grouping did not materially affect the results 3000 simulations were run at both levels of grouping and the results differed by less than 1.0% for the GAR & non GAR reserves.

One class of group unitised with profits pensions business representing approximately 3% of with profit liabilities is modelled as if it was an equivalent amount of similar individual pensions business.

Guaranteed annuity option liabilities were calculated assuming that all lives are male. This approach is conservative given the mortality tables used in the valuation and the nature of the guarantees given.

(3) Significant changes

None

(4) Further information on stochastic approach

(a) (i) The guarantees and options being valued using a full stochastic approach are described in 6(2)(a) above. The following tables give an indication of the extent to which the guarantees are in or out of the money at the valuation date. The table shows the percentage of the with profits benefits reserve (including miscellaneous profits and losses) for each product that falls within each band (the bands are defined below).

% Asset Share	Band A	Band B	Band C	Band D
Endowments & Whole Life	0.1%	0.0%	0.0%	99.9%
Direct Written Pre 1997 Bonds	0.0%	0.0%	0.0%	100.0%
Conventional Pensions	0.2%	0.1%	0.1%	99.6%
Unitised With Profit Pensions	0.1%	0.0%	0.3%	99.6%
UWPB – Strong Guarantee	85.0%	4.5%	2.2%	8.2%
– Weak Guarantee	0.0%	0.0%	0.0%	100.0%

Where:

Band A	Contracts would need to earn >10%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band B	Contracts need to earn between 7.5% and 10%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band C	Contracts need to earn between 5% and 7.5%p.a. (higher for shorter terms) on the equities & property backing their asset share to meet the maturity guarantee
Band D	Contracts need to earn <5%p.a. on the equities & property backing their asset share to meet the maturity guarantee

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert.

The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

UK gilt returns are modelled using a gilts + 10bps calibration in an Annual LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model.

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The equity model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatilities are assumed to be constant beyond quoted strikes and maturities.

The volatilities used for UK equities are set out in 6(4)(a)(vi). The split between UK and overseas equities was 72%/28%.

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Cash	Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	1	-0.03	0.12	-0.06	0.62	-0.49	0.28	-0.39	0.50	0.20
UK Equities		1	0.21	0.38	0.10	0.18	0.45	0.35	0.17	0.24
Property			1	0.14	0.08	-0.02	0.12	0.03	0.16	0.13
Overseas Equities				1	0.07	0.24	0.19	0.28	0.24	0.32
5yr Govt ZCB					1	0.15	0.55	0.13	0.42	0.21
15yr Govt ZCB						1	0.18	0.84	-0.14	0.10
5yr Corp ZCB							1	0.55	0.26	0.21
15yr Corp ZCB								1	-0.07	0.15
5yr IL XCB									1	0.81
15yr IL ZCB										1

(a) (iii) The table below is based on 3000 scenarios. The equivalent Britannic With Profits fund table is based on 1000 scenarios.

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	5.13%	4.64%	4.29%	4.04%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	£778,817	£506,763	£349,944	£250,179	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	£53,075	£194,544	£282,862	£354,593	£149,385	£331,719	£445,227	£531,511	£524,753	£685,537	£820,018	£924,597
3		FTSE All Share Index (p=0.8	£44,108	£150,566	£202,943	£239,769	£125,892	£259,749	£321,989	£362,203	£460,169	£542,583	£603,071	£638,326
4		Property (p=1)	£33,221	£100,513	£157,964	£217,861	£135,803	£231,393	£305,347	£378,410	£520,880	£605,120	£681,838	£760,228
5		Property (p=0.8	£24,816	£64,957	£93,134	£122,265	£110,155	£159,661	£191,981	£224,465	£456,669	£452,704	£460,442	£480,257
6		15 year risk free zero coupon bonds (p=1)	£2,753	£5,721	£6,419	£12,085	£53,372	£55,060	£68,913	£114,602	£500,397	£499,432	£504,197	£531,274
7		15 year risk free zero coupon bonds (p=0.8)	£1,508	£2,138	£1,793	£1,700	£34,221	£19,017	£11,840	£13,976	£428,660	£312,079	£237,172	£216,957
8		15 year corporate bonds (p=1)	£5,052	£14,435	£23,000	£38,256	£63,458	£82,909	£104,787	£141,726	£502,416	£504,445	£513,799	£546,383
9		15 year corporate bonds (p=0.8)	£3,111	£6,061	£7,280	£9,847	£43,305	£37,983	£35,744	£41,140	£430,681	£318,602	£255,542	£238,143
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	£29,077	£124,792	£192,214	£254,211	£118,270	£251,864	£339,489	£414,824	£511,117	£607,279	£703,322	£790,667
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£22,382	£87,534	£125,828	£156,168	£94,903	£183,735	£226,585	£260,931	£443,971	£460,639	£490,273	£515,434
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£22,949	£110,207	£171,012	£226,618	£104,094	£229,331	£309,752	£379,678	£506,778	£582,764	£670,578	£750,136
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£17,233	£75,826	£109,519	£135,315	£81,887	£165,003	£202,924	£232,951	£437,561	£435,048	£457,515	£477,304
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£9,293	£56,655	£98,653	£141,787	£79,525	£162,901	£221,001	£280,014	£502,751	£532,257	£583,981	£645,744
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£5,953	£32,435	£52,044	£68,866	£57,874	£102,580	£124,888	£147,157	£431,643	£373,732	£365,668	£373,428
			L=15				L=20				L=25			
16		Swaptions with 5% strikes	7.95%	9.43%	8.30%	6.74%	10.56%	11.92%	10.34%	8.36%	12.97%	14.08%	12.09%	9.73%

(iv) UK initial equity yield: 3.95%
UK initial property rental yield: 4.30%

(v) Not applicable – there are no significant territories other than the UK.

The following table shows the outstanding guarantees analysed by term. In addition, the guarantees in column B have a GAR at vesting at various strike rates as shown below.

£m	Guaranteed Benefit (Policies with no GAR)	Guaranteed Benefit (Policies with GAR)	No MVA Guarantee (Bonds)
	A	**B**	**C**
2007	195	40	133
2008	316	37	236
2009	278	37	414
2010	239	37	291
2011	301	44	63
2012	341	50	0
2013	341	43	0
2014	183	44	0
2015	96	40	0
2016	123	39	0
2017	127	27	0
2018	117	33	0
2019	106	24	0
2020	83	27	0
2021	86	34	0
2022	108	28	0
2023	114	27	0
2024	117	19	0
2025	60	14	0
2026	55	11	0
2027	57	11	0
2028	58	10	0
2029	64	10	0
2030	55	8	0
2031	53	6	0
2032	48	6	0
2033	43	5	0
2034	35	4	0
2035	28	3	0
2036	25	2	0
2037	11	1	0
2038	9	0	0
2039	5	0	0
2040	2	0	0
2041	11	0	0

Specimen cash option rates per £100 p.a. pension for annuities guaranteed five years and payable monthly in advance:

		Cash Option £	
	Retirement Age	**Male**	**Female**
Retirement Plan	60	1,000	1,100
	65	900	1,000
	70	800	900

Specimen minimum rates per £1,000 cash for annuities with no guarantee period and payable yearly in arrears:

		Annuity £ p.a.	
	Retirement Age	**Male**	**Female**
Personal Retirement Plan	60	77.24	67.77
	65	89.98	76.79
	70	108.28	89.64
	75	128.88	104.03

UK Equities

The asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Market

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	19.90	17.12	14.40	12.20	10.91
2	19.32	17.22	15.26	13.60	12.36
3	19.40	17.63	16.02	14.61	13.49
5	20.09	18.68	17.39	16.25	15.29
10	22.18	21.12	20.13	19.25	18.48

Model

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	14.18	14.68	14.76	14.73	14.54
2	16.79	16.21	15.35	14.54	13.90
3	17.46	16.63	15.81	15.00	14.31
5	17.56	16.86	16.19	15.60	15.12
10	21.99	21.35	20.79	20.32	19.92

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
15	24.78	24.13	23.57	23.13	22.78
20	25.38	24.91	24.53	24.21	23.94
25	24.97	24.66	24.41	24.17	23.97
30	26.71	26.32	26.00	25.72	25.50

Difference (Model – Market) %

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	(5.72)	(2.44)	0.36	2.53	3.63
2	(2.53)	(1.01)	0.09	0.94	1.54
3	(1.94)	(1.00)	(0.21)	0.39	0.82
5	(2.53)	(1.82)	(1.20)	(0.65)	(0.17)
10	(0.19)	0.23	0.66	1.07	1.44

<u>Property</u>

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

<u>Fixed Interest</u>

A LIBOR Market Model calibrated to Gilts + 10 basis points is used. The calibration at the valuation date was as follows:

	Govt. + 10bp	**Model**	**Difference (Model – Market bp)**
1	5.38	5.38	0
2	5.31	5.31	0
3	5.25	5.25	0
4	5.19	5.19	0
5	5.13	5.13	0
7	5.01	5.01	0
10	4.86	4.86	0
15	4.63	4.64	1
20	4.45	4.45	0
25	4.29	4.29	0

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at the valuation date is as follows:

Term	**Market IV**	**Model**	**Difference (Model – Market bp)**
1	11.55	11.48	(7)
2	11.75	11.52	(23)
3	11.90	11.80	(10)
4	12.00	11.83	(17)
5	12.00	12.28	28
7	12.10	12.35	25
10	12.35	12.90	55
15	12.70	12.68	(2)
20	12.65	12.88	23
25	12.50	12.56	6
30	12.35	12.33	(2)

Credit (Corporate Bonds)

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities.

(vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert asset model as follows:

For UK and Overseas equities and for UK property we have verified that the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) are acceptably close to unity– the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

The assets and liabilities have been computed using 3,000 (1,500 antithetic pairs of) simulated scenarios. This results in standard errors in the calculated yield curve of less than 1 basis point for terms 1- 30 years.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 3.1% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 1.7% of these prices.

