

# **LONDON LIFE LIMITED**

Registered in England - No. 1179800

Registered Office

The Pearl Centre  
Lynch Wood  
Peterborough  
PE2 6FY

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

**31 December 2006**

(Appendices 9.1 , 9.3 , 9.4 , 9.4A , 9.6 )

**Statement of solvency - long-term insurance business**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
			R2	1179800	GL	
			<b>As at end of this financial year</b>			<b>As at end of the previous year</b>
			1			2

**Capital resources**

Capital resources arising within the long-term insurance fund	11	144586	119217
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	159145	160455
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	303731	279672

**Guarantee fund**

Guarantee fund requirement	21	24879	26986
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	278852	252686

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	74636	80957
Resilience capital requirement	32		6589
Base capital resources requirement	33	2139	2030
Individual minimum capital requirement	34	74636	87546
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	74636	87546
Excess (deficiency) of available capital resources to cover 50% of MCR	37	240529	220880
Excess (deficiency) of available capital resources to cover 75% of MCR	38	247754	198993

**Enhanced capital requirement**

With-profits insurance capital component	39	52624	47652
Enhanced capital requirement	40	127260	135198

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	127260	135198
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	176471	144474

**Contingent liabilities**

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

**Covering Sheet to Form 2**

**Form 2**

Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**



**J S Moss**

**Managing Director**



**J S B Smith**

**Director**



**J R Cusins**

**Director**

Date:  March 2007

**Components of capital resources**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		18800	18800	18800
Profit and loss account and other reserves	<b>12</b>		157220	157220	149355
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>		98718	98718	90631
Fund for future appropriations	<b>15</b>		11109	11109	18710
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		285847	285847	277496

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		285847	285847	277496
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		8000	8000	12843
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		8000	8000	12843
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		277847	277847	264653

**Components of capital resources**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Tier two capital**

Implicit items, (tier two waivers and amounts excluded from line 22)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>		37093	37093	
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>		37093	37093	

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				17810
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>				17810

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		37093	37093	17810
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		37093	37093	17810

**Components of capital resources**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1179800	GL	31	12	2006	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	71				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		314940	314940	282463
Inadmissible assets other than intangibles and own shares	73		2334	2334	2791
Assets in excess of market risk and counterparty limits	74		8875	8875	
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		303731	303731	279672

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

Available capital resources for guarantee fund requirement	81		303731	303731	279672
Available capital resources for 50% MCR requirement	82		277847	277847	264653
Available capital resources for 75% MCR requirement	83		303731	303731	264653

**Financial engineering adjustments**

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		117231	117231	88663
Any other charges on future profits	95				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>		117231	117231	88663

**Calculation of Long-term insurance business capital requirement - premiums amount and brought forward amount**

Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

General insurance business

	Company registration number	GL/UK/CM	day month year			Units
	R11	1179800	GL	31	12	2006
			This financial year			Previous year
			1			2
Gross premiums written		11			115	214
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13			115	214
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15			115	214
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>		16			38	71
Gross premiums earned		21			293	313
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23			293	313
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25			293	313
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>		26			98	104
<b>Sub-total I (higher of sub-total A and sub-total H)</b>		30			98	104
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>		31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32			18	19
	Excess (if any) over 53.1M EURO x 0.02	33				
<b>Sub-total J (32-33)</b>		34			18	19
Claims paid in period of 3 financial years		41			1555	1496
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42				
	For insurance business accounted for on an accident year basis	43			3668	4029
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44				
	For insurance business accounted for on an accident year basis	45			4574	3973
<b>Sub-total C (41+42+43-44-45)</b>		46			649	1552
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47				11
<b>Sub-total D (46-47)</b>		48			649	1541
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)</b>		49			100.00	99.29
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>		50			18	19
Provision for claims outstanding (before discounting and net of reinsurance)		51			3668	3984
<b>Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)</b>		52			48	52
Greater of lines 50 and 52		53			48	52

