

Phoenix Pensions Limited

Annual FSA Insurance Returns for the year ended

31 December 2008

Appendices 9.1, 9.3, 9.4, 9.6

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Statement of solvency - long-term insurance businessName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	3649535	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	9115	50001
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	301639	310035
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	310754	360036

Guarantee fund

Guarantee fund requirement	21	53192	50255
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	257562	309781

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	159577	150765
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	159577	150765
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	159577	150765
Excess (deficiency) of available capital resources to cover 50% of MCR	37	230966	284654
Excess (deficiency) of available capital resources to cover 75% of MCR	38	191071	246962

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	159577	150765

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	159577	150765
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	151177	209271

Contingent liabilities

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

Form 2

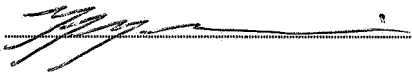
Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**



J S Moss Chief Executive



M J Merrick Director



J S B Smith Director

Date **30 MARCH 2009**

Components of capital resourcesName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**

R3	Company registration number 3649535	GL/ UK/ CM	day month year			Units £000
			31	12	2008	
		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		3000	3000	3000
Profit and loss account and other reserves	12		162829	162829	191899
Share premium account	13				
Positive valuation differences	14		203386	203386	210760
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		369215	369215	405659

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		369215	369215	405659
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		369215	369215	405659

Components of capital resources

Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**

R3	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	3649535	GL				£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

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

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

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

Components of capital resourcesName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	3649535	GL	31	12	2008	£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			369215	369215	405659
Inadmissible assets other than intangibles and own shares	73			36894	36894	45623
Assets in excess of market risk and counterparty limits	74			21567	21567	
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79			310754	310754	360036

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81			310754	310754	360036
Available capital resources for 50% MCR requirement	82			310754	310754	360036
Available capital resources for 75% MCR requirement	83			310754	310754	360036

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92			18490	18490	21141
Financial reinsurance - accepted	93					
Outstanding contingent loans	94			198393	198393	198393
Any other charges on future profits	95					
Sum of financial engineering adjustments (91+92-93+94+95)	96			216883	216883	219534

Analysis of admissible assetsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**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	3649535	GL	31	12	2008	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		40522
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	242465	312897
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	21911
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	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**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	3649535	GL	31	12	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

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

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	23	299
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2254	
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	307175	313196
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Analysis of admissible assetsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**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	3649535	GL	31	12	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	307175	313196
Admissible assets in excess of market and counterparty limits	92	21567	
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		(155)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	328742	313041

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		
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Analysis of admissible assetsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3649535	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	624671	216534	
Rights under derivative contracts	44	111681	26263	
Fixed interest securities	Approved	45	1542877	1524074
	Other	46	1407523	1726502
Variable interest securities	Approved	47		
	Other	48	40334	46666
Participation in investment pools	49			
Loans secured by mortgages	50	21102	26103	
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		
	More than one month withdrawal	55		6851
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	267114	259076
	Property linked	59		

Analysis of admissible assetsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3649535	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	30945	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	14166	14958
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4074	6471
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	61458	74219
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4125945	3927717
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Analysis of admissible assetsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3649535	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4125945	3927717
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	36894	45623
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	35139	41513
Other asset adjustments (may be negative)	101		(2669)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	4197978	4012184
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**Total business **10 Total business**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	3988451	3769117
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	9115	50001
Long term insurance business fund carried forward (11 to 13)	14	3997566	3819118
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23	236	391
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	49087
	Reinsurance ceded	33	9142
Debenture loans	Secured	34	
	Unsecured	35	1607
Amounts owed to credit institutions	36		
Creditors	Taxation	37	
	Other	38	119000
Accruals and deferred income	39		7409
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	128378	108599
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	4125944	3927717

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		1607
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	4116829	3877716
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	35139	41513
Other adjustments to liabilities (may be negative)	74	203386	208092
Capital and reserves and fund for future appropriations	75	(157376)	(115137)
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	4197978	4012184

Liabilities (other than long term insurance business)Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R15	3649535	GL	31	12	2008	£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		5466	3005
	Foreseeable dividend	48			
	Other	49		70	155
Accruals and deferred income		51			
Total (19 to 51)		59		5537	3160
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		5537	3160

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance		71			
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Amounts deducted from technical provisions for discounting		82			
Other adjustments (may be negative)		83			(155)
Capital and reserves		84		323205	310036
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)		85		328742	313041

Profit and loss account (non-technical account)Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	3649535	GL	31	12	2008	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13					
Investment income	Income		14		5286		123	
	Value re-adjustments on investments		15				10094	
	Gains on the realisation of investments		16		23738		3	
Investment charges	Investment management charges, including interest		17		286		167	
	Value re-adjustments on investments		18		10072			
	Loss on the realisation of investments		19					
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		(19)			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29		18647		10053	
Tax on profit or loss on ordinary activities			31		5477		3016	
Profit or loss on ordinary activities after tax (29-31)			39		13170		7037	
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		13170		7037	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59		13170		7037	

Analysis of derivative contractsName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		3649535	GL	31	12	2008	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year			
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4			
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12	107628	117111	685373	404069		
	Inflation	13		983		60493		
	Credit index / basket	14						
	Credit single name	15						
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19						
	Mortality	20						
	Other	21						
In the money options	Swaptions	31	4053		21266			
	Equity index calls	32						
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41						
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44						
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	111681	118094	706639	464561		
Adjustment for variation margin		52						
Total (51 + 52)		53	111681	118094				

Long-term insurance business : Revenue account

Name of insurer **Phoenix Pensions Limited**
 Total business **10 Total business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	394951	3533771
Investment income receivable before deduction of tax	12	187538	86274
Increase (decrease) in the value of non-linked assets brought into account	13	(147679)	71638
Increase (decrease) in the value of linked assets	14		
Other income	15		221527
Total income	19	434810	3913210

Expenditure

Claims incurred	21	265625	79003
Expenses payable	22	9745	3562
Interest payable before the deduction of tax	23	2229	12913
Taxation	24	(23889)	(2993)
Other expenditure	25	2651	1607
Transfer to (from) non technical account	26		
Total expenditure	29	256361	94092

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	178448	3819118
Fund brought forward	49	3819118	
Fund carried forward (39+49)	59	3997566	3819118

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Pensions Limited**
 Total business **10 Total business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11					
Single premiums	12		379496	15455	394951	3533771