(b) Not applicable

(c) Not applicable

(5) Management actions

(a) We do not assume that any scenario specific management actions take place in the stochastic model. However the model allows for our investment strategy as follows:

a) Sales of property and equity during 2007 to bring the actual asset mix into balance with the strategic target.

b) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.

c) An internal delta-hedge for equities and property which has an effect in the stress scenario.

d) Reduction in equity/property backing as policies near guarantee date for all products except the weak guarantee UWP Bonds.

e) We assume that policy classes do not move from the guarantee-related asset mix band to which they are allocated at 31 December 2006, although in practice some changes will occur in more extreme stochastic scenarios.

We will continue to apply existing MVA policy i.e. we allow for MVA's on surrender of UWP business (but with a "floor" based on a discounted value of the no MVA guarantee).

Annual bonus rates will remain at current levels in future years.

Future miscellaneous surplus will be nil.

Charges made to asset shares for guarantees will continue in the future at 2007 levels.

(b)

		31/12/06	31/12/11	31/12/16
% UK & Overseas Equities	i	25%	25%	26%
	ii	Unchanged	Unchanged	Unchanged
	iii	Unchanged	Unchanged	Unchanged
Annual Bonus Rates on accumulating with profits				
UWP Bond	i	Strong Guarantee 0.5% p.a. Weak Guarantee 1% p.a.	Strong Guarantee 0.5% p.a. Weak Guarantee 1% p.a.	Strong Guarantee 0.5% p.a. Weak Guarantee 1% p.a.
	ii	Nil	Nil	Nil
	iii	Nil	Nil	Nil
UWP Pensions	i ii iii	1% p.a. Nil Nil	1% p.a. Nil Nil	1% p.a. Nil Nil
PPF	i ii iii	0.1% p.a. Nil Nil	0.1% p.a. Nil Nil	0.1% p.a. Nil Nil

Derivative contracts do not have any significant impact on the figures shown.

(6) Persistency Assumptions

The surrender and paid-up rates are:

Product		**Average surrender / paid-up rate for the policy years (%)**			
		1-5	**6-10**	**11-15**	**16-20**
CWP savings endowment	Surrender	10.4	11.8	6.0	6.0
CWP target cash endowment	Surrender	10.4	11.8	6.0	6.0
UWP savings endowment	Surrender	N/A	N/A	N/A	N/A
UWP target cash endowment	Surrender	N/A	N/A	N/A	N/A
UWP bond	Surrender	1.8	16.0	10.0	10.0
UWP bond	Automatic withdrawals				
CWP pension regular premium	PUP	3.0	4.8	4.0	4.0
CWP pension regular premium	Surrender	12.2	8.0	5.0	5.0
CWP pension single premium	Surrender	6.0	6.0	6.0	6.0
UWP individual pension regular premium	PUP	28.00	20.20	15.00	15.00
UWP individual pension regular premium	Surrender	9.00	9.00	9.00	9.00
UWP individual pension single premium	Surrender	1.00	1.00	1.00	1.00

For Personal Retirement Plans we assume that there will be no surrenders after age 50 on the grounds that they would then be able to take their retirement benefits.

We assume that policies that are taking automatic withdrawals will continue to do so at the current rates.

We assume that current and future paid-up policies will lapse at the same rate as premium paying policies.

For Personal Retirement Plans we assume that lives under age 65 at the valuation date will retire at age 65; otherwise they will retire at 75 (or the maximum retirement age under the contract, if earlier).

We do not make any other allowance for early retirements.

Take up Rates of Guaranteed Annuity Options

The assumed proportion of cash in each scenario is dynamic according to the following formula:

$$Cash = Min(L, (Max(10\%, (CxF)))x(1 - Min(t, T)/SxT))$$

where

$$F \;= R'^{k(j)x100}\, x\; R^{(i-j-k(j))x100x(ABS(i-j)>semirange)}$$

and

$$k(j) = i - Min(Max(j, i - semirange), i + semirange)$$

where

L	Overall limit on cash proportion - set it to 1.25 x C
C	Current experience assumption
F	Overall reduction factor comprising R and R' components (see below) to reflect decline in cash as interest rates decline and GARs become more valuable.
R	Reduction factor that applies outside of central “plateau” range (R=2/3)
R'	Reduction factor that applies within central “plateau” range (R'=0.9)
$k(j)$	Interim calculation variable depending on i,j, and semirange
$semirange$	Central “plateau” assumed to apply over a range from (i-semirange) to (i + semirange). Set at 1%.
t	Time in years from the valuation date
T	Period over which we recognise a decline in cash due to longevity making GARs more valuable (T=30)
S	Amount of longevity decline (S=3 so that cash declines by 1/3 over T years)
i	Average 20 year interest rate over the period used to set the current experience assumption. This is 4.39% at the valuation date
j	20 year gilt rate at maturity for the particular scenario

Annuitant Mortality

Deferred pension contracts (post vesting) including Guaranteed Annuity Options.

The mortality assumption for annuities in possession arising from the exercising of guaranteed annuity options is 5% higher than that described in Appendix 9.4, paragraph 4 (4).

(7) Policyholders' actions

Modelled policyholder behaviour is static i.e. it does not vary between the different stochastic simulations apart from GAR take up rates, which vary according to the formula in (6) above.

7. Financing costs

The fund has no financing costs as at the valuation date.

8. Other long-term insurance liabilities

(a) Endowment Compensation Reserve

Some policyholders have been given non-compliant advice to take out an endowment policy to repay a mortgage.

A realistic amount to cover the cost of providing compensation to them has been assessed from the number of complaints expected to be received, the proportion anticipated to be valid and the expected amount of compensation per case payable, account being taken of the FSA guidelines on determination of compensation. Provision has also been made for the cost of handling complaints received.

The liability as at the valuation date amounted to £37.6m.

(b) Additional Guaranteed Annuity Option Reserve

Additional realistic reserves are held in respect of expected additional payments on with-profits pensions claims in 1999, 2000, 2001 and 2002. Terminal bonus on the claim amounts had been calculated by deducting an amount for the expected cost of providing the guaranteed annuity option on those claims. Subsequent legal advice has indicated that this was not in accordance with the House of Lords judgement in Hyman v Equitable Life Assurance Society.

The liability as at the valuation date amounted to £33.8m.

(c) Other Liabilities

An allowance is made for other liabilities that may arise in respect of with-profits life business. This includes a £10m Data Contingency reserve and a provision of £15.0m for litigation costs.

The total liability as at the valuation date amounted to £40.26m.

9. Realistic Current Liabilities

(a) Future Tax Adjustment

The realistic balance sheet calculations assume that tax will be payable in relation to the realistic proportion of life business. In reality the tax is calculated by reference to statutory liabilities. An approximate adjustment is made to allow for the fact that future tax will be based on the statutory life proportion rather than the realistic life proportion.

This adjustment as at the valuation date amounted to an asset of £15.7m.

A further adjustment was made to value the deferred tax liability on a realistic basis compared with the basis used for the regulatory basis. This reduced the liability by £2.5m.

(b) Additional Tax on Shareholder Transfers

An allowance is made for the additional tax arising on transfers to shareholders in respect of life business. This is calculated as a percentage of the present value of future transfers to shareholders in respect of life business.

The liability as at the valuation date amounted to £14.0m.

The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

	£m
Regulatory current liabilities	213
+ Future tax adjustment	(16)
+ Deferred Tax Adjustment	(2)
+ Additional tax on shareholder transfers	14
Realistic current liabilities	209

10. Risk Capital Margin

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. The equity fall and the property fall were the most onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.81%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.

(iii) The average change in spread is 0.48%. The change in the market value of bonds is:

(a) -3.15%
(b) Not applicable
(c) Not applicable
(d) Not applicable
(e) The change in the market value of swaps is –31%.

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is -0.03%.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) (i) In the stress scenarios we further assume that:

Annual bonus rates will be reduced to nil

We assume that the data contingency reserve will be increased from £10m to £20m.

The impact of the combined stress will be partially offset by increasing guarantee charges. We assume an introduction of an exit charge of 1% of asset share on terminations.

Furthermore, it is assumed that the planned benefit enhancements will be reduced by £0.31m, resulting in £nil working capital under the stressed conditions.

These actions are consistent with our PPFM and investment strategy.

The effect on the RCM of assuming reduced annual bonuses is a reduction of £15m and of introducing a 1% exit charge is a reduction of £43.7m.

(iii) No changes would apply to the table in 6(5)(b) if the management actions were taken

(iv) The requirements of INSPRU 1.3.188R would be met if the actions described in 10(b)(i) were integrated into the projection of assets and liabilities.

(c)

(i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.

(ii) The scheme for the funds merger as at 31 December 2006 included a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. Tax

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An approximate adjustment is made to allow for any differences between the tax calculated as described and the tax expected on a corporate basis. The adjustment is calculated within the stochastic model.

12. Derivatives

At the valuation date the company had a number of significant positions in interest rate swaps and swaptions.

The interest rate swaps are held in connection with the fixed interest portfolio and are used to improve the matching between the assets and the liabilities against changes in the yield curve for the long-term fund as a whole.

The interest rate swaptions are held in respect of the GAR liabilities. Receiver swaptions are held to cover part of the GAR liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the-with profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments. The quantum of swaptions held is based on a prudent assessment of future GAR liabilities taking account of expected future lapse rates and take up rates. The duration and tenor of the swaptions corresponds broadly with the liabilities. The strike rates for the receiver swaptions are 5%. The strike rates for the payer swaptions vary according to the rate at which it is expected the cash option will become more valuable than the GAR allowing for future improvements in mortality.

Both the swaps and swaptions are wholly sterling denominated.

The counterparties to the swaps and swaptions are approved credit institutions. Variation margin (collateral) arrangements are in place under both the swaps and swaptions. In addition the swaps provide for initial margins by both parties.