**Calculation of Long-term insurance business capital requirement - claims amount and result**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units
		<b>R12</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
					This financial year 1		Previous year 2
Reference period (No. of months) See INSPRU 1.1.63R			<b>11</b>	36		36	
Claims paid in reference period			<b>21</b>	1555		1496	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		<b>22</b>				
	For insurance business accounted for on an accident year basis		<b>23</b>	3668		4029	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		<b>24</b>				
	For insurance business accounted for on an accident year basis		<b>25</b>	4574		3973	
Claims incurred in reference period (21+22+23-24-25)			<b>26</b>	649		1552	
Claims incurred for classes 11, 12 or 13 (included in 26)			<b>27</b>				
Claims incurred for "actuarial health insurance" (included in 26)			<b>28</b>	649		1552	
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>			<b>29</b>	216		517	
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>			<b>31</b>	72		172	
Division of sub-total F (gross adjusted claims amount)	x 0.26		<b>32</b>	19		45	
	Excess (if any) over 37.2M EURO x 0.03		<b>33</b>				
<b>Sub-total G (32-33)</b>			<b>39</b>	19		45	
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>			<b>41</b>	19		45	
Higher of premiums amount and brought forward amount (11.53)			<b>42</b>	48		52	
<b>General insurance capital requirement (higher of lines 41 and 42)</b>			<b>43</b>	48		52	





**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	1
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					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		1639
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3	4247
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4233	1494
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	14	10

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	163129	163467
--	----	--------	--------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	1
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	163129	163467
Assets in excess of market and counterparty limits	92	8875	
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		8000
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	7989	(4236)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	179993	167231
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		1639

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			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	17545	17545
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	5523	7235	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	149784	158552	
Rights under derivative contracts	44	15197	20521	
Fixed interest securities	Approved	45	1049398	1138697
	Other	46	601941	577633
Variable interest securities	Approved	47	462	48942
	Other	48	60709	71050
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	3307	4214	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1225	751
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	54134	58961
	Property linked	59	405797	438568

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day month year			Units	Category of assets	
<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	2336	2787
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	2947	4929
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	4415	20124
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	11082	682
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	32029	28489
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	547	758

Deductions from the aggregate value of assets	<b>87</b>		
---	-----------	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	2418378	2600438
--	-----------	---------	---------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2418378	2600438
Assets in excess of market and counterparty limits	<b>92</b>		
Capital resources requirement deduction of regulated related undertakings	<b>93</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>94</b>		
Inadmissible assets of regulated related insurance undertakings	<b>95</b>		
Book value of related ancillary services undertakings	<b>96</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>97</b>	2334	7635
Deferred acquisition costs excluded from line 89	<b>98</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>99</b>	99449	104595
Other asset adjustments (may be negative)	<b>100</b>		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	<b>101</b>	2520161	2712668
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>102</b>	461	423

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	15
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>	5523	7235	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	138542	106976	
Rights under derivative contracts	<b>44</b>	15197	20521	
Fixed interest securities	Approved	<b>45</b>	784042	873162
	Other	<b>46</b>	315926	351029
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>	39054	44339
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	3307	4214	
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	3	
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	15
					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	2336	2785
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	2947	4929
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	5792	50535
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4495	385
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	16097	16192
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	532	513

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	1333793	1482815
--	----	---------	---------



**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	15
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	1333793	1482815
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	2334	7635
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	80270	84503
Other asset adjustments (may be negative)	100		(9573)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	1416397	1565380
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	2091	47244

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Life Non Profit**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings				<b>11</b>			

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	1250	10983	
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	35125	38188
	Other	<b>46</b>	21829	10814
Variable interest securities	Approved	<b>47</b>	462	634
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	1065	659
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	176	184
	Property linked	<b>59</b>	17005	17661

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Life Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	12
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					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	147	1816
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	913	82
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1458	828
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1	36

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	79431	81885
--	----	-------	-------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Life Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	12
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	79431	81885
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	19013	19880
Other asset adjustments (may be negative)	100	(1030)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	97414	101765
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		1549

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Pension Non Profit**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
R13	1179800	GL	31	12	2006	£000	13
						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			17545	17545
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			9992	40593
Rights under derivative contracts		44				
Fixed interest securities	Approved	45			230231	227347
	Other	46			264186	215790
Variable interest securities	Approved	47				48309
	Other	48			21655	26711
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			157	92
	More than one month withdrawal	55				
Other financial investments		56				
Deposits with ceding undertakings		57				
Assets held to match linked liabilities	Index linked	58			53958	58777
	Property linked	59			388792	420907