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		379496	15455	394951	3533771

Total

Gross	19		379496	15455	394951	3533771
Reinsurance	20					
Net	21		379496	15455	394951	3533771

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Pensions Limited**
 Total business **10 Total business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Death or disability lump sums	11		190		190	
Disability periodic payments	12					
Surrender or partial surrender	13		1140		1140	
Annuity payments	14		226109	17116	243225	79003
Lump sums on maturity	15		21070		21070	
Total	16		248509	17116	265625	79003

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		190		190	
Disability periodic payments	42					
Surrender or partial surrender	43		1140		1140	
Annuity payments	44		226109	17116	243225	79003
Lump sums on maturity	45		21070		21070	
Total	46		248509	17116	265625	79003

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Pensions Limited**
 Total business **10 Total business**
 Financial year ended **31 December 2008**
 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				
Management - acquisition	13				
Management - maintenance	14		9372	74	9446
Management - other	15		299		299
Total	16		9671	74	9745

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		9372	74	9446
Management - other	45		299		299
Total	46		9671	74	9745

Long-term insurance business : Summary of new business

Name of insurer **Phoenix Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 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					
Single premium business	12					
Total	13					

**Amount of new regular
premiums**

Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
Total	24					

**Amount of new single
premiums**

Direct insurance business	25					
External reinsurance	26					
Intra-group reinsurance	27		379496	15455	394951	3533771
Total	28		379496	15455	394951	3533771

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Pensions Limited**

Total business

Financial year ended

Units

31 December 2008

£000

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
315	Individual deposit administration non-profit			5	7610
320	Group deposit administration non-profit				6868
390	Deferred annuity non-profit				21932
390	Deferred annuity non-profit p.a.				30423
400	Annuity non-profit (CPA)				222875
405	Annuity non-profit (CPA impaired life)				61643
905	Index linked annuity				28143

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

Name of insurer **Phoenix Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 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	1558799	1694622	63292	3.73	
Other fixed interest securities	13	1446283	1544111	162626	10.53	
Variable interest securities	14	43357	51843	1675	3.23	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	810392	568255	10749	1.89	
Total	19	3858831	3858831	238343	6.18	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1167446	15.53	3.71	3.71

Other approved fixed interest securities	21	391353	9.40	3.80	3.75
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Other fixed interest securities

AAA/Aaa	31	111317	9.23	6.21	5.85
AA/Aa	32	202022	6.67	7.40	6.73
A/A	33	761549	7.47	11.20	9.95
BBB/Baa	34	253676	6.27	12.07	9.30
BB/Ba	35	12612	3.99	41.70	31.14
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	105108	7.24	8.84	7.60
Total other fixed interest securities	39	1446283	7.24	10.53	9.09

Approved variable interest securities	41	162	12.38	1.78	1.57
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Other variable interest securities	51	43196	13.73	3.24	2.11
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Total (11+21+39+41+51)	61	3048439	10.78	6.95	6.25
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Long-term insurance business : Summary of mathematical reservesName of insurer **Phoenix Pensions Limited**Total business **10 Total business**Financial year ended **31 December 2008**

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		3452125	297461	3749587
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		269806		269806
Form 54 - non-linked	17		4198		4198
Total	18		3726129	297461	4023591

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		32447		32447
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		2692		2692
Form 54 - non-linked	27				
Total	28		35139		35139

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				
Form 51 - non-profit	42		3419678	297461	3717140
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		267114		267114
Form 54 - non-linked	47		4198		4198
Total	48		3690990	297461	3988451

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

Phoenix Pensions Limited

Name of insurer

10 Total business

Total business / subfund

31 December 2008

Financial year ended

£000

Units

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
315	Individual deposit administration non-profit	5413	905	253				74093
320	Group deposit administration non-profit	4258	7479	107				66871
390	Deferred annuity non-profit	25441	19182	3				213529
390	Deferred annuity non-profit (per annum)	6823	18522	2				296197
400	Annuity non-profit (CPA)	137020	170796					2169900
405	Annuity non-profit (CPA impaired life)	21839	56267					600158
435	Miscellaneous non-profit	12	10778					278
440	Additional reserves non-profit OB							31098

Long-term insurance business : Index linked business

Name of insurer **Phoenix Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	239653	19.02
Other variable interest securities	12	27461	15.35
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
Total (11 to 19)	20	267114	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
Total other fixed interest and other variable interest securities	39		

Long-term insurance business: Analysis of valuation interest rateName of insurer **Phoenix Pensions Limited**Total business **10 Total business**Financial year ended **31 December 2008**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 Pension NP Form 51 Other	650691		3.30	3.33
UK Pension NP Form 51 Annuities in Payment	2737611		5.65	6.16
UK Pension NP Form 54 Annuities in Payment	4198		1.19	1.83
UK Pension NP Form 51 Additional Reserves	31098			0.01
Overseas Pension NP Form 51 Other	6850		3.30	3.33
Overseas Pension NP Form 51 Annuities in Payment	290611		3.45	3.46
UK Miscellaneous All	278			0.37
Total	3721338			

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Pensions Limited**
 Total business **10 Total business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	3997567	3819118
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3997567	3819118
Mathematical reserves	21	3988451	3769117
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	9115	50001

Composition of surplus

Balance brought forward	31	50001	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(40886)	50001
Total	39	9115	50001

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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	9115	50001
Total (48+49)	59	9115	50001

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance capital requirementName of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2008**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			1.00		
Classes I (other), II and IX	14	0.3%	12969	12969		39	1
Classes III, VII and VIII	15	0.3%					
Total	16		12969	12969		39	1

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	3749587	3717140	0.99	37171	35057
Classes III, VII and VIII (investment risk)	33	1%	274004	271312	0.99	2713	2635
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					39885	37691

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	3749587	3717140	0.99	111514	105170
Classes III, VII and VIII (investment risk)	43	3%	274004	271312	0.99	8139	7904
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		4023591	3988451		119654	113074

Long term insurance capital requirement	51					159577	150765
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Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.1

0201 Section 148 waiver

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in October 2008. The effect of the direction is to modify the provisions of *INSPRU 3.1.35R* and *IPRU(INS) Appendix 9.3* so that a more appropriate rate of interest is used for assets taken in combination.