13. Analysis of Working Capital

The movement in working capital over the twelve months to the valuation date is shown in the following table. The opening working capital is as reported in the PLP FSA Returns as at 31 December 2005.

	£m
Opening working capital	**0**
Write back opening zeroisation of working capital	115
Revised opening working capital	**115**
Modelling changes	21
Retrospective changes to asset shares	(9)
Investment return on revised working capital	(3)
Investment mis-match	(22)
Policyholder action assumption changes on guarantee costs	10
Non-economic assumption changes on guarantee costs	(7)
Experience deviations in period on guarantee costs	7
Policyholder action assumption changes on charges	(0)
Non-economic assumption changes on charges	0
Experience deviations in period on charges	2
Economic effects on value of charges	7
Tax	4
Compensation costs	7
Transfers into /out of fund as a result of fund merger	2
Other	(11)
Unexplained	22
Closing working capital before zeroisation	**145**
Planned benefit enhancements to zeroise working capital	(145)
Closing working capital	**0**

The following table shows a breakdown of the liabilities shown on lines 47 and 51 of Form 19 at the start and end of the year:

£m	**31.12.2005**	**31.12.2006**
Compensation costs	113.9	71.4
Other	47.5	40.3
Accounting liabilities	283.6	213.5
Future tax profit	6.3	(18.1)
Additional tax on shareholders' transfers	14.1	14.0
Contingent loan	37.7	0.0
Total	503.1	321.0

The effect of the change in the provisions for compensation costs together with the amounts paid are shown as "compensation costs" in the analysis of change table. The change in the future tax profit is included with "modelling changes".

14. Optional Disclosure

None

100% WITH PROFITS FUND

2. Assets

(1) Economic assumptions for valuing non-profit business

Not applicable: there is no non-profit business valued in the 100% Fund.

(2) Amount determined under INSPRU 1.3.33R(2)

Not applicable

(3) Valuation of contracts written outside the fund

Not applicable

(4) Different sets of assumptions

Not applicable

(5) De minimis limit

Not applicable

3. With-profits Benefits Reserve Liabilities

(1) Calculation of with profits benefits reserve

Product Type	Method	With-profits Benefit Reserve £m	Future Policy Related Liabilities £m
Premium Paying Endowments (PAL)	Retrospective	19.834	145.437
Paid UP Endowment (PAL)	Retrospective	1.847	11.892
Whole Life Premium Paying (PAL)	Prospective	4.531	29.171
Whole Life - Paid Up (PAL)	Prospective	0.910	5.862
UWP Group Pensions (PAL)	Retrospective	46.590	0.023
UWP Pensions (SLUK)	Retrospective	48.837	1.759
Other		4.716	11.552
Total		**127.625**	**205.696**

(2) Correspondence with Form 19

The above reconcile to lines 31 and 49 of Form 19.

(3) With Profits benefits reserves below De minimis limit

The amount categorised as “Other” above falls within the De minimis limit.

(4) Division of Portfolio

In the above table, the following classes have similar bonus declaration characteristics:

- Premium Paying Endowments (PAL)
- Paid UP Endowment (PAL)
- Whole Life Premium Paying (PAL)
- Whole Life - Paid Up (PAL)

All other classes are distinct from each other.

4. With-profits benefits Reserve – Retrospective method

(1) Retrospective methods

(a), (b)

Product Type	Proportion Calculated using Individual Data (a)	Proportion Calculated using Grouped Data (b)
Premium Paying Endowments (PAL)	100%	0%
Paid UP Endowment (PAL)	100%	0%
UWP Group Pensions (PAL)	100%	0%
UWP Pensions (SLUK)	100%	0%

(c) No grouping is performed.

(2) Significant changes to valuation method

(a) The business was not subject to a realistic valuation previously.

(b) Not applicable due to (a).

(3) Expense allocation

(a) The previous expense investigation was carried out in December 2006

(b) Expense investigations are carried out annually

(c)

(i) Initial Expenses	£Nil[1]
(ii) Maintenance Expenses	£0.54m
(iii) Method	average expense charge deducted
(iv) Expenses charged other than to with-profits benefits reserve	£Nil

[1] Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

Investment expenses are allowed for by deducting the fees payable to the company's investment manager for managing the assets from the investment return credited to asset shares.

(4) Significant Charges

There are currently no guarantee charges taken from asset shares for these funds.

(5) Charges for non-insurance risk

Not applicable

(6) Ratio of claims to reserves

Average ratio of total claims to asset shares is different for ex-PAL and ex-SLUK business:

Year	Ratio of claims to asset shares (ex-PAL)	Ratio of claims to asset shares (ex-SLUK)
2004	352%	100%
2005	475%	100%
2006	660%	100%

(7) Allocated return

The average rates of investment return (before tax) added for the year to the valuation date are:

Product Type	Investment Return (%)
Premium Paying Endowments (PAL)	8.2%
Paid UP Endowment (PAL)	8.2%
UWP Group Pensions (PAL)	7.8%
UWP Pensions (SLUK)	7.7%

5. With-profits benefits reserve – Prospective method

(1) Key assumptions

(a) The discount rates used are:

Product Type	Discount rate %p.a.
Whole Life Premium Paying (PAL)	3.05%
Whole Life - Paid Up (PAL)	3.05%

The discount rate used is consistent with the investment return used in determining supportable bonus rates. Hence, the risk free rates are not directly relevant to the calculation of the prospective with profits benefit reserves.

(b) The investment returns used are:

Product Type	Investment Return %p.a.
Whole Life Premium Paying (PAL)	3.05%
Whole Life - Paid Up (PAL)	3.05%

(c) The rate of expense inflation used was:

Product Type	**Rate of expense inflation %p.a.**
Whole Life Premium Paying (PAL)	7.1%
Whole Life - Paid Up (PAL)	7.1%

(d) The assumed future annual and final bonus rates are:

Whole Life Premium Paying (PAL) and Whole Life - Paid Up (PAL)

Product Type	**Annual Bonus Rates %p.a.**
Whole Life Premium Paying (PAL)	5% basic 8% compound
Whole Life - Paid Up (PAL)	5% basic 8% compound

Future terminal bonus rates vary by duration in force at time of payment. Sample terminal bonus rates are as follows:

Elapsed Term in Years	**Terminal Bonus Rate**
10	879%
15	1131%
20	1591%
25	2194%
30	3317%
35	6216%
40	7773%

(e) The following expenses were used:

Product Type	**Expense per policy per annum**
Whole Life Premium Paying (PAL)	32.32
Whole Life - Paid Up (PAL)	32.32

(f) Persistency Assumptions

Product		**Average lapse / surrender / paid-up rate for the policy years**			
		1-5	**6-10**	**11-15**	**16-20**
Whole Life Premium Paying (PAL)	Lapse	0	0	0	0
Whole Life - Paid Up (PAL)	Lapse	0	0	0	0

Different sets of assumptions

Key sets of assumptions for the different classes are shown above.

6. Costs of guarantees, options and smoothing

(1) De minimis limit

The cost of guarantees, options and smoothing does not exceed the lesser of 50m and 0.5% of the total realistic liabilities, so paragraphs (2) to (7) have not been completed.

(2) Valuation method used to calculate the costs of guarantees

Not applicable

(3) Significant changes

Not applicable

(4) Further information on stochastic approach

Not applicable

(5) Management actions

Not applicable

(6) Persistency assumptions

Not applicable

(7) Policyholders' actions

Not applicable

7. Financing Costs

There are no financing arrangements.

8. Other long-term insurance liabilities

A liability of £10.0m has been established to cover potential future tax charges in excess of that assumed in the calculation of realistic liabilities.

A liability of £1.5m has been established to meet the future cost of commission payable to the ceding insurer on ex-PAL unitised with-profits pensions policies.

A liability of £0.1m has been established to cover the cost in excess of the with-profits benefit reserve of claims incurred but not reported at the valuation date

This total of these additional reserves is £11.552m, which is the value in line 47 of Form 19. Line 46 is zero.

9. Realistic current liabilities

The realistic current liabilities are set equal to the regulatory current liabilities.

10. Risk capital margin

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. The equity fall and the property fall were the most onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.81%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. An increase in yields is the most onerous scenario.

(iii) The average change in spread is 0.44%. The change in the market value of bonds is:

(a) -4.65%
(b) not applicable
(c) not applicable
(d) not applicable
(e) not applicable

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is -0.02%.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) (i) In the stress scenarios we further assume that:

Terminal bonus rates are changed such that the revised estate is extinguished.

(ii) Under the most onerous stress, the RCM is reduced by £16.977m by changing the terminal bonus rates.

(iii) No changes would apply to the table in 6(5)(b) if the management actions were taken.

(iv) The requirements of INSPRU 1.3.188R would be met if the actions described in 10(b)(i) were integrated into the projection of assets and liabilities.

(c) (i) The risk capital margin is covered by the assets of the long-term fund.

(ii) The scheme for the funds merger as at 31 December 2006 included a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. Tax

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

12. Derivatives

Not applicable

13. Analysis of working capital

Not applicable since the business has not previously been subject to realistic reporting.

14. Optional disclosure

None made.

90% WITH PROFITS FUND.

2. Assets

(1) Economic assumptions for valuing non-profit business

The economic assumptions used to calculate the value of future profits in non-profit business are as follows:

	Current Valuation	Previous Valuation
Fixed Interest Investment return	4.67%	N/a
Risk discount rate	4.67%	N/a
Inflation	3.30%	N/a
Expense inflation	5.20%	N/a

(2) Amount determined under INSPRU 1.3.33R(2)

Not applicable

(3) Valuation of contracts written outside the fund

Not applicable

(4) Different sets of assumptions

Not applicable

(5) De minimis limit

Not applicable

3. With-profits Benefits Reserve Liabilities

(1) Calculation of with profits benefits reserve

Product Type	Method	With-profits Benefit Reserve £m	Future Policy Related Liabilities £m
SLUK Industrial Branch business conventional WL and EA	Prospective	22.8	4.9
SLUK Ordinary Branch business conventional WL and EA	Retrospective	92.4	15.8
Bula conventional life business	Retrospective	61.2	4.4
Bula pension contracts with guaranteed annuity rate option	Retrospective	2.3	2.5
TOTAL		**178.7**	**27.6**

(2) Correspondence with Form 19

The above reconcile to lines 31 and 49 of Form 19.