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Pension Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2006	£000	13
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					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		3
	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	8666	2286
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5674	214
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	14474	11469
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	14	210

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	1015344	1070253
--	----	---------	---------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **Pension Non Profit**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1179800	GL	31	12	2006	£000	13
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	<b>91</b>	1015344	1070253
Assets in excess of market and counterparty limits	<b>92</b>		
Capital resources requirement deduction of regulated related undertakings	<b>93</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>94</b>		
Inadmissible assets of regulated related insurance undertakings	<b>95</b>		
Book value of related ancillary services undertakings	<b>96</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>97</b>		
Deferred acquisition costs excluded from line 89	<b>98</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>99</b>	167	212
Other asset adjustments (may be negative)	<b>100</b>	(9161)	(24942)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	<b>101</b>	1006350	1045523
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>102</b>	1	2247

**Long term insurance business liabilities and margins**

Name of insurer **LONDON LIFE LIMITED**  
 Global business  
 Financial year ended **31 December 2006**  
 Total business/Sub fund **Total long term insurance business**  
 Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	2228473	2397192	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>	219	274	
Balance of surplus/(valuation deficit)	<b>13</b>	70108	73358	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2298800	2470824	
Claims outstanding	Gross	<b>15</b>	6071	7771
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	6071	7771
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	1245	26
Deposits received from reinsurers	<b>23</b>	38723	42512	
Creditors	Direct insurance business	<b>31</b>		
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	15785	37454
	Other	<b>38</b>	20099	13802
Accruals and deferred income	<b>39</b>	270		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	82193	101565	
Excess of the value of net admissible assets	<b>51</b>	37385	28049	
Total liabilities and margins	<b>59</b>	2418378	2600438	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	4275	5624
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	405797	438568

Total liabilities (11+12+49)	<b>71</b>	2310885	2499031
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	99449	104595
Other adjustments to liabilities (may be negative)	<b>74</b>	98718	90332
Capital and reserves and fund for future appropriations	<b>75</b>	11109	18710
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	2520161	2712668



**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **Life With Profit**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	437989	500833	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>	219	274	
Balance of surplus/(valuation deficit)	<b>13</b>	40966	41742	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	479174	542849	
Claims outstanding	Gross	<b>15</b>	2506	3208
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	2506	3208
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	514	
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>		
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	15785	37454
	Other	<b>38</b>	8440	5033
Accruals and deferred income	<b>39</b>	12		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	27257	45695	
Excess of the value of net admissible assets	<b>51</b>	37385	28049	
Total liabilities and margins	<b>59</b>	543815	616593	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	603	2676
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	465465	546802
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **Pension With Profit**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	731794	808372	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	3141	3616	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	734935	811988	
Claims outstanding	Gross	<b>15</b>	3565	4563
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	3565	4563
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	731	
Deposits received from reinsurers	<b>23</b>	38723	42512	
Creditors	Direct insurance business	<b>31</b>		
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	12008	7159
Accruals and deferred income	<b>39</b>	17		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	55044	54234	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	789979	866222	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	857	3806
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	786838	862606
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **Life Non Profit**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	59182	65044
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>	11301	4889
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	70483	69933
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	26
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	
	Other	<b>38</b>	8926
Accruals and deferred income	<b>39</b>	23	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	8949	11952
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	79432	81885

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	1030	11844
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	17005	17661

Total liabilities (11+12+49)	<b>71</b>	68131	76996
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Total business/Sub fund **Pension Non Profit**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	999508	1022943
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>	14700	23111
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	1014208	1046054
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	
	Other	<b>38</b>	916 24199
Accruals and deferred income	<b>39</b>	218	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1134	24199
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	1015342	1070253

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	792	23317
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	388792	420907

Total liabilities (11+12+49)	<b>71</b>	1000642	1047142
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>		

**Liabilities (other than long term insurance business)**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R15</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
			As at end of this financial year 1			As at end of the previous year 2