0301 Reconciliation of net admissible assets to total capital resources

	2008 £'000	2007 £'000
Total other than long term insurance business assets - Form 13 line 89	307,175	313,196
Total long term insurance business assets – Form 13 line 89	4,125,945	3,927,717
Less Liabilities – Form 14 lines 11, 12 and 49	4,116,829	3,877,717
Less Liabilities – Form 15 line 69	5,536	3,160
Less rounding	1	-
Net admissible assets	<u>310,754</u>	<u>360,036</u>
Capital resources after deductions – Form 3 line 79	<u>310,754</u>	<u>360,036</u>

0306 Financial reinsurance ceded

On 30 June 2007, the Company received a loan from Hanover Re for £21.5m. After interest payments and capital repayments made in accordance with the terms of the agreement there is an amount of £18.5m (2007: £21.1m) (see Form 3 line 92) outstanding at the end of the financial year which has been utilised to support the long term insurance business fund. There is no reinsurance offset.

0308 Contingent Loan

On 30 June 2007, the Company's non-profit fund received a contingent loan of £200.0m from the Phoenix Life Limited's non-profit fund. In March 2008, £1.6m was repaid to Phoenix Life Limited. At the financial year end and in accordance with the terms of the contingent loan agreement, no interest has been accrued (2007: £7.4m was accrued) and no principal is due to be repaid back to Phoenix Life Limited leaving a balance of £198.4m (see Form 3 line 94) which has been utilised by the Company to support the long term insurance business fund.

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

***0310* Valuation differences between the FSA Return and UK GAAP Report and Accounts**

Form 3 line 14 positive valuation differences analysed as follows:

	2008	2007
	£'000	£'000
Outstanding contingent loan (see Form 3 line 94)	198,393	198,393
Contingent Loan Interest	13,440	-
Financial reinsurance – ceded (see Form 3 line 92)	18,490	21,141
FSA prudent reserves released for UK GAAP	(27,207)	(12,187)
Deferred tax on FSA prudent reserves released for UK GAAP	270	3,413
Form 3 line 14 - positive valuation differences	<u>203,386</u>	<u>210,760</u>

***0313* Reconciliation of the movement in profit and loss account and other reserves**

	2008
	£'000
Profit and loss account and other reserves – Form 3 line 12 column 3	162,829
Profit and loss account and other reserves – Form 3 line 12 column 4	(191,899)
Movement	<u>(29,070)</u>
Explained by:	
Profit or loss retained for the financial year – Form 16 line 59	13,170
UK GAAP Technical account – long term business balance	(42,240)
	<u>(29,070)</u>

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

***1305* & *1319* Counterparty exposures**

The investment guidelines operated by the Company for:

- (a) the maximum exposure to any one counterparty during the financial year; and
- (b) the maximum exposure to any one counterparty, other than an approved counterparty during the financial year;

are consistent with the limits as set out in INSPRU 2.1.22R for market risks and counterparty exposures unless the Company decides in an individual case that a higher limit is appropriate. For certain asset classes the investment guidelines restrict counterparty exposure limits further, with the additional restriction potentially dependent on the credit rating of the counterparty.

At no time during the financial year were either of the above amounts exceeded.

***1318* Other asset adjustments**

For 2007, the entries at Form 13 line 101 are in relation to the reclassification of debtors and creditors and are for the following amounts:

	£'000
Total other than long term business assets	(155)
Total long term insurance business assets	(2,669)

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

No provision for reasonably foreseeable adverse variations has been made as liabilities are matched to assets.

During 2008, a detailed review was carried out on the valuation of investment assets. As at 31 December 2008, 99% of the investment assets were classified as investments that are traded using quoted market prices in active markets (level 1). An active market is characterised by regular market transactions in identical assets on an arm's length basis. This includes listed equities, listed debt securities and quoted unit trusts in active markets.

The balance of the investment assets are valued using models with significant observable market parameters (level 2), or valued using models with significant unobservable market parameters (level 3).

For level 2 investment assets these are measured on a fair value basis from inputs other than quoted prices that are observable either directly or indirectly for the asset.

Level 3 investment assets have little, if any, market activity so that there are no observable inputs available. In such cases, unobservable inputs reflect the insurer's own assumptions about the inputs that market participants would use in pricing the asset.

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

The valuation of level 3 investments are carried out on a prudent basis and as such any revaluations have already been reflected within the investment return and no additional provision for reasonably foreseeable adverse variations on level 3 investment assets are required.

***1402* Liabilities**

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might and if the insurer disposed of the assets of the long term insurance business.
- (c) There are no contingent liabilities.
- (d) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

***1405* Other adjustments to liabilities**

	2008	2007
	£'000	£'000
Outstanding contingent loan (see Form 3 line 94)	198,393	198,393
Contingent loan interest	13,440	-
Financial reinsurance – ceded (see Form 3 line 92)	18,490	21,141
FSA prudent reserves released for UK GAAP	(27,207)	(12,187)
Deferred tax on FSA prudent reserves release for UK GAAP	270	3,413
Reclassification of debtors and creditors	-	(2,668)
Form 14 line 74	<u>203,386</u>	<u>208,092</u>

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

***1407* Contingent Loan**

The non profit fund of the Company received a £200m contingent loan from Phoenix Life Limited non profit fund on 30 June 2007. Any amounts due to the lender from the borrower shall be repayable solely on a contingent basis and subject to the conditions of the agreement. Interest will accrue at 1% above LIBOR. Any loan and interest payments are only payable when the valuation shows that the long term insurance business assets are more than the "threshold amount" and the valuation shows that there is an emerging surplus. The "threshold amount" represents an amount as set out in INSPRU 1.1.20R plus a capital margin of £50m. During 2008, £1.6m was repaid to Phoenix Life Limited. As at the end of the financial year no interest has been accrued in the balance sheet (2007: £7.4m) and no principal is due to be repaid leaving a balance of £198.4m.

***1502* Liabilities (other than long term insurance business)**

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the other than long term insurance business.
- (c) There are no contingent liabilities.
- (d) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

***1507* Adjustments to liabilities**

In 2007, other adjustments to liabilities shown in Form 15, line 83 represent reclassification of assets.

***1508* Subordinated Loan**

The Company's shareholder fund has a £170m subordinated loan facility from PLL shareholder fund, whereby support is provided where it is anticipated that the Company has insufficient capital to meet the "Capital Test". The Capital Test requires there to be sufficient capital to meet 110% of its Individual Capital Assessment (ICA) and 110% of its capital resources requirement as shown on line 41 of Form 2. The loan is repayable at the Company's discretion, giving at least 6 months notice to the lender, to the extent that the Capital Test is met and with the prior consent of the FSA. Interest is due under these loan agreements at LIBOR plus 2%. As at 31 December 2008 the Company had not drawn-down any funds.