(3) With Profits benefits reserves below De minimis limit

All with-profits benefit reserves shown in the table above.

4. With-profits benefits Reserve – Retrospective method

(1) Retrospective methods

(a), (b)

Product Type	Proportion Calculated using Individual Data (a)	Proportion Calculated using Grouped Data (b)
SLUK Ordinary Branch business conventional WL and EA	100%	0%
Bula conventional life business	100%	0%
Bula pension contracts with guaranteed annuity rate option	100%	0%

(c) No grouping used.

(2) Significant changes to valuation method

(a) The business was not subject to a realistic valuation previously.

(b) Not applicable due to (a).

(3) Expense allocation

(a) The previous expense investigation was carried out in December 2006

(b) Expense investigations are carried out annually

(c)

(i) Initial Expenses	£Nil[1]
(ii) Maintenance Expenses	£0.57m
(iii) Method	average expense charge deducted
(iv) Expenses charged other than to with-profits benefits reserve	£0.23m

[1] Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

Investment expenses are allowed for by deducting the fees payable to the company's investment manager for managing the assets from the investment return credited to asset shares. The exception to this is the ex Bula business where the investment expenses are not charged to asset shares and are shown in the above table.

(4) Charges for insurance risk

Not applicable

(5) Charges for non-insurance risk

Not applicable

(6) Ratio of claims to reserves

Average ratio of total claims to asset shares:

Year	Product Type	Ratio of claims to asset shares %
2004	SLUK IB SLUK OB Bula	125 141 98
2005	SLUK IB SLUK OB Bula	115 136 96
2006	SLUK IB SLUK OB Bula	107 107 99

The above ratios reflect the target payout as a percentage of asset share used in the calculation of the terminal bonus rates.

At the end of 2005 the SLUK IB and OB funds were merged. Under the terms of the merger the existing asset shares were uplifted; the IB and OB asset shares were uplifted by 100% and 66% respectively. As a result of this the target payout shown in 2006 in the table above for SLUK business has droppe.

(7) Allocated return

The average rates of investment return (before tax) added for the year to the valuation date are:

Product Type	Investment Return (%)
SLUK IB	7.7
SLUK OB	8.6
Bula	6.8

5. With-profits benefits reserve – Prospective method

(1) Key assumptions

A prospective method has been used for ex SLUK Industrial branch with-profits whole life business.

Bonus rates on with-profits whole life business are the same as the bonus rates on endowments for the same term. A bonus reserve valuation is used to determine the with-profits benefits reserve, where:

- the bonus rates are the supportable bonus rates determined from the relevant product, and
- the economic assumptions are consistent with the supportable bonus rates

The assumptions underlying this method are as follows:

(a) The discount rate is 6.13%, the same as the investment return assumption. These rates are consistent with the assumed supportable bonus rates.

(b) The investment return is 5.6% on fixed interest and 6.5% on equities.

(c) Expense inflation is 6.5%, which is the rate that underlies the supportable bonus rates for this product.

(d) Future reversionary bonuses are assumed to be 3.5% per annum on the basic sum assured. Exceptions are Pioneer Mutual policies and Stamford policies with cash bonuses where the bonus rates are 7.0% and 1.75% respectively.

Future terminal bonus rates vary by duration in force (at time of payment) and the actual year of payment.

(e) The assumed per policy maintenance expense for with-profits whole life business is £0.34 plus 30% of each premium paid for 2007, which is the rate that underlies the supportable bonus rates for this product

(f) There are no lapses

(2) Different sets of assumptions

Not applicable

6. Costs of guarantees, options and smoothing

(1) De minimis limit

Not applicable

(2) Valuation method for guarantees etc.

	Cost of Guarantees & Options	Smoothing Cost	Extent of Grouping	No of Individual policies	No of model points
All Business	Stochastic model	See below	All business	164,417	6,824

(a) Cost of Guarantees & Options

The costs of guarantees are determined using a stochastic model, with the asset returns being generated by a proprietary model. The following items were calculated stochastically:

- The reserves required in addition to asset share to meet guaranteed benefits.
- Future profits where amounts payable upon surrender are less than asset share.

The calculations were carried out using a risk neutral approach.

Cost of Smoothing

There is no significant cost of smoothing and this has been taken to be zero. All business has been modelled assuming future payouts of 100% of asset share.

(b) (i) None

(ii) All of the contracts are valued on a grouped basis.

(iii) For each product type we split the data initially by bonus series. We then create separate model points for each combination of year of commencement and year of maturity

This grouping is aligned with the way in which we declare bonus rates on our business (our actual terminal bonus rate calculation are based on specimen policies split out in the same way i.e. product type, year of commencement and year of maturity although at quinquennial rather than annual intervals).

No significant attributes of the contracts should be lost with this low level of grouping.

(c) Guaranteed annuity option liabilities for the ex-BULA pension contracts were calculated on a prudent deterministic basis, given the low volume of these. In addition, when calculating the cost of guarantees stochastically, the initial guaranteed sum assured has been increased to reflect the presence of the guaranteed annuity option.

The stochastic model assumes compound bonus only. The majority of the ex SLUK business participates in simple bonus only so the guarantee cost is overstated. This is not significant given the small guarantee cost overall.

(3) Significant changes

The business has not previously been subject to a realistic valuation so all the methods adopted are new.

(4) Further information on stochastic approach

(a) (i) The guarantees and options being valued using a full stochastic approach are described in 6(2)(a) above.

The following table gives an indication of the extent to which the guarantees are in or out of the money at the valuation date. For the various product types the with profits benefit reserve is shown along with the guaranteed sum assured plus bonuses payable on death/maturity and the sum of the difference where the guarantees are higher.

Product type	With profits benefit reserve £m (A)	Sum Assured plus bonuses (£m) (B)	Sum of positive B-A
SLUK IB	22.8	7.1	0.00
SLUK OB	92.4	73.1	0.25
BULA Life	61.2	55.3	1.84
BULA pensions	2.3	3.9	1.61

(ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert.

The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

UK gilt returns are modelled using a gilts + 10bps calibration in an Annual LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model.

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. The equity model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatilities are assumed to be constant beyond quoted strikes and maturities.

The volatilities used for UK equities are set out in 6(4)(a)(vi). The split between UK and overseas equities was 72%/28%.

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Cash	Equities	Property	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB	5yr Index Linked ZCB	15yr Index Linked ZCB
Cash	*1*	-0.03	0.12	-0.06	0.62	-0.49	0.28	-0.39	0.50	0.20
UK Equities		1	0.21	0.38	0.10	0.18	0.45	0.35	0.17	0.24
Property			1	0.14	0.08	-0.02	0.12	0.03	0.16	0.13
Overseas Equities				1	0.07	0.24	0.19	0.28	0.24	0.32
5yr Govt ZCB					1	0.15	0.55	0.13	0.42	0.21
15yr Govt ZCB						1	0.18	0.84	-0.14	0.10
5yr Corp ZCB							1	0.55	0.26	0.21
15yr Corp ZCB								1	-0.07	0.15
5yr IL XCB									1	0.81
15yr IL ZCB										1

(b) (iii)

		Asset type (all UK assets)	**K=0.75**				**K=1**				**K=1.5**			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	5.13%	4.64%	4.29%	4.04%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	£778,817	£506,763	£349,944	£250,179	x	x	x	x	x	x	x	x
			£53,075	£194,544	£282,862	£354,593	£149,385	£331,719	£445,227	£531,511	£524,753	£685,537	£820,018	£924,597
2		FTSE All Share Index (p=1)	£44,108	£150,566	£202,943	£239,769	£125,892	£259,749	£321,989	£362,203	£460,169	£542,583	£603,071	£638,326
3		FTSE All Share Index (p=0.8	£33,221	£100,513	£157,964	£217,861	£135,803	£231,393	£305,347	£378,410	£520,880	£605,120	£681,838	£760,228
4		Property (p=1)	£24,816	£64,957	£93,134	£122,265	£110,155	£159,661	£191,981	£224,465	£456,669	£452,704	£460,442	£480,257
5		Property (p=0.8	£2,753	£5,721	£6,419	£12,085	£53,372	£55,060	£68,913	£114,602	£500,397	£499,432	£504,197	£531,274
6		15 year risk free zero coupon bonds (p=1)	£1,508	£2,138	£1,793	£1,700	£34,221	£19,017	£11,840	£13,976	£428,660	£312,079	£237,172	£216,957
7		15 year risk free zero coupon bonds (p=0.8)	£5,052	£14,435	£23,000	£38,256	£63,458	£82,909	£104,787	£141,726	£502,416	£504,445	£513,799	£546,383
8		15 year corporate bonds (p=1)	£3,111	£6,061	£7,280	£9,847	£43,305	£37,983	£35,744	£41,140	£430,681	£318,602	£255,542	£238,143
9		15 year corporate bonds (p=0.8)	£29,077	£124,792	£192,214	£254,211	£118,270	£251,864	£339,489	£414,824	£511,117	£607,279	£703,322	£790,667
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	£22,382	£87,534	£125,828	£156,168	£94,903	£183,735	£226,585	£260,931	£443,971	£460,639	£490,273	£515,434
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£22,949	£110,207	£171,012	£226,618	£104,094	£229,331	£309,752	£379,678	£506,778	£582,764	£670,578	£750,136
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£17,233	£75,826	£109,519	£135,315	£81,887	£165,003	£202,924	£232,951	£437,561	£435,048	£457,515	£477,304
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£9,293	£56,655	£98,653	£141,787	£79,525	£162,901	£221,001	£280,014	£502,751	£532,257	£583,981	£645,744
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£5,953	£32,435	£52,044	£68,866	£57,874	£102,580	£124,888	£147,157	£431,643	£373,732	£365,668	£373,428
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	5	15	25	35	5	15	25	35	5	15	25	35
			L=15				**L=20**				**L=25**			
16		Swaptions with 5% strikes	7.95%	9.43%	8.30%	6.74%	10.56%	11.92%	10.34%	8.36%	12.97%	14.08%	12.09%	9.73%

(iv) UK initial equity yield: 3.95%
UK initial property rental yield: 4.30%

(v) Not applicable – there are no significant territories other than the UK. 1.2% of the guaranteed benefit is in relation to Eire policies.