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>		
	Declared dividend	<b>48</b>		
	Other	<b>49</b>	3972	3012
Accruals and deferred income		<b>51</b>	12	
Total (19 to 51)		<b>59</b>	3984	3012
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	3984	3012

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>	2827	2731
---	-----------	------	------

Reinsurers' share of DAC	<b>81</b>		
Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(11)	(3936)
Capital and reserves	<b>84</b>	176020	168155
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	<b>85</b>	179993	167231

**Profit and loss account (non-technical account)**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1179800	GL	31	12	2006	£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			1257	44949	
Investment income	Income		14			8951	3933	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17			113	98	
	Value re-adjustments on investments		18			21		
	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			(0)	(261)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			10074	48523	
Tax on profit or loss on ordinary activities			31			2510	1072	
Profit or loss on ordinary activities after tax (29-31)			39			7564	47451	
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			7564	47451	
Dividends (paid or declared)			51					
Profit or loss retained for the financial year (49-51)			59			7564	47451	



**Analysis of derivative contracts**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Category of assets **With Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>15</b>
		As at the end of this financial year				As at the end of the previous year			
		Assets		Liabilities		Assets		Liabilities	
		<b>1</b>		<b>2</b>		<b>3</b>		<b>4</b>	
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	<b>11</b>							
	Equity shares	<b>12</b>							
	Land	<b>13</b>							
	Currencies	<b>14</b>							
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>							
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>							
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>		15197		57		20521	
Adjustment for variation margin		<b>41</b>							
<b>Total (11 to 41)</b>		<b>49</b>		15197		57		20521	



**With-profits insurance capital component for the fund**Name of insurer **LONDON LIFE LIMITED**With-profits fund **Life With Profit**Financial year ended **31 December 2006**Units **£000**

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

**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	543815	616594
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	543815	616594
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	438208	501107
	Regulatory current liabilities of the fund	<b>22</b>	27257	45695
	Total (21+22)	<b>29</b>	465465	546802
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	18071	20650
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		1490
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	483536	568942
Regulatory excess capital (19-39)		<b>49</b>	60279	47652

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
--------------------------	-----------	--	--

**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	60279	47652
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	7655	
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	52624	47652

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

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	789979	866221
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>		7799
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	789979	858422
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	731794	800573
	Regulatory current liabilities of the fund	<b>22</b>	55044	54234
	Total (21+22)	<b>29</b>	786838	854807
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	27972	31872
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		2381
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	814810	889060
Regulatory excess capital (19-39)		<b>49</b>	(24831)	(30638)

**Realistic excess capital**

Realistic excess capital	<b>51</b>		(3543)
--------------------------	-----------	--	--------

**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	(24831)	(27095)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>		
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>		

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	11	543815	616594
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	543815	616594
Support arrangement assets	27		
Assets available to the fund (26+27)	29	543815	616594

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	441833	489885	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	842	3446
	Future costs of contractual guarantees (other than financial options)	41	4291	3899
	Future costs of non-contractual commitments	42	9779	10532
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	7726	9161
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	53772	60868
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	74726	81014
Realistic current liabilities of the fund	51	27256	45695	
Realistic value of liabilities of fund (31+49+51)	59	543815	616594	

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	543815	616594
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	543815	616594
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	64887	66855
Additional amount potentially available for inclusion in line 63	<b>82</b>		33824

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	11	789979	858422
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		4843
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	789979	863265
Support arrangement assets	27		
Assets available to the fund (26+27)	29	789979	863265

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	520325	567801	
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	130832	153355
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	16540	16712
	Future costs of smoothing (possibly negative)	44	(24081)	(14111)
	Financing costs	45	84652	74103
	Any other liabilities related to regulatory duty to treat customers fairly	46		
Other long-term insurance liabilities	47	6667	11800	
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	214610	241859	
Realistic current liabilities of the fund	51	55044	54234	
Realistic value of liabilities of fund (31+49+51)	59	789979	863894	

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	789979	866808
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	789979	866808
Risk capital margin for fund (62-59)	65		2914
Realistic excess capital for fund (26-(59+65))	66		(3543)
Realistic excess available capital for fund (29-(59+65))	67		(3543)
Working capital for fund (29-59)	68		(629)
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	94258	93600
Additional amount potentially available for inclusion in line 63	82		