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.1 (continued)

1601 Basis of conversion of foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the year end. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account – long term business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the non-technical account.

1603 Other income and charges

	2008	2007
	£'000	£'000
Administration fees	19	Nil

1700 Total other than long term insurance business assets

Form 17 for total other than long term insurance business assets has been omitted because all entries are blank.

4002 Other income and expenditure

Other income	2008	2007
	£'000	£'000
Contingent loan from PLL non profit fund	-	200,000
Financial insurance – ceded loan from Hanover Re	-	21,527
Total	-	221,527
Other expenditure		
Contingent loan repayment to PLL non profit fund	-	1,607
Repayment of financing advance due to Hannover	2,651	-
Reassurance profit share due to Britannic Assurance	-	-
	2,651	1,607

4008 Provision of management services

Management services have been provided during the year by Pearl Group Management Services Limited and Ignis Asset Management Limited (formerly Resolution Management Services Limited and Resolution Asset Management Limited). Both companies are part of the Pearl group of companies.

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

NOTES TO APPENDIX 9.3(continued)

4009 Material connected party transactions

A number of reinsurance contracts are in place between the Company and other group companies. All these contracts are entered into on "arms length" basis, details of which are listed in Appendix 9.4 Paragraph 9 of the Return.

During the financial year the Company received the following:

	2008	2007
	£'000	£'000
Capital Contribution from Phoenix Life Limited (PLL)	-	300,000
Contingent loan from PLL	-	200,000
Premium received from PLL	99,404	2,517,800
Premium received from SMA	171,962	526,000
Premium received from SDL	207,381	407,000
PLAL recapture	(83,797)	83,000

During the financial year the company paid the following:

	2008	2007
	£'000	£'000
Annuity claim payment PLL	184,101	79,003
Annuity claim payment SMA	45,900	-
Annuity claim payment SPL	35,624	-

4702 Approximations used to apportion between product codes

Premiums for reinsurance accepted were paid in bulk and have been apportioned between product codes in proportion to the mathematical reserves.

4802 Treatment of expected income from defaulted assets

There are no securities where payment of interest is in default.

4803 Assumptions regarding securities which may be redeemed over a period at option of the guarantor or the issuer

For variable redemption date securities the latest possible redemption date is assumed to calculate the yield in all cases.

Earliest maturity date	£0.0m
Latest maturity date	£522.1m
Total Optional maturity date	£522.1m

4901 Rating agency used for split by credit rating

Ratings shown are the weaker of ratings provided by Moody's Investors Service and Standard & Poor's Corporation.

Returns under the Accounts and Statements Rules

Supplementary notes

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

5702 The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in October 2008. The effect of the direction is to modify the provisions of *INSPRU* 3.1.35R and *IPRU(INS)* Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

5703 For 2008, this waiver was applied to the UK Pension NP Form 51 Annuities in Payment product group as shown in Form 57.

5704 In accordance with the direction above, the risk adjusted yield in the UK Pension NP Form 51 Annuities in Payment product group as shown in Form 57 Column 5 is derived as follows:-

Market Value Weighted GRY (3.1.35R)	7.11%
Internal Rate of Return Adjustment	-0.13%
Unadjusted Internal Rate of Return (3.1.35R as amended)	6.97%
Allowance for Default Risk (3.1.41R)	-0.81%
Risk-adjusted Internal Rate of Return	6.16%

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

- (a) The Company has investment guidelines which indicate that derivative contracts will be held in the long term fund as a result of:
- (i) discretionary powers exercised by the Investment Manager within the constraints laid down by the Investment Management Agreement or otherwise stipulated by the Company. The Investment Management Agreement requires that derivative contracts may only be used for the purposes of efficient portfolio management and specific examples include the implementation of tactical asset allocation decisions and changes to the strategic benchmark and cashflow management purposes. The Investment Manager is required to comply with all relevant rules regarding the use of derivative contracts in insurance.
 - (ii) investment decisions made by the Company to reduce the degree of market risk within the long-term funds. Specific examples include the use of interest rate swaps to improve cashflow matching and interest rate swaptions to hedge interest rate risks on policies with guaranteed annuity options. The Company operates an appropriate control environment in which such investment decisions are taken and implemented.
- (b) The Investment Management Agreement referred to in (a)(i) above does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.
- Investment decisions referred to in (ii) above may involve the use of such derivatives to hedge the funds against interest rate and other market movements.
- (c) The company was not a party to any such contracts of the kind described in (b) at any time during the financial year.
- (h) The Company did not hold any derivatives or quasi-derivatives during the financial year which required a significant provision under INSPRU 3.2.17R or which fell outside the definition of a permitted derivatives contract.
- (i) The total value of any fixed consideration received by the Company during the financial year in return for granting rights under derivative contracts was £Nil.

Returns under the Accounts and Statements Rules

Statement on additional information on Controllers required by rule 9.30

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

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

- (a) Phoenix Life Limited;
- (b) Pearl Life Holdings Limited (formerly Resolution Life Limited);
- (c) Pearl Group Holdings (No.1) Limited (formerly Resolution plc) (ceased to be a controller on 31 December 2008);
- (d) Impala Holdings Limited;
- (e) Pearl Assurance plc;
- (f) Pearl Group Limited;
- (g) Sun Capital Investments Limited;
- (h) Hera Investments One Limited;
- (i) Sun Capital Investments No.2 Limited
- (j) Hera Investments No. 2 Limited
- (k) Xercise Limited (ceased to be a controller on 16 April 2008);
- (l) Jambright Limited (ceased to be a controller on 16 April 2008);
- (m) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas (ceased to be controllers on 16 April 2008);
- (n) TDR Capital Nominees Limited (ceased to be a controller on 16 April 2008); and
- (o) TDR Capital LLP (ceased to be a controller on 16 April 2008).

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

- (a) Phoenix Life Limited

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

- (a) Pearl Life Holdings Limited (formerly Resolution Life Limited)

As at 31 December 2008, Pearl Life Holdings Limited owned 100% of the shares of Phoenix Life Limited and was able to exercise 100% of the voting power at any general meeting.