(vi) The following table shows the outstanding guarantees analysed by term. The SLUK IB business is nearly all whole life and the term has been taken as the term to age 110.

G'teed benefit £000	SLUK IB	SLUK OB	BULA Life	BULA Pensions
2007	-	15	3,900	374
2008	-	228	5,962	218
2009	-	4,944	6,696	155
2010	8	10,623	9,496	609
2011	9	8,010	13,246	277
2012	4	7,463	6,926	558
2013	8	10,754	2,461	278
2014	4	9,625	470	303
2015	6	9,835	345	56
2016	4	5,083	381	329
2017	87	2,245	262	3
2018	89	1,402	152	30
2019	93	563	164	38
2020	94	34	384	243
2021	93	60	262	70
2022	108	52	171	187
2023	115	41	113	12
2024	110	8	126	-
2025	110	27	23	1
2026	109	25	32	47
2027	136	54	81	63
2028	191	53	82	-
2029	211	103	70	1
2030	184	60	55	1
2031	194	74	137	
2032	209	76	116	
2033	216	73	107	
2034	202	67	155	
2035	189	92	114	
2036	190	67	181	
2037	192	92	144	
2038	188	79	120	
2039	192	88	168	
2040	177	148	149	
2041	166	84	100	
2042	145	68	79	
2043	156	65	82	
2044	140	53	88	
2045	152	53	71	
2046	127	92	52	

G'teed benefit £000	**SLUK IB**	**SLUK OB**	**BULA Life**	**BULA Pensions**
2047	122	24	242	
2048	112	17	73	
2049	100	7	28	
2050	106	36	93	
2051	119	32	50	
2052	128	32	32	
2053	109	16	80	
2054	113	173	115	
2055	131	40	93	
2056	128	10	33	
2057	96	17	90	
2058	91	15	92	
2059	105	38	153	
2060	96	9	33	
2061	81	18	75	
2062	80	2	62	
2063	91	13	42	
2064	73	26	15	
2065	80	8	30	
2066+	527		157	

UK Equities

The asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Market

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	19.90	17.12	14.40	12.20	10.91
2	19.32	17.22	15.26	13.60	12.36
3	19.40	17.63	16.02	14.61	13.49
5	20.09	18.68	17.39	16.25	15.29
10	22.18	21.12	20.13	19.25	18.48

Model

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	14.18	14.68	14.76	14.73	14.54
2	16.79	16.21	15.35	14.54	13.90
3	17.46	16.63	15.81	15.00	14.31
5	17.56	16.86	16.19	15.60	15.12
10	21.99	21.35	20.79	20.32	19.92

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
15	24.78	24.13	23.57	23.13	22.78
20	25.38	24.91	24.53	24.21	23.94
25	24.97	24.66	24.41	24.17	23.97
30	26.71	26.32	26.00	25.72	25.50

Difference (Model – Market) %

	Strike				
Term	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**
1	(5.72)	(2.44)	0.36	2.53	3.63
2	(2.53)	(1.01)	0.09	0.94	1.54
3	(1.94)	(1.00)	(0.21)	0.39	0.82
5	(2.53)	(1.82)	(1.20)	(0.65)	(0.17)
10	(0.19)	0.23	0.66	1.07	1.44

Property

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Fixed Interest

A LIBOR Market Model calibrated to Gilts + 10 basis points is used. The calibration at the valuation date was as follows:

	Govt. + 10bp	**Model**	**Difference (Model – Market bp)**
1	5.34	5.38	4
2	5.29	5.31	2
3	5.21	5.25	4
4	5.15	5.19	4
5	5.09	5.13	4
7	5.01	5.01	0
10	4.87	4.86	(1)
15	4.68	4.64	(4)
20	4.49	4.45	(4)
25	4.32	4.29	(3)

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at the valuation date is as follows:

Term	**Market IV**	**Model**	**Difference (Model – Market bp)**
1	11.55	11.48	(7)
2	11.75	11.52	(23)
3	11.90	11.80	(10)
4	12.00	11.83	(17)
5	12.00	12.28	28
7	12.10	12.35	25
10	12.35	12.90	55
15	12.70	12.68	(2)
20	12.65	12.88	23
25	12.50	12.56	6
30	12.35	12.33	(2)

Credit (Corporate Bonds)

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities.

(vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert asset model as follows:

For UK and Overseas equities and for UK property we have verified that the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) are acceptably close to unity– the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The assets and liabilities have been computed using 3,000 (1,500 antithetic pairs of) simulated scenarios. This results in standard errors in the calculated yield curve of less than 1 basis point for terms 1- 30 years.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 3.1% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 1.7% of these prices.

(b) Not applicable

(c) Not applicable

(5) Management actions

We do not assume that any scenario specific management actions take place in the stochastic model.

(6) Persistency assumptions

The surrender and paid-up assumptions are:

Product		**Average surrender / paid-up rate for the policy years**			
		1-5	**6-10**	**11-15**	**16-20**
CWP savings endowment	Surrender	3.0	3.0	3.0	3.0
CWP target cash endowment	Surrender	4.0	4.0	4.0	4.0
UWP savings endowment	Surrender	n/a	n/a	n/a	n/a
UWP target cash endowment	Surrender	n/a	n/a	n/a	n/a
UWP bond	Surrender	n/a	n/a	n/a	n/a
UWP bond	Automatic withdrawals	n/a	n/a	n/a	n/a
CWP pension regular premium	PUP	0.0	0.0	0.0	0.0
CWP pension regular premium	Surrender	0.0	0.0	0.0	0.0
CWP pension single premium	Surrender	n/a	n/a	n/a	n/a
UWP individual pension regular premium	PUP	n/a	n/a	n/a	n/a
UWP individual pension regular premium	Surrender	n/a	n/a	n/a	n/a
UWP individual pension single premium	Surrender	n/a	n/a	n/a	n/a

(7) Policyholders' actions

No such assumptions were made.

7. Financing Costs

There are no financing arrangements.

8. Other long-term insurance liabilities

(a) Future shareholder transfers not deducted from asset share

For ex-SLUK business, for all but a small group of policies, the PPFM states that shareholder transfers are not deducted from asset share. A liability is therefore included in the balance sheet for this amount, calculated within the stochastic model. For simplicity we assume that this applies to all ex-Swiss policies.

The future transfers as at the valuation date amounted to a liability of £6.1m.

(b) Future shareholder transfers from planned enhancements to with profits benefit reserve

Shareholders will be entitled to transfers of 10% of the future bonuses added through planned enhancements to the with profits benefit reserve.

The future transfers as at the valuation date amounted to a liability of £1.7m.

(c) Additional Tax on Shareholder Transfers

An allowance is made for the additional tax arising on transfers to shareholders in respect of life business. This is calculated as a percentage of the present value of future transfers to shareholders in respect of life business.

The liability as at the valuation date amounted to £1.1m.

(d) Future investment expenses not deducted from asset share

For ex-BULA, the PPFM states that investment expenses are not deducted from asset share. A liability is therefore included in the balance sheet for this amount, calculated within the stochastic model.

The investment expenses as at the valuation date amounted to a liability of £0.2m.

(e) Future Tax Adjustment

The realistic balance sheet calculations assume that tax will be payable in relation to the realistic proportion of life business. In reality the tax is calculated by reference to statutory liabilities. An approximate adjustment is made to allow for the fact that future tax will be based on the statutory life proportion rather than the realistic life proportion.

This adjustment as at the valuation date amounted to a liability of £0.015m.

9. Realistic current liabilities

The realistic current liabilities are taken to be the same as the regulatory current liabilities.

10. Risk capital margin

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. The equity fall and the property fall were the most onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.82%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.

(iii) The average change in spread is 0.67%. The change in the market value of bonds is:

(a) -4.68%
(b) not applicable
(c) not applicable
(d) not applicable
(e) not applicable

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is 0.17%.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) (i) In the stress scenarios we further assume that:

Annual bonus rates will be reduced to nil in stages over the next two years.

(ii) The effect on the RCM of assuming reduced annual bonuses is a reduction of £2.1m.

(iii) Not applicable

(iv) Not applicable

(c) (i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.

(ii) The scheme for the funds merger as at 31 December 2006 included a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. Tax

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An approximate adjustment is made to allow for any differences between the tax calculated as described and the tax expected on a corporate basis. The adjustment is calculated within the stochastic model.

12. Derivatives

Not applicable

13. Analysis of working capital

Not applicable since the business has not previously been subject to realistic reporting.

14. Optional disclosure

None made.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

Global Business

Financial year ended 31st December 2006

NOTES TO APPENDIX 9.1

***0201* Section 148 waiver**

The FSA, on the application of the Company, made a direction in December 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the Company to take into account "reversionary interests in land" for the purposes of determining a yield and internal rate of return on assets in accordance with INSPRU 3.1.34R and 3.1.39R respectively. .