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Earned premiums	11	65640	83636
Investment income receivable before deduction of tax	12	114712	121895
Increase (decrease) in the value of non-linked assets brought into the account	13	(94970)	93733
Increase (decrease) in the value of linked assets	14	29663	61217
Other income	15	286088	
<b>Total income</b>	<b>19</b>	<b>401133</b>	<b>360481</b>

**Expenditure**

Claims incurred	21	288360	299587
Expenses payable	22	10616	11202
Interest payable before the deduction of tax	23	251	152
Taxation	24	(13415)	22091
Other expenditure	25	286088	
Transfer to (from) non technical account	26	1257	44949
<b>Total expenditure</b>	<b>29</b>	<b>573157</b>	<b>377981</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(172024)	(17500)
Fund brought forward	49	2470824	2488324
Fund carried forward (39+49)	59	2298800	2470824

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	10755	12287
Investment income receivable before deduction of tax	12	71058	26575
Increase (decrease) in the value of non-linked assets brought into the account	13	(67897)	26191
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>13916</b>	<b>65053</b>

**Expenditure**

Claims incurred	21	77187	73644
Expenses payable	22	2371	2621
Interest payable before the deduction of tax	23	256	54
Taxation	24	(3000)	10600
Other expenditure	25		24481
Transfer to (from) non technical account	26	776	1158
<b>Total expenditure</b>	<b>29</b>	<b>77591</b>	<b>112558</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(63674)	(47505)
Fund brought forward	49	542849	590354
Fund carried forward (39+49)	59	479175	542849



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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	5751	8736
Investment income receivable before deduction of tax	12	(4843)	45231
Increase (decrease) in the value of non-linked assets brought into the account	13	4023	44579
Increase (decrease) in the value of linked assets	14		
Other income	15	163890	24481
<b>Total income</b>	<b>19</b>	<b>168821</b>	<b>123027</b>

**Expenditure**

Claims incurred	21	77734	85381
Expenses payable	22	3786	4597
Interest payable before the deduction of tax	23	(17)	92
Taxation	24		
Other expenditure	25	163890	
Transfer to (from) non technical account	26	481	43791
<b>Total expenditure</b>	<b>29</b>	<b>245874</b>	<b>133861</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(77053)	(10834)
Fund brought forward	49	811988	822822
Fund carried forward (39+49)	59	734935	811988

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Earned premiums	11	3238	4461
Investment income receivable before deduction of tax	12	4014	3819
Increase (decrease) in the value of non-linked assets brought into the account	13	(2856)	1200
Increase (decrease) in the value of linked assets	14	1295	2405
Other income	15	23002	
<b>Total income</b>	<b>19</b>	<b>28693</b>	<b>11885</b>

**Expenditure**

Claims incurred	21	8522	7931
Expenses payable	22	567	601
Interest payable before the deduction of tax	23	1	1
Taxation	24	(3949)	4969
Other expenditure	25	23002	
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>28143</b>	<b>13502</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	550	(1617)
Fund brought forward	49	69933	71550
Fund carried forward (39+49)	59	70483	69933

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Earned premiums	11	45896	58152
Investment income receivable before deduction of tax	12	44483	46270
Increase (decrease) in the value of non-linked assets brought into the account	13	(28240)	21763
Increase (decrease) in the value of linked assets	14	28368	58812
Other income	15	99196	
<b>Total income</b>	<b>19</b>	<b>189703</b>	<b>184997</b>

**Expenditure**

Claims incurred	21	124917	132631
Expenses payable	22	3892	3383
Interest payable before the deduction of tax	23	10	5
Taxation	24	(6466)	6522
Other expenditure	25	99196	
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>221549</b>	<b>142541</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(31846)	42456
Fund brought forward	49	1046054	1003598
Fund carried forward (39+49)	59	1014208	1046054

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11	12719	2661		15380	18558
Single premiums	12	1544	49436		50980	65730

**Reinsurance - external**

Regular premiums	13	270	81		351	362
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16		369		369	290

**Net of reinsurance**

Regular premiums	17	12449	2580		15029	18196
Single premiums	18	1544	49067		50611	65440