- (b) Impala Holdings Limited

As at 31 December 2008, Impala Holdings Limited owned 100% of the shares of Pearl Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

- (c) Pearl Group Limited

As at 31 December 2008, Pearl Group Limited owned 75% of the shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking and was able to exercise 75% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement on additional information on Controllers required by rule 9.30

Phoenix Pensions Limited

Global business

Financial Year ended 31 December 2008

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

(d) Sun Capital Investments Limited

As at 31 December 2008, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

(e) Hera Investments One Limited

As at 31 December 2008, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

(f) Sun Capital Investments No. 2 Limited

As at 31 December 2008, Sun Capital Investments No.2 Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

(g) Hera Investments No.2 Limited

As at 31 December 2008, Hera Investments No.2 Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

APPENDIX 9.4

PHOENIX PENSIONS LIMITED (Previously Britannic Retirement Solutions Limited)

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2008.

(2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2007.

(3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2007.

2. PRODUCT RANGE

Products reassured by PLL were previously written in the following companies:

- Britannic Assurance PLC (BA)
- Britannic Retirement Solutions Limited (BRS)
- Britannic Unit Linked Assurance Limited (BULA)
- Century Life PLC (CLP)
- Phoenix Assurance limited (PAL)
- Royal and Sun Alliance Linked Insurances Limited (RSALI)
- Swiss Life UK Limited (SLUK)
- Scottish Provident Limited (SPL)
- Scottish Mutual Assurance plc (SMA).

The reinsurance agreements with Scottish Provident Limited (SPL) and Scottish Mutual Assurance plc (SMA) were extended to include deferred annuities from 30 September 2008.

The reinsurances accepted by the Phoenix Pensions Limited (PPL) are:

- (a) non-profit immediate annuities
- (b) non-profit conventional deferred annuities
- (c) non-profit deposit administration deferred annuities.

Products are described below:

- (a) non-profit immediate annuities.

These are annuities payable regularly for a selected term or until the annuitant's death if sooner. They can be written on a single life, joint life first death or joint life last survivor basis. The annuity can be guaranteed for a certain period, can escalate at a constant rate

per annum, and can be with or without proportion or overlap. They can be written as pensions business or as general annuity business. All the reassured contracts are closed to new business apart from increments.

There are some RPI-Linked annuities where the benefits are guaranteed to increase with changes in the Retail process Index.

(b) non-profit conventional deferred annuities

These are deferred versions of the above immediate annuities. The products may or may not have guaranteed annuity rates attaching to them.

(c) non-profit deposit administration deferred annuities.

Products originally written in Phoenix Assurance Limited

Pension Plans are of three types. 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. On death during the deferred period RNI contracts return all the premiums paid into the Pension Account without interest and RWI contracts return the whole of the Pension Account. There is no return on death under the NR contract.

Products originally written in Swiss Life UK

Under these contracts the premiums received in each calendar year less charges, are credited to a separate account. On 31st December each year interest is added to these accounts at rates determined by the Actuary. In the event of a member's retirement, a withdrawal is made from the earliest account to cover the cost of purchasing an annuity. At the end of each calendar year, a charge is made equal to 0.3% of the account balances, and specified amounts are transferred from older accounts to the new year's account. On surrender, the amount payable is the balance of the accounts including credited interest, the surrender payments being spread over a defined period

Products originally written in Century

Guaranteed Accumulation Pension Contract

This is a group deposit administration policy. Management charges are deducted from each year's premium before it is credited to a separate account. Except for some of the earliest schemes, the level of these charges is not guaranteed and can be varied at the discretion of the Company. For premium paying schemes the account accumulates with credited interest additions which are the greater of:

- (i) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%.
- (ii) 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 policy contains guaranteed annuity rates for the purchase of pensions at retirement. At retirement the Company's current immediate annuity rates can be used, constrained as above, or the account can be used to purchase an annuity in the open market.

The Pensions 2000 Range (First Series)

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. Three out of the range are pooled fund arrangements and one is a money purchase arrangement. A charge for the administration of the contract is deducted from the premiums before they are accumulated with interest in an account until retirement.

For the pooled funded arrangements, charges for the regular administration of the scheme contracts are deducted from each year's premium. The level of these charges is not guaranteed and can be varied at the discretion of the Company.

For the money purchase arrangements, no explicit charge for the regular administration of the contract is made, but no interest is credited to premiums in the policy year in which they are paid, except where premiums are paid annually in advance when interest accrues after a period of 6 months.

For premium paying schemes, the interest additions made to the accounts are the greater of:

- (i) 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.
- (ii) 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 policies contain guaranteed annuity rates for the purchase of pensions at retirement as described for the Guaranteed Accumulation Pension Contract.

In general, the minimum annuity rate does not apply to regular premium increases and additional single premiums made from May 1999.

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.

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable.

(2) Premiums on Reviewable Protection Policies

Not applicable.

(3) Non-profit Deposit Administration

Products originally written in Swiss Life UK

The rates of interest credited to accounts at the valuation date are given in the table below:

Account year	Deposit Administration – Standard	Deposit Administration – Dollar Policies	
	Interest per £1,000	Interest per £1,000	Interest per £1,000
		Series 1	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
2007	43.00	34.40	34.40
2008	40.00	32.00	32.00

Products originally written in Phoenix Assurance Limited

The interest rates applied during the valuation year were as follows:

Month	Interest Rate %p.a.
January	5.87%
February	5.89%
March	5.87%
April	5.83%
May	5.74%
June	5.64%
July	5.64%
August	5.62%
September	5.76%
October	5.79%
November	5.83%
December	5.81%

Products originally written in Century

Non profit Deposit Administration

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	Interest Rate %p.a.
January	3.38%
February	3.50%
March	3.63%
April	3.63%
May	3.63%
June	3.75%
July	3.75%
August	3.75%
September	3.75%
October	3.63%
November	3.63%
December	3.50%

The Pensions 2000 Range (First Series)

The rates declared in the period covered by this return are as follows:

Month	Interest Rate %p.a.
January	3.38%
February	3.50%
March	3.63%
April	3.63%
May	3.63%
June	3.75%
July	3.75%
August	3.75%
September	3.75%
October	3.63%
November	3.63%
December	3.50%

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	0.50%
£10,000 to £49,999	1.00%
£50,000 or over	1.50%

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	0.50%
£50,000 or over	1.00%

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.