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

The reconciliation of the net admissible assets to total capital resources after deductions is as follows:

	2006 £000's
Form 13 line 89 Total other than long term business assets	905,771
Form 13 line 89 Total long term business assets	27,917,107
Less the sum of lines 11, 12 and 49 of Form 14	(24,758,063)
Less Form 15 line 69	(25,507)
Total capital resources after deductions (Form 3 line 79)	**4,039,278**

0310 Details of Valuation Differences Between the return and statutory accounts

Net positive valuation differences represent:

	Total £000's
Difference in valuation of mathematical reserves	2,230,810
Accounting provision for financial reinsurance	22,157
Contingency & Expense reserves not recognised in the accounts	(134,099)
Deferred acquisition costs	(4,480)
Other	811
Net positive valuation differences (Form 3 line 14)	**2,115,199**

***0313* Part VII transfer**

On 31 December 2006, the long term business funds together with the majority of the shareholders funds of Britannic Retirement Solutions Limited, Britannic Unit Linked Assurance Limited, Britannic Assurance plc, Century Life plc, Alba Life Limited and Phoenix Life & Pensions Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 8 December 2006.

***1105* and *1205* Reference period**

Column 1 has been completed as if the business transferred in at 31 December 2006 under Part VII of the Financial Services and Markets Act 2000 referred to in notes "0313" and "4004" and also in Appendix 9.4 paragraph 1 had been within the Company for the whole of the review period.

***1301* OLTB: Aggregate value of certain investments**

The Company held at 31 December 2006 £104,881k in unlisted securities and £181k in not readily realisable investments relating to equities and fixed interest.

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***1304* OLTB: Set off**

***1310* LTB: Set off**

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.

a) Interfund balances, which exist between the shareholders' funds and life funds, have been adjusted by allocating appropriate cash and deposit balances.

***1305* OLTB: Counterparty limits**

***1319* LTB: Counterparty limits**

The maximum permitted limit to an approved and other than approved counterparty is the limit consistent with the requirement on admissibility of assets unless the Company agrees otherwise.

***1308* LTB: Aggregate value of certain investments**

The Company held at 31 December 2006 £51,573k in unlisted securities relating to £46,846k equities and fixed interest and £4,727k to loan notes

The Company held at 31 December 2006 £2,804k in not readily realisable investments relating to equities and fixed interests.

***1318* Adjustments to Assets**

Other asset adjustments of £1,234k shown on Form 13 Line 100 represent:
<u>Other than long term</u>
Reclassification of assets

<u>Long Term</u>

	Total £000's	Non-Profit £000's	100% WP £000's	90% WP £000's	Britannic IB WP £000's	Britannic WP £000's	Phoenix WP £000's	Alba WP £000's
Inadmissible deferred tax asset	**3,785**	3,785						
Deemed settlement	**22,130**	22,130						
FRS 19 adjustment	**32,114**	32,114						
Reclassification of assets	**(97,434)**	(13,770)	(324)	(4,222)			(79,118)	
Inadmissible value of in force business	**93,910**	93,910						
Offset assets and liabilities	**(80,487)**	(39,956)			(4,025)	(12,970)	(18,157)	(5,379)
Other	**(17)**	(1,711)					1,694	
Total	**(25,999)**	**96,502**	**(324)**	**(4,222)**	**(4,025)**	**(12,970)**	**(95,581)**	**(5,379)**

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

No provision for adverse changes has been made as liabilities are matched to assets.

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

In common with the Life Insurance industry, the Company has experienced a large number of complaints in respect of mortgage endowment business. A provision has been established, but the ultimate redress cost may be greater or smaller than is currently provided and will be dependent on the level of complaints and the period over which the policies were written.
There is a potential liability to taxation of £140.2m on capital gains, which might arise if the Company disposed of its assets.

At 31 December 2006 there were no other charges over assets, contingent liabilities, guarantees, indemnities or contractual commitments effected by the Company other than in the ordinary course of its insurance business.

1403 Provisions for other risks and charges

Provisions for other risks and charges of £23,267k shown in Form 14, line 22, relates mainly to provisions set up for litigation and costs of complaints. These provisions are analysed by funds as follows:

	£'000
Non-Profit Fund	21,052
Britannic Industrial Branch Fund	643
Britannic With Profit Fund	372
Phoenix With Profit Fund	1,042
Alba With Profits Fund	158
Total	**23,267**

1405 Adjustments to Liabilities

Other adjustments to Liabilities shown on Form 14 Line 74 represent:

	Total £000's	Non-Profit £000's	100% WP £000's	90% WP £000's	Britannic IB WP £000's	Britannic WP £000's	Phoenix WP £000's	Alba WP £000's
FRS27 liabilities	**1,089,909**			(1,215)	(1,937)	(82,692)	1,176,101	(348)
Financing Reassurance	**22,157**	22,157						
Contingent liability	**16,285**	16,285						
Contingency reserve	**(31,038)**	(28,737)		(2,301)				
Deemed Settlement	**22,130**	22,130						
FRS 19 Adjustment	**32,114**	32,114						
Reclassification of Assets	**(97,434)**	(13,770)	(324)	(4,222)			(79,118)	
Offset of assets and liabilities	**13,083**	70,638	400	700	(3,025)	(12,894)	(15,957)	(26,779)
Reclassification of claims	**2,569**	1,317				1,252		
Total	**1,069,775**	**122,134**	**76**	**(7,038)**	**(4,962)**	**(94,334)**	**1,081,026**	**(27,127)**

***1407* and *1508* Contingent loans to With Profits Funds**

As part of the Part VII transfer set out in note "0313" there is provision for the Company's Non Profit or shareholder funds to provide financial assistance or support to any of the Company's With Profit Funds. At 31 December 2006, the non Profit Fund provided support in the form of a loan of £18.2m to the Alba With-Profits Fund.

***1507* Other adjustments**

Other adjustments of £(645k) shown on Form 15 Line 83 represent reclassification of liabilities

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

In accordance with Appendix 9.1 paragraph 5 (2) of the Interim Prudential Sourcebook for Insurers, long-term business amounts of income and expenditure in foreign currencies are translated to sterling at the prevailing rates at the date of the transactions.

***1603* Other income and charges**

The income shown on Form 16 line 21 in 2006 represents income from the Part VII transfer (see note 4004).

The income shown on Form 16 Line 21 in 2005 represents £228,102k income from the Part VII transfer (see note 4004), £79,283k charge relating to loans written down and £4,922k income relating to the liquidation of the ULPF subsidiary.

***1700* Omission of Forms**

Form 17 has not been prepared for Other than Long Term Insurance business as all entries, including comparatives would be nil.

***1701* Derivative contracts**

There has been no excess variation margin received due to market movements that has subsequently been partly or wholly reversed.

Assets matching the variation margin are shown in Form 13 as follows:

Line 45 : Fixed Interest – Approved Securities £2,337k.

NOTES TO APPENDIX 9.3

***4002* Other income and expenditure**

Other income of £41,578k shown in Form 40, line 15, relates to the repayment of contingent loan from Alba With Profit Fund of £40,000k and £1,578k to costs arising from the decision to close to new business in 2002, together with the out-turn of provisions established following the decision to close to new business in 2002 and the out-turn of provisions established prior to 2003 in respect of previous business improvement programmes.

***4004* Business Transfer In**

On 31 December 2006, the long term business funds together with the majority of the shareholders funds of Britannic Retirement Solutions Limited, Britannic Unit Linked Assurance Limited, Britannic Assurance plc, Century Life plc, Alba Life Limited and Phoenix Life & Pensions Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 8 December 2006. The amounts shown on line 31 on Form 40 (summary) is analysed as follows:

	£'000
Britannic Industrial Branch Fund	634,421
90% With-Profits Fund	48,623
Britannic With-Profits Fund	4,105,636
Alba With-Profits Fund	1,854,032
Non-Profit Fund	5,738,140
Phoenix With-Profits Fund	5,948,251
Total	18,329,103

On 31 December 2005, the long term business funds together with the majority of the shareholders funds of PA (GI) Limited (formerly Phoenix Assurance Limited), SL Liverpool plc (formerly Swiss Life (UK) plc) and Bradford Insurance Company Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 31 October 2005.

***4008* Provision of management services to or by the company**

Arrangements were in force during the financial year for the provision of management services to the Company by Resolution Management Services Limited, Unisys Limited and Resolution Asset Management Limited.

***4009* Material connected party transactions**

A number of reinsurance contracts were in place during the year between the Company and other group companies. All these contracts were entered into on "arms length" basis. Details of these transactions are shown in Appendix 9.4, paragraph 9 of the Return.

During the year the Company paid £45,435k and £7,288k to Resolution Management Limited and Resolution Asset Management Limited respectively in respect of services provided.

At 31 December 2006 there were £262m loans made by the Company to its holding company, Resolution Life Limited. These loans are interest bearing, repayable on demand by the Company.

***4011* Expenses payable**

Policy administration is outsourced to Resolution Management Services Limited (RMS), which in turn has an agreement to sub contract administration to Unisys Insurance Services limited. Under the agreement with RMS, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk. On 1 April 2006, the management of the Company's investments were transferred to Resolution Asset management Limited.

***4101* Financing reassurance**

In 2005, a part repayment of the amounts received in prior years was made to other group companies and amounted to £10.6m.This was included in regular premiums and has been split £5.6m life and £5.0m pensions, shown in Form 41 Lines 12 & 14 respectively. The majority of the remaining liability collapsed with Part VII transfer at 31 December 2006, as this liability was to one of the non-profit funds received. The remaining liability of £1.7m of the non-profit fund was settled to the Phoenix with-profit fund following the Part VII transfer on 31 December 2006, leaving no residual liabilities under financing reassurance arrangements with other group companies.

***4200* Omission of Forms**

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Form 42 has not been completed for Britannic Industrial Branch Fund, Britannic With-Profits Fund, Phoenix With-Profits Fund and Alba With-Profits Fund as all entries, including comparatives would be nil.