**Total**

Gross	19	14263	52097		66360	84288
Reinsurance	20	270	450		720	652
Net	21	13992	51647		65640	83636

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	<b>11</b>	10576			10576	12270
Single premiums	<b>12</b>	308			308	188

**Reinsurance - external**

Regular premiums	<b>13</b>	129			129	171
Single premiums	<b>14</b>					

**Reinsurance - intra-group**

Regular premiums	<b>15</b>					
Single premiums	<b>16</b>					

**Net of reinsurance**

Regular premiums	<b>17</b>	10447			10447	12099
Single premiums	<b>18</b>	308			308	188

**Total**

Gross	<b>19</b>	10884			10884	12458
Reinsurance	<b>20</b>	129			129	171
Net	<b>21</b>	10755			10755	12287

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11		1236		1236	1530
Single premiums	12		4884		4884	7496

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16		369		369	290

**Net of reinsurance**

Regular premiums	17		1236		1236	1530
Single premiums	18		4515		4515	7206

**Total**

Gross	19		6120		6120	9026
Reinsurance	20		369		369	290
Net	21		5751		5751	8736

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11	2143			2143	2429
Single premiums	12	1236			1236	2153

**Reinsurance - external**

Regular premiums	13	141			141	121
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	2002			2002	2308
Single premiums	18	1236			1236	2153

**Total**

Gross	19	3379			3379	4582
Reinsurance	20	141			141	121
Net	21	3238			3238	4461

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11		1425		1425	2329
Single premiums	12		44552		44552	55893

**Reinsurance - external**

Regular premiums	13		81		81	70
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17		1344		1344	2259
Single premiums	18		44552		44552	55893

**Total**

Gross	19		45977		45977	58222
Reinsurance	20		81		81	70
Net	21		45896		45896	58152



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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	8501	3491		11992	11753
Disability periodic payments	12	234			234	552
Surrender or partial surrender	13	23441	92873		116314	133371
Annuity payments	14	2048	52013		54061	51831
Lump sums on maturity	15	50237	58734		108971	111679
<b>Total</b>	<b>16</b>	<b>84461</b>	<b>207111</b>		<b>291572</b>	<b>309186</b>

**Reinsurance - external**

Death or disability lump sums	21	(648)			(648)	1352
Disability periodic payments	22					
Surrender or partial surrender	23	(1163)			(1163)	1549
Annuity payments	24					
Lump sums on maturity	25	563			563	2227
<b>Total</b>	<b>26</b>	<b>(1248)</b>			<b>(1248)</b>	<b>5128</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		4460		4460	4471
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>4460</b>		<b>4460</b>	<b>4471</b>

**Net of reinsurance**

Death or disability lump sums	41	9149	3491		12640	10401
Disability periodic payments	42	234			234	552
Surrender or partial surrender	43	24604	92873		117477	131822
Annuity payments	44	2048	47553		49601	47360
Lump sums on maturity	45	49674	58734		108408	109452
<b>Total</b>	<b>46</b>	<b>85709</b>	<b>202651</b>		<b>288360</b>	<b>299587</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	8002		8002	8030
Disability periodic payments	12				
Surrender or partial surrender	13	19143		19143	18761
Annuity payments	14				6
Lump sums on maturity	15	48794		48794	51975
<b>Total</b>	<b>16</b>	<b>75939</b>		<b>75939</b>	<b>78772</b>

**Reinsurance - external**

Death or disability lump sums	21	(648)		(648)	1352
Disability periodic payments	22				
Surrender or partial surrender	23	(1163)		(1163)	1549
Annuity payments	24				
Lump sums on maturity	25	563		563	2227
<b>Total</b>	<b>26</b>	<b>(1248)</b>		<b>(1248)</b>	<b>5128</b>

**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				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Death or disability lump sums	41	8650		8650	6678
Disability periodic payments	42				
Surrender or partial surrender	43	20306		20306	17212
Annuity payments	44				6
Lump sums on maturity	45	48231		48231	49748
<b>Total</b>	<b>46</b>	<b>77187</b>		<b>77187</b>	<b>73644</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11		1275		1275	1640
Disability periodic payments	12					
Surrender or partial surrender	13		19816		19816	25046
Annuity payments	14		11631		11631	11525
Lump sums on maturity	15		49472		49472	51641
<b>Total</b>	<b>16</b>		<b>82194</b>		<b>82194</b>	<b>89852</b>