(4) Service Charges on Linked Policies

Not applicable.

(5) Benefit Charges on Linked Policies

Not applicable.

(6) Accumulating With Profits Charges

Not applicable.

(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

Immediate Annuities

For immediate annuities, the reserve has been calculated as the present value of future benefits, together with an additional reserve for the present value of future expenses. Both allow when applicable for appropriate inflation.

For certain annuities there is a capital guarantee that if the annuitant dies before the annuity payments made equal or exceed the purchase price, the shortfall becomes payable immediately. Provision for those extra guarantees is included with the reserves shown.

Deferred Annuities

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 to make the mathematical reserves zero.

For Non Linked Deferred Annuities originally written in Century 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.

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.

Deposit Administration Contracts

For deposit administration policies, the reserves have been calculated according to the source of the business as follows:

The liability for Pension Plans originally written by PAL 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.

For Deposit Administration contracts and Deferred Annuities by Cash Accumulation which were originally written by Swiss Life UK Limited, 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.

For deposit administration policies originally written by Century, 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 cash-flow method. The basic reserves allow for the guaranteed unit growth rates.

(2) Valuation Interest Rates

The valuation interest rates used are as shown in the following table:-

Product Group	Current Valuation	Previous Valuation
Deferred Annuities (UK) - In Deferment	3.30%	3.80%
Deferred Annuities (UK) - In Payment	3.30%	4.80%
Deferred Annuities (Euro) - In Deferment	3.45%	N/A
Deferred Annuities (Euro) - In Payment	3.45%	N/A
Immediate Annuities (UK Fixed)	5.65%	4.80%
Immediate Annuities (UK Index Linked)	1.19%	1.20%
Immediate Annuities (Euro)	3.45%	4.20%

For 2008, the methodology for setting the valuation interest rate for sterling immediate annuities is changed. A waiver was granted by the Financial Services Authority, under section 148 of the Financial Services and Markets Act 2000, to calculate the portfolio yield as the internal rate of return of the assets backing the sterling immediate annuity liabilities instead of the arithmetic mean of the gross redemption yield on each asset weighted by its market value. Details of this waiver are covered in the Notes to Appendix 9.3.

The methodology for setting the valuation interest rate for the deferred annuities, euro-denominated liabilities and index linked annuities remains unchanged, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

For 2008, the assumption for the valuation rate of interest for sterling deferred annuities in payment has been strengthened so that the rate used is the same as that of deferred annuities in deferment, i.e. 3.30%.

(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, default and coupon deferment risk of the security.

The methodology used is explained in detail below.

- For corporate bonds, a deduction was applied to the yield on an individual stock by stock basis. The individual stock risk margins were calculated as a long term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average. The long term average default rates (in basis points) are:-

Rating	5yr	10yr	20yr
AAA	4.6	13.9	17.1
AA	19.7	35.5	49.4
A	31.2	44.8	59.4
BAA	88.0	109.1	121.0
BA	268.4	284.9	288.5
B	599.9	524.4	425.4
CAA	1,053.9	757.1	629.3

- For bank subordinated debt, a higher risk was recognised by imposing a nil recovery rates on the above default rates
- Stocks were then 'notched' downwards where the credit rating was considered inappropriate (after analysis of the current market spread and other factors).
- Finally, an additional deduction was applied to around 10% of stocks, which was based on a stock-by-stock analysis of abnormal default or coupon deferment risk. To avoid spurious precision, the addition applied was a doubling of the base deduction in most cases. In some cases, the adjustment was lower and in a few cases much higher, where a default had either effectively happened or was considered extremely likely.
- For non-rated and unrated fixed interest securities, the deduction was based on the same stock-by stock approach as explained above.
- An additional prudence has then been applied to all but the "already defaulted" stocks by increasing the risk margin deduction by 25%.

The yield on interest bearing cash deposits is reduced by 0.5%.

For December 2007, it was assumed that the issuers would redeem the bond at the first call date. The current economic conditions suggest that it would be in the interests of the issuer to defer the redemption to at least the next call date as replacement funding is more expensive. The experience in the market is mixed, with some callable bonds being called at the first call date. For December 2008 it is assumed that callable bonds will be treated as perpetual bonds if there is no pre-determined last call date or called at the last call date. This affects only the assets backing the sterling immediate annuity liabilities.

The adjustments described in this section are in addition to the 2.5% required by the regulations.

The margins in the valuation interest rate are apparent from form 57 and include an additional margin of 9 basis points. The assets in form 49 are categorised by their published bond rating rather than their adjusted rating as described above.

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Pensions pre-vesting and deposit administration contracts		
Written in Century		
Ex With Profit Fund business	45% A67/70	45% A67/70
Ex Non Profit Fund business	50% A67/70	50% A67/70
AIDS loading	Females = Males - 3yrs 36.30% R6A for males and females	Females = Males - 3yrs 36.30% R6A for males and females
Written in RSALI and Phoenix	50% AM92 57% AF92	50% AM92 57% AF92
Written in Swiss Life	Modified PCMA00 Modified PCFA00	Modified PMA92 Modified PFA92
Written in BA	90% AMC00 90% AFC00	90% AMC00 90% AFC00
Written in BULA UL	58% AMC00 58% AFC00	58% AMC00 58% AFC00
Written in SMA	72% AM92 66% AF92	N/A N/A
Written in SPL	88% AM92 110% AF92	N/A N/A
Post Retirement Deferred Annuity Mortality		
Written in PLL	Modified PCMA00 Modified PCFA00	Modified PMA92 Modified PFA92
Written in SMA and SPL	Modified PNMA00 Modified PNFA00	N/A N/A
Immediate Annuity Mortality		
All business except SMA and SPL	Modified PCMA00 Modified PCFA00	Modified PMA92 Modified PFA92
SMA and SPL	Modified PNMA00 Modified PNFA00	Modified PMA92 Modified PFA92

No prior year comparatives for SMA and SPL deposit administration and deferred annuity businesses are given, as there was no business in force on 31 December 2007.

The valuation basis takes an age related percentage of the standard table then applies annual improvement factors.