***4300* Omission of Forms**

Form 43 has not been completed for Britannic Industrial Branch Fund, Britannic With-Profits Fund, Phoenix With-Profits Fund and Alba With-Profits Fund as all entries, including comparatives would be nil

***4401* Basis of valuation of assets**

Investments and assets helped to cover linked liabilities and listed securities are shown as bid market value. Properties are valued annually at open market value. Cash and deposits are shown as face value.

***4402* Derivative Contracts/Rights & Liabilities**

The value of equity warrants held by the funds are as follows:

	2006 £000's	2005 £000's
SLIND (RSALI Life)	2	3
RHPBF (RSALI Life)	2	2
RHBBF (RSALI Life)	-	3
RHPIF (RSALI Pensions)	-	1
Total	**4**	**8**

The value of convertible loans held by the funds are as follows:

	2006 £000's	2005 £000's
RHPBF (RSALI Life)	-	25

The value of rights and liabilities under Currency interest rate swaps are as follows:

	2006		2005	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
European Government Bond (RSALI Pensions)	-	-	41	1

***4502* Other income and expenditure**

On 31 December 2006, the long term business funds together with the majority of the shareholders funds of Britannic Retirement Solutions Limited, Britannic Unit Linked Assurance Limited, Britannic Assurance plc, Century Life plc, Alba Life Limited and Phoenix Life & Pensions Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 8 December 2006. Internal linked funds of £3,526,357k were part of the transfer and is shown in Line 14.

On 31 December 2005, the long term business funds together with the majority of the shareholders funds of PA (GI) Limited (formerly Phoenix Assurance Limited), SL Liverpool plc (formerly Swiss Life (UK) plc) and Bradford Insurance Company Limited were transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 31 October 2005. Internal linked funds were part of the transfer and is shown in Line 14.

Other expenditure of £8,596k (2005 £1,798k) shown in Form 45, line 26, relates mainly to subsidies and property expenses.

***4701* Number of new group schemes with no records at member level**

There are no new group schemes.

***4702* Approximations used to apportion between product codes**

No approximations have been made in apportioning new business between product codes.

***4801* 'Asset Share' philosophy**

Phoenix 90% With-Profits Fund and Phoenix 100% With-Profits Fund

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the
definition of with-profits fund.

Alba With-Profits Fund

Category of assets	Category 75% / 25%	Category 90% / 10%
Land and Buildings	25.00%	8.00%
Approved Fixed Interest	54.45%	65.63%
Other Fixed Interest	20.55%	24.77%
Variable interest securities	0.00%	0.00%
UK listed equity shares	0.00%	0.00%
Non UK listed equity shares	0.00%	0.00%
Unlisted equity shares	0.00%	0.00%
Other assets	0.00%	0.00%
Total	100.00%	100.00%

The asset mix for significant asset share groups is shown in the table above.

The 75% / 25% category includes traditional with profits life and former BLL series B pensions business and unitised with profits policies.

The 90% / 10% category includes traditional with profits pensions business other former BLL series B.

Different asset mixes are held for other non significant asset share groups

Britannic With-Profits Fund and Britannic Industrial Branch Fund

The asset mix for significant asset share groups is shown in the table below.

The BA WP category refers to sterling denominated business in the Britannic With Profits Fund. A different asset mix is held for the euro denominated business, but this is not a significant group.

The BA IB category refers to business in the Industrial Branch Fund. The same asset mix is used for all asset share groups.

	BA WP	BA IB
Land and Buildings	8.38%	6.13%
Approved Fixed Interest	25.17%	27.24%
Other Fixed Interest	15.18%	17.88%
Variable interest securities	0.00%	0.00%
UK listed equity shares	36.62%	36.07%
Non UK listed equity shares	8.59%	8.40%
Unlisted equity shares	0.00%	0.00%
Other assets	6.06%	4.29%
Total	100.00%	100.00%

Phoenix With-Profits Fund

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the definition of with-profits fund.

***4802* Treatment of expected income from defaulted assets**

Phoenix Non Profit Fund, Phoenix 90% With-Profits Fund and Phoenix 100% With-Profits Fund

Expected income includes income in respect of securities which may be in default.

Britannic With-Profits Fund and Britannic Industrial Branch Fund

Where payment of interest from any asset is in default, no income is included. No interest payments are in default at 31/12/2006.

Phoenix With-Profits Fund

Expected income includes income in respect of securities which may be in default.

***4803* Assumptions regarding securities which may be redeemed over a period at option of the guarantor or the issuer**

Phoenix Non Profit Fund, Phoenix 90% With-Profits Fund and Phoenix 100% With-Profits Fund

The funds holds a number of securities, the coupon of which changes from a fixed amount to a variable amount from a pre-determined date. The issuer of the security has the option to redeem the bond on that date and information presented assumes that this will be the case. The market values of these stocks at 31st December 2006 were 40.013m in the Non-Profit Fund, 2.768m in the 90% Fund and 2.537m in the 100% Fund.

In addition for the Non-Profit Fund for variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£59.1m
Latest maturity date	£67.8m
Total Optional maturity date	£126.9m

And for the 90% Fund for variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£1.5m
Latest maturity date	£1.6m
Total Optional maturity date	£3.1m

Britannic With-Profits Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£ 4.5m
Latest maturity date	£57.3m
Total Optional maturity date	£61.8m

Britannic Industrial Branch Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£0.4m
Latest maturity date	£5.1m
Total Optional maturity date	£5.5m

Phoenix With-Profits Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£198.777m
Latest maturity date	£35.205m
Total Optional maturity date	£233.982m

Alba With-Profits Fund

For variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

Earliest maturity date	£11.45m
Latest maturity date	£12.28m
Total Optional maturity date	£23.73m

***4805* Aggregate value of assets giving excess exposure to counterparties**

There is no entry in Form 13.87.1.

***4806* Assets used to calculate investment returns in lines 21-29 column 5**

90% Fund The returns shown in lines 21 - 28 column 5 are the returns on assets backing Ordinary Branch Life business as this is the largest portfolio of with-profits business within the 90% fund.

The overall return attributable to this line of business is the return in line 29 which is based on the allocationof assets specific to Ordinary Branch Life business. The investment returns attributable to other portfolios of business within the 90% fund are based on alternative asset allocations specific to each portfolio of business.

A single investment return has been calculated for approved and other fixed interest securities and is reported in column 5 for both these categories.

100% Fund

The returns shown in lines 21 - 28 column 5 are the returns on assets backing the Ex-PAL conventional with-profits business as this is the largest portfolio of with-profits business within the 100% fund.

The overall return attributable to this line of business is the return in line 29, which is based on the allocation of assets specific to Ex-PAL conventional with-profits. The investment returns attributable to other portfolios of business within the 100% fund, such as Ex-PAL Unitised with-profits and Ex-SLUK with-profits are based on alternative asset allocations specific to each portfolio of business.

ALBA With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

The returns shown in line 32 and 33 relate to the largest asset share grouping.

Phoenix With-Profits Fund

The asset mix underlying an individual policy asset shares varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate. The assets (with market value as at the start of the valuation period) used to calculate investment returns shown in lines 21-29 are:

Asset Type	Market Value (£m)
Land and buildings	851
Approved fixed interest securities	2316
Other fixed interest securities	1520
Variable interest securities	189
UK listed equity shares	815
Non-UK listed equity shares	412
Other assets	29

Britannic With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to Ordinary Branch With Profits sterling denominated asset shares are derived. There is a further portfolio of assets from which the return credited to euro denominated assets shares are derived. The returns shown in lines 32 and 33 relate to the Ordinary Branch With Profits sterling denominated asset share grouping which is the largest.

Britannic Industrial Branch Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

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***4807* Non Linked Assets**

Phoenix With-Profits Fund

A single investment return has been calculated for approved, other fixed interest and variable interest securities and is reported in column 5 for these categories.

***4808* Non Linked Assets**

Phoenix With-Profits Fund

The Company holds a number of swaps in connection with its fixed interest assets. The net value of the swaps is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to fixed interest securities as described in Appendix 9.4 paragraph 4 (9) in proportion to the market value of the underlying fixed interest securities. The yield shown in column 4 reflects the overall impact of this aggregation. For fixed interest securities the expected income relates to the fixed interest assets shown in column 1.

***4809* Non Linked Assets**

Phoenix With-Profits Fund

The entry in Line 33 column 5 is after tax.

***4901* Rating agency used for split by credit rating**

Phoenix Non Profit Fund, Phoenix 90% Fund, Phoenix 100% Fund and Phoenix With-Profits Fund, Britannic With-Profits fund, Britannic Industrial Branch Fund

Ratings shown are the weaker of ratings provided by Moody's Investors Service and Standard & Poor's Corporation.

Alba With Profits Fund

The rating agency used to provide the ratings used in Form 49 was Standard and Poors.

***4902* Fixed Interest Assets**

Phoenix With-Profits Fund

The value of assets in column 1 corresponds to the value of assets in column 2 of Form 48 but ignoring the swap apportionment referred to in note 4808. The yields in columns 3 and 4 exclude the economic effect of the swap apportionment.

***5000* Internal Reassurances**

The majority of internal reassurances have been collapsed as part of the Funds Merger Scheme – see note *0313*. However, there were some arrangements between Non-Profits and With-Profits funds within the Company which have been replicated after the 2006 Funds Merger. Those treaties which have been replicated are disclosed only in the “Reassurer” fund as closed business.

***5100* Valuation Summary of Non linked contracts**

Reserves of 2.715m on paid up with profits policies have been included in the with profit reserves in Form 51 but as they no longer participate in bonuses they have been included in the non profit reserves in Form 18.

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***5101* Number of group schemes without records at member level**

Product Code	Number of Group Schemes
320	60
390	12
410	5
420	2
430	2

Phoenix With-Profits Fund

Gross reserves for product code 435 Miscellaneous non-profit – Maturities on Deposit of £128.473m in UK Pension / Gross and £17.365m in Overseas / Gross relates to pensions products where the policyholder has passed their retirement age and not taken their retirement benefits.