**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					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		4460		4460	4471
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>4460</b>		<b>4460</b>	<b>4471</b>

**Net of reinsurance**

Death or disability lump sums	41		1275		1275	1640
Disability periodic payments	42					
Surrender or partial surrender	43		19816		19816	25046
Annuity payments	44		7171		7171	7054
Lump sums on maturity	45		49472		49472	51641
<b>Total</b>	<b>46</b>		<b>77734</b>		<b>77734</b>	<b>85381</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	499		499	872
Disability periodic payments	12	234		234	552
Surrender or partial surrender	13	4298		4298	2269
Annuity payments	14	2048		2048	1886
Lump sums on maturity	15	1443		1443	2352
<b>Total</b>	<b>16</b>	<b>8522</b>		<b>8522</b>	<b>7931</b>

**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				
<b>Total</b>	<b>26</b>				

**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				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Death or disability lump sums	41	499		499	872
Disability periodic payments	42	234		234	552
Surrender or partial surrender	43	4298		4298	2269
Annuity payments	44	2048		2048	1886
Lump sums on maturity	45	1443		1443	2352
<b>Total</b>	<b>46</b>	<b>8522</b>		<b>8522</b>	<b>7931</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11		2216		2216	1211
Disability periodic payments	12					
Surrender or partial surrender	13		73057		73057	87295
Annuity payments	14		40382		40382	38414
Lump sums on maturity	15		9262		9262	5711
<b>Total</b>	<b>16</b>		124917		124917	132631

**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					
<b>Total</b>	<b>26</b>					

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41		2216		2216	1211
Disability periodic payments	42					
Surrender or partial surrender	43		73057		73057	87295
Annuity payments	44		40382		40382	38414
Lump sums on maturity	45		9262		9262	5711
<b>Total</b>	<b>46</b>		124917		124917	132631

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	2948	7734	10682	11262
Management - other	15				
<b>Total</b>	<b>16</b>	<b>2948</b>	<b>7734</b>	<b>10682</b>	<b>11262</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24	10	2	12	8
Management - other	25				
<b>Total</b>	<b>26</b>	<b>10</b>	<b>2</b>	<b>12</b>	<b>8</b>

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34		54	54	52
Management - other	35				
<b>Total</b>	<b>36</b>		<b>54</b>	<b>54</b>	<b>52</b>

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	2938	7678	10616	11202
Management - other	45				
<b>Total</b>	<b>46</b>	<b>2938</b>	<b>7678</b>	<b>10616</b>	<b>11202</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	2373		2373	2621
Management - other	15				
<b>Total</b>	<b>16</b>	<b>2373</b>		<b>2373</b>	<b>2621</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24	2		2	
Management - other	25				
<b>Total</b>	<b>26</b>	<b>2</b>		<b>2</b>	

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	2371		2371	2621
Management - other	45				
<b>Total</b>	<b>46</b>	<b>2371</b>		<b>2371</b>	<b>2621</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		3842	3842	4649
Management - other	15				
<b>Total</b>	<b>16</b>		<b>3842</b>	<b>3842</b>	<b>4649</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24		2	2	
Management - other	25				
<b>Total</b>	<b>26</b>		<b>2</b>	<b>2</b>	

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34		54	54	52
Management - other	35				
<b>Total</b>	<b>36</b>		<b>54</b>	<b>54</b>	<b>52</b>

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		3786	3786	4597
Management - other	45				
<b>Total</b>	<b>46</b>		<b>3786</b>	<b>3786</b>	<b>4597</b>



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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	575		575	608
Management - other	15				
<b>Total</b>	<b>16</b>	<b>575</b>		<b>575</b>	<b>608</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24	8		8	7
Management - other	25				
<b>Total</b>	<b>26</b>	<b>8</b>		<b>8</b>	<b>7</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	567		567	601
Management - other	45				
<b>Total</b>	<b>46</b>	<b>567</b>		<b>567</b>	<b>601</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		3892	3892	3384
Management - other	15				
<b>Total</b>	<b>16</b>		3892	3892	3384