The specimen annual improvement rates for the current valuation, dependent on calendar year, are for business excluding that originally written in BRS are given below:

Males	2009	2019	2029	2039	2049	2059
40	1.55%					
50	1.91%	1.80%				
60	2.80%	2.04%	2.00%			
70	3.65%	2.78%	2.36%	2.00%		
80	3.27%	2.93%	2.61%	2.16%	2.00%	
90	1.67%	1.85%	2.29%	2.12%	1.92%	1.90%
100	1.00%	1.05%	1.30%	1.50%	1.50%	1.50%

Females	2009	2019	2029	2039	2049	2059
40	1.34%					
50	1.87%	1.56%				
60	2.40%	1.91%	1.80%			
70	2.81%	2.36%	1.96%	1.80%		
80	2.33%	2.38%	2.16%	1.97%	1.74%	
90	1.18%	1.56%	2.00%	1.92%	1.86%	1.45%
100	0.80%	1.00%	1.10%	1.50%	1.45%	1.25%

Improvement rates for a cohort are read down the diagonal, i.e. a 60 year old male will experience an improvement rate of 2.8% in 2009 and 2.78% in 2019, when he would be 70.

For business 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 expectation of life for annuities in payment under current year valuation assumptions for sample ages (other than for ex-BRS business) is:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
Written in BA and BULA (unit linked fund)				
65	24.47	24.95	23.79	29.34
75	15.39	15.20	14.37	19.20
Written in BULA (non profit fund)				
65	25.76	26.80	25.54	26.61
75	15.74	16.79	15.57	16.64
Written in Century				
65	23.42	26.11	23.21	25.89
75	13.89	16.22	13.73	16.05
Written in Swiss Life UK				
65	27.03	28.71	24.88	26.73
75	16.09	18.95	14.93	16.23
Written in Phoenix Life Assurance Limited				
65	24.88	26.37	25.04	26.72
75	15.07	16.46	15.30	16.62
Written in SMA and SPL				
65	23.21	24.71	23.75	26.13
75	13.57	14.88	14.09	16.17
Remaining Business Written in PLL excluding BRS				
65	24.88	26.37	25.54	26.61
75	15.07	16.46	15.57	16.64

The expectation of life for each category of impairment for ex-BRS business is:-

Current Year

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium	High	Seriously ill
					Impairment		
Male aged 65	24.46	23.75	22.71	21.13	17.69	15.27	11.85
Male aged 75	15.79	15.13	14.11	13.07	10.51	8.68	6.14
Female aged 65	26.85	25.97	24.50	23.73	21.01	18.62	14.77
Female aged 75	17.90	17.05	15.58	15.30	13.46	11.68	8.77

Previous Year

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium	High	Seriously ill
					Impairment		
Male aged 65	24.41	22.75	22.94	20.27	18.19	16.64	18.61
Male aged 75	15.38	14.10	14.19	12.28	10.72	10.69	12.57
Female aged 65	25.71	24.42	24.40	22.60	20.81	20.62	22.36
Female aged 75	16.43	15.46	15.35	14.23	12.93	13.78	14.29

The expectation of life under the current year valuation assumptions for sample ages for deferred annuities is:

	Current Age	Expectation of life from Age	Current Year		Previous Year	
			Males	Females	Males	Females
Written in PLL excluding Century						
Deferred annuities	45	65	28.98	29.97	29.85	30.33
	55	65	27.06	28.27	27.84	28.57
Written in Century						
Deferred annuities	45	65	27.46	29.93	27.30	29.76
	55	65	25.57	28.12	25.40	27.93
Written in SMA and SPL						
Deferred annuities	45	65	28.20	28.90	N/A	N/A
	55	65	26.30	27.30	N/A	N/A

No prior year comparatives for SMA and SPL businesses are given, as there was no business in force on 31 December 2007.

(5) Morbidity Basis

Not applicable.

(6) Expenses

The following table shows the gross attributable expenses per policy per annum:

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Immediate Annuity	27.73	26.03
Deferred Annuities	34.38	32.27
Deposit administration	34.38	32.27

(7) Unit Growth Rates

Not applicable.

(8) Future Bonus Rates

Not applicable.

(9) Persistency Assumptions

No allowance for lapses is made in the valuation.

(10) Other Material Assumptions

Reinvestment Risk

The regulations also require the valuation rate to be reduced for reinvestment risk if necessary.

There may be some reinvestment risk in relation to immediate annuities as the assets and liabilities are matched on a realistic rather than statutory basis. This is determined by identifying how much of each year's annuity payments come from asset cashflows and how much is projected to come from draw down of the accumulated reinvested assets. The proportion provided by the assets is accredited the current asset yield, that part coming from reinvested assets is accredited the reinvestment yield. The portfolio yield is reduced to allow for the reinvested assets producing a return no larger than the maximum within the FSA rules.

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 that 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 business is backed by assets which include 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

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

Business written in Century contains some Guaranteed Annuity Rate Options. 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 3.30%; and
- (v) the rate of interest used after vesting was 5.65%.

Details of GAOs that were in force at the valuation date are shown in the table below.

Product	Basic Reserve £m	O/S Durn Spread years	Gtee Reserve £m	GAO Rate	Incrs Yes/No	Ann. Form	Ret. Ages
Ex-NEL Gteed Growth	19.7	0-26	16.1	11.11%	Yes	*	60-75
Ex-Crown Dep Admin	2.5	0-23	0.1	10.25%	Yes	*	60-65
Ex-OMLA Ex-WP	7.7	0-18	3.7	8.90%	Yes	*	50-75

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable.

(4) Other Guarantees and Options

Policies previously written in SMA

Some classes of deferred annuity have a cash option. The value of the annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves and the cash option, assuming a take-up rate for the cash option of 5% for all maturities. The vesting date is taken to be Normal Retirement Age.

The total reserves on these contracts, after allowing for the cash option which reduces the reserve from that which would be required if only the deferred annuity was valued, are:

Deferred annuity contract	Total Mathematical reserves	Mathematical reserves if no option	Reduction to Mathematical reserve in respect of option
Individual Pension Arrangements	£11.2m	£11.5m	£0.3m

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 made in the valuation are:

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
Immediate annuities		3.2	4.6		7.8
Deferred Annuities		0.5	1.1		1.6
Deposit Administration		0.1	0.3		0.4
All expenses attributable	0.0	3.8	6.0	n/a	9.8
Total	0.0	3.8	6.0	0.0	9.8

(2) Implicit Allowances

There are no implicit allowances.

(3) Form 43 Comparison

The aggregate amount in 6(1) would be reported on line 14 of Form 43. This amount is larger from the amount reported on that line in this Return because a small proportion of the business was accepted in September 2008 and expenses are expected to increase by 3.54% in 2009.