***5103* Miscellaneous Products**

Britannic With-Profits Fund

The miscellaneous item for UK Pensions Gross Insurance Business is reinsurance accepted on guaranteed annuity options

***5301* Number of group schemes without records at member level**

Product Code	Number of Group Schemes
735	7
750	17
755	188
765	109

***5403* Miscellaneous Products**

Code 910 (miscellaneous index-linked) includes a significant number of index-linked endowment, term assurance and income protection policies which do not fit into any other product code.

***5801* Interim, mortuary or terminal bonuses determined in advance of a valuation**

The amounts shown in line 12 and again in line 41, being bonus payments made to policyholders in anticipation of a surplus, are for final and interim bonuses on claims made during the year and for annual bonus, declared investment returns declared in advance.

Phoenix With-Profits Fund

As a result of the transfer of business from Phoenix Life & Pensions Limited into the Phoenix With-Profits Fund in Phoenix Life Limited the reversionary bonus was

distributed in Phoenix Life Limited although the terminal bonus was distributed in Phoenix Life & Pensions Limited. The figure in Line 61 represents the aggregate percentage for the distribution of surplus in respect of the year.

Alba With-Profits Fund

As a result of the transfer of business from Alba Life into the Phoenix Alba With-Profits Fund in Phoenix Life Limited the reversionary bonus was distributed in Phoenix Life Limited although the terminal bonus was distributed in Alba Life. The figure in Line 61 represents the percentage for the distribution of surplus in Phoenix Life Limited.

Britannic With-Profits Fund and Britannic Industrial Branch Fund

As a result of the transfer of business from Britannic Assurance into the Phoenix Britannic With-Profits Fund and Britannic Industrial Branch Fund in Phoenix Life Limited the reversionary bonus was distributed in Phoenix Life Limited although the terminal bonus was distributed in Britannic Assurance. The figure in Line 61 represents the percentage for the distribution of surplus in Phoenix Life Limited.

Phoenix 90% With-Profits Fund

As a result of the transfer of business from Britannic Unit Linked Assurance into the Phoenix 90% With-Profits Fund in Phoenix Life Limited the reversionary bonus was distributed in Phoenix Life Limited although the terminal bonus was distributed in Britannic Unit Linked Assurance. The figure in Line 61 represents the percentage for the distribution of surplus in Phoenix Life Limited.

***5802* Identification of separate transfers if the entry at line 14 or line 33 represent more than one transaction**

Line 33 represents the unappropriated surplus transferred into Phoenix Life Limited as part of the funds merger. Equivalent entries appear in Line 33 of the pre-merger company returns.

Statement of Additional Information on Derivative Contracts required by rule 9.29

Phoenix Life Limited

Financial year ended 31st December 2006

Statement pursuant to rule 9.29

a) The Company has investment guidelines which indicate that derivative contracts are used primarily for the purpose of efficient portfolio management or reduction of investment risks which specify the types of derivative contracts which may be used and indicate the processes to be used in selecting and managing derivative contracts. The guidelines also require regular monitoring and reporting of open positions.

b) The guidelines operated by the Company for the use of derivative contracts do not include any provisions for the use of contracts under which the Company has a right or obligation to acquire or dispose of assets which was not, at the time the contract was entered into, reasonably likely to be exercised.

c) The Company was not a party to any such contracts of the kind described in b) at any time during the financial year.

d) The derivative assets held are valued at market value. There would be no material change in value of any assets on Form 13 if these contracts were closed as at 31 December 2006

e) The position under d) would not be different if such options were exercised in such a way as to change the amounts referred to in d) to the maximum extent.

f) The position under d) would not have been materially different at any other time during the relevant financial year.

g) The maximum loss which would be incurred by the Company in the event of failure by any one other person to fulfil its obligations under these contracts at the end of the financial year under existing and other foreseeable market conditions was £15,279,000

   The maximum loss any other time during the relevant financial year was £17,646,632

h) The Company did not, at any time during the financial year, hold a derivative contract which required a significant provision to be made for it under INSPRU 3.2.17R or (where appropriate) did not fall within the definition of a permitted derivative contract.

i) The Company received £Nil during the year in return for granting rights under derivative contracts.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Limited

Global business

Financial year ended 31st December 2006

Statement pursuant to rule 9.30

1. The following persons have, to the knowledge of Phoenix Life Limited (the Company), been controllers of the Company during the year ended 31st December 2006 in descending order of parentage:

   Resolution plc
   Resolution Life Group Limited
   Resolution Life Limited

2. As at 31st December 2006, the controllers held 100% of the ordinary shares of its immediate subsidiary company together with the whole of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31st December 2006**

We certify that:

(1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU.

(b) the directors are satisfied that:

(i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and either PRU or GENPRU and INSPRU, as applicable; and

(ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

(2) (a) in the directors' opinion, premiums for contracts of long-term insurance business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular to establish adequate mathematical reserves;

(b) 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 for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

(c) the directors have taken and paid due regard to:

(i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and

(ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

R CRAINE	R E K GREENFIELD	I G MAIDENS
………………………..	……………………..	……………………
Director	Director	Director

28 March 2007

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31st December 2006**

Note to the Directors' Certificate

Paragraph 2(c) which relates to the management of the with profits fund in accordance with the Principles and Practices of Financial Management, has been omitted from the return due to some minor technical issues and minor instances where the published PPFM wording does not properly reflect intended past and future practice. These are not considered to have resulted in the unfair treatment of policyholders.

Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Phoenix Life Limited

Global business

Financial year ended 31st December 2006

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

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

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

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

This report is made solely to the insurer's directors, in accordance with rule 9.35 of the Accounts and Statements Rules. 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 statements and the valuation reports) under the provisions of the Rules. Under rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statements and the valuation reports 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 statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 29 March 2007. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statements and the valuation reports.

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

Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Phoenix Life Limited

Global business

Financial year ended 31st December 2006

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

Opinion

In our opinion:

(a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and

(b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP
Registered Auditor
London

30 March 2007

INFORMATION ON THE ACTUARY APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION

In accordance with Rule 9.36 of the Interim Prudential Sourcebook for Insurers, the Actuary appointed to perform the With-Profits Actuary function of Phoenix Life Limited has been requested to furnish the particulars required in paragraph 1 of the Rule and has accordingly furnished the following statement. The Company has reviewed the requirements of Rule 9.36 and is not aware of any further information to that provided by the Actuary.

Particulars of Shareholdings

At 31st December 2006 the With-Profits Actuary to the Company held:

(a) No interests in the ordinary shares in Resolution Plc, the ultimate holding company; and
(b) options to subscribe for 148,321 ordinary shares in Resolution Plc granted under the Company's Long Term Incentive Plan and the Savings Related Share Option Scheme.

Particulars of Pecuniary Interests

There was one contract of insurance in existence between the With-Profits Actuary and companies in the Resolution group, being a term assurance policy effected on normal terms with Scottish Provident Institution prior to it being part of the Resolution Group.

Particulars of Remuneration, Benefits, Directors Emoluments, Pensions or Compensation

The aggregate amount receivable by way of remuneration and the value of other benefits under a contract of employment with Resolution was £224,856 during 2006.

The With-Profits Actuary was a member of the Resolution Group Pension Scheme. The figure shown above excludes the relevant contributions.

Note:

The above information relates to Mr M J Merrick from 31 December 2006.

On 31 December 2006, business from the following companies was transferred into the Company by means of a court scheme:

- Alba Life Limited ("Alba")
- Britannic Assurance plc ("BA")
- Britannic Retirement Solutions Limited
- Britannic Unit Linked Assurance Limited ("BULA")
- Century Life plc ("Century")
- Phoenix Life & Pensions Limited ("PLP")

Following this transfer Mr M J Merrick was the With-Profits Actuary for the business in the following sub funds only:

- The Britannic Industrial Branch Fund
- The Britannic With-Profits Fund
- Alba With-Profits Fund

INFORMATION ON THE ACTUARY APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION

In accordance with Rule 9.36 of the Interim Prudential Sourcebook for Insurers, the Actuary appointed to perform the With-Profits Actuary function of Phoenix Life Limited has been requested to furnish the particulars required in paragraph 1 of the Rule and has accordingly furnished the following statement. The Company has reviewed the requirements of Rule 9.36 and is not aware of any further information to that provided by the Actuary.

Particulars of Shareholdings

At 31st December 2006 the With-Profits Actuary to the Company held:

(c) 1,100 ordinary shares in Resolution Plc, the ultimate holding company; and
(d) options to subscribe for 8,862 ordinary shares in Resolution Plc granted under the Company's Long Term Incentive Plan and the Savings Related Share Option Scheme.

Particulars of Pecuniary Interests

There was one contract of insurance in existence between the With-Profits Actuary and companies in the Resolution group, being a term assurance policy effected on normal terms with Scottish Provident Institution prior to it being part of the Resolution Group.

Particulars of Remuneration, Benefits, Directors Emoluments, Pensions or Compensation

The aggregate amount receivable by way of remuneration and the value of other benefits under a contract of employment with Resolution was £200,159 during 2006.

The With-Profits Actuary was a member of the Resolution Group Pension Scheme. The figure shown above excludes the relevant contributions.

Note:

The above information relates to Mr A E Burke the With-Profits Actuary from 1st January 2006. On 31st December 2006, business from the following companies was transferred into the Company by means of a court scheme:

- Alba Life Limited ("Alba")
- Britannic Assurance plc ("BA")
- Britannic Retirement Solutions Limited
- Britannic Unit Linked Assurance Limited ("BULA")
- Century Life plc ("Century")
- Phoenix Life & Pensions Limited ("PLP")

Following this transfer Mr A E Burke was the With-Profits Actuary for the business in the following sub funds only:

- the 90% With-Profits Fund
- the 100% With-Profits Fund
- the Phoenix With-Profits Fund