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				1
Management - other	25				
<b>Total</b>	<b>26</b>				1

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		3892	3892	3383
Management - other	45				
<b>Total</b>	<b>46</b>		3892	3892	3383

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11	41392	40398
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	364584	398876
<b>Total assets (excluding cross investment) (11+12+ 13)</b>	<b>14</b>	<b>405976</b>	<b>439274</b>
Provision for tax on unrealised capital gains	15	146	
Secured and unsecured loans	16		
Other liabilities	17	33	706
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>405797</b>	<b>438568</b>

**Directly held linked assets**

Value of directly held linked assets	21		
--------------------------------------	----	--	--

**Total**

Value of directly held linked assets and units held (18+21)	31	405797	438568
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>405797</b>	<b>438568</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Value of total creation of units	11	10834	39664
Investment income attributable to the funds before deduction of tax	12	13111	14887
Increase (decrease) in the value of investments in the financial year	13	29663	61217
Other income	14	38	39
<b>Total income</b>	<b>19</b>	<b>53646</b>	<b>115807</b>

**Expenditure**

Value of total cancellation of units	21	84624	110377
Charges for management	22	1173	1217
Charges in respect of tax on investment income	23	439	1185
Taxation on realised capital gains	24	23	367
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	146	
Other expenditure	26	12	81
<b>Total expenditure</b>	<b>29</b>	<b>86417</b>	<b>113227</b>

Increase (decrease) in funds in financial year (19-29)	39	(32771)	2580
Internal linked fund brought forward	49	438568	435988
Internal linked funds carried forward (39+49)	59	405797	438568

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Regular premium business	<b>11</b>					
Single premium business	<b>12</b>	11	1412		1423	1220
<b>Total</b>	<b>13</b>	11	1412		1423	1220

**Amount of new regular  
premiums**

Direct insurance business	<b>21</b>	1	104		105	124
External reinsurance	<b>22</b>					
Intra-group reinsurance	<b>23</b>					
<b>Total</b>	<b>24</b>	1	104		105	124

**Amount of new single  
premiums**

Direct insurance business	<b>25</b>	1761	49219		50980	65728
External reinsurance	<b>26</b>					
Intra-group reinsurance	<b>27</b>					
<b>Total</b>	<b>28</b>	1761	49219		50980	65728



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

LONDON LIFE LIMITED

Name of insurer

Total business

Financial year ended

31 December 2006

Units

£000

UK Pension / Direct Insurance Business

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
155	Conventional pensions endowment with-profits		26		1111
165	Conventional deferred annuity with-profits				3
175	Group conventional deferred annuity with-profits				192
200	Annuity with-profits (CPA)			55	1477
400	Annuity non-profit (CPA)			1357	37206
435	Miscellaneous non-profit		20		1627
525	Individual pensions UWP		14		43
725	Individual pensions property linked		44		2157
735	Group money purchase pensions property linked				3812
745	DWP National Insurance rebates property linked				1590

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

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	270978	270978	13973	4.78	
Other fixed interest securities	13	291290	308836	17006	5.42	
Variable interest securities	14	22794	22793	368	3.39	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	39592	22047	2358	4.71	
<b>Total</b>	<b>19</b>	<b>624654</b>	<b>624654</b>	<b>33705</b>	<b>5.04</b>	

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

Land and buildings	21		70979	3218	4.53	
Approved fixed interest securities	22	792938	800179	39370	4.81	0.10
Other fixed interest securities	23	322173	326093	18125	5.42	0.86
Variable interest securities	24	39513	2488	103	4.07	
UK listed equity shares	25		14133	469	2.72	
Non-UK listed equity shares	26	69	3309	110	1.58	
Unlisted equity shares	27	5454	5454	181	3.55	
Other assets	28	173646	111158	2767	4.12	4.81
<b>Total</b>	<b>29</b>	<b>1333793</b>	<b>1333793</b>	<b>64345</b>	<b>4.85</b>	<b>0.67</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					1.40
Return allocated to non taxable 'asset shares'	32					0.31
Return allocated