(4) New Business Expense Overrun

The Company does not write new business directly and it does not expect to incur any material strain in writing new reinsurance business.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6(1) are considered 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 the reinsurance agreements.

(6) Non-attributable expenses

Not applicable.

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	Mathematical Reserves	Backed by assets in same currency	Backed by assets in other currency	Mismatching Percentage
	£m	£m	£m	
Sterling (£)	3,691.0	3,472.7	218.3	5.91
Euro (€)	296.4	296.4	0.0	0.00
Other currency	1.0	0.0	1.0	100.00
Total	3,988.5	3,769.1	219.3	5.50

(2) Other Currency Exposures

Liabilities totalling £1.0m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

(3) Currency Mismatching Reserve

For the Euro denominated liabilities there are matching assets denominated in the same currency. For the sterling denominated liabilities, there is a currency mismatch of assets and liabilities of just under 6%. Currency swaps are held to negate the effect of the exchange rate moves. The size, currency and term of assets in respect of non-profit fund are reviewed regularly. There is therefore minimal currency risk and so no additional currency mismatching reserve is required.

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

Changes in the value of assets and liabilities have been tested following the rules in INSPRU 3.1.16(R). The following stresses were tested:

Change in	Fixed Interest Yields
Stress (a)	-20% of long term gilt yield
Stress (b)	+20% of long term gilt yield

The most onerous stress is stress (b).

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

The same stresses were applied for overseas assets and liabilities. The most onerous stress is also stress (b).

(6) Resilience Capital Requirement

- (a) There was no requirement for resilience capital in respect of the scenarios described under both (4) and (5).
- (b) Under the most onerous scenario the liabilities for UK business decrease by £340.7m and the liabilities for euro-denominated business decrease by £20.0m.
- (c) Under the most onerous stress the assets allocated to match such liabilities for UK business decrease by £269.1 and the assets for euro-denominated business decrease by £19.9m.

(7) Additional Reserves Arising From 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.

8. OTHER SPECIAL RESERVES

Further additional reserves, exceeding the lesser of £10m and 0.1% of total mathematical reserves, comprise:

Description	Reserve
	£m
Future Projects and Issues	15.0
Annuitant Contingency Reserve	15.0

The provision for "Future Projects and Issues" covers potential future data and litigation issues and the cost of unplanned projects. It is calculated having regard to past experience.

A £15million reserve has been established to provide additional prudence to the immediate annuity reserving assumptions associated with some annuity business reassured from PLL.

9. REINSURANCE

(1) Facultative Reinsurance

- (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 such 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 only reinsurance treaty in force at the valuation date are set out below.

- (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 £2.7m was made during the year.
- (g) There is no deposit back arrangement
- (h) The treaty is closed to new business.
- (i) The amount of undischarged obligations of the insurer is £18.7m :

Treaty	Undischarged obligation £m
2000	2.0
2001	5.9
2002	10.8
2003	0.0

- (j) The amount of mathematical reserves ceded under the treaties at the valuation date was £35.1m.
- (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) Hanover Ruechversicherung AG is not authorised to carry on insurance 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 treaties are subject
- (o) No provision has been 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.

10. REVERSIONARY (OR ANNUAL) BONUS

(1) Details of bonus rates

Not applicable.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix Pensions Limited

Global business

Financial year ended 31 December 2008

We certify that:

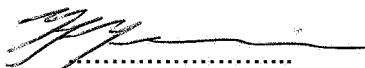
- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) we are satisfied, save as disclosed in the notes to the attached note to the certificate, that:
 - (i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; 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 our 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; and
- (c) the directors, have in preparing the return, taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

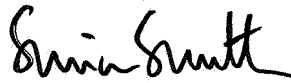
J S Moss

M J Merrick

J S B Smith


.....
Chief Executive


.....
Director


.....
Director

Date: 30 MARCH 2009

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

Phoenix Pensions Limited

Global business

Financial year ended 31 December 2008

Notes to the Directors Certificate

1 Compliance with the provisions of INSPRU

Paragraph (1)(b) requires that the insurer has complied in all material respects with the requirements in INSPRU. In November 2008 the insurer informed the FSA that it was in technical breach of its Group Capital Adequacy ("GCA") obligations.

To rectify the situation, Impala Holdings Limited ("IHL"), a fellow subsidiary, carried out a capital restructuring in which £2,598m was repaid to Sun Capital Investments 2 Limited and Hera Investments 2 Limited in settlement of existing subordinated debt obligations, together with accrued interest. This was settled by IHL through the issue of 2 new ordinary C shares for consideration of £1,600m and £998m of new subordinated debt. In addition to this, the insurer applied for a waiver, which was granted by the FSA and which provides relief in respect of one of the capital restrictions within the GCA calculation and enables the insurer to meet its GCA requirements. The insurer has continued to meet its GCA requirements since that date.

The waiver expires on 30 April 2009. Regular dialogue is continuing with the FSA regarding the capital position of the Pearl Group Limited Group ("PGL Group") and it is intended that a waiver extension will be requested. In the event that the waiver is not extended the PGL Group is able to restructure the term of the C shares referred to above such that there is no requirement for the waiver.

2 Compliance with the provisions of SYSC

Paragraph (1)(b) requires that the insurer has complied in all material respects with the requirements in SYSC. There have been process and system issues in one of Pearl's outsourcers, UiSL Limited, which have generated higher than expected premium and claim suspense account balances when reconciling ledger balances to underlying policy administration systems.

Pearl Group Management Services is working closely with UiSL Limited to prevent recurrence of this issue and clear the accrued suspense account backlogs. Analysis and clearance commenced during 2008 and is continuing into 2009.

Returns under the Accounts and Statement Rules

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

Phoenix Pensions Limited

Global business

Financial year ended 31 December 2008

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

- Forms 2, 3, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the report required by IPRU(INS) rule 9.31(a) ("the valuation report").

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

- Forms 46, 47, 50, 51, 54 and 57 (including the supplementary notes);
- the statement required by IPRU(INS) rule 9.30; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1).

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

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

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 31 March

Returns under the Accounts and Statement Rules

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

Phoenix Pensions Limited

Global business

Financial year ended 31 December 2008

. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

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

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31(a) appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP.

Ernst & Young LLP

Registered Auditor

London

Date: 31/3/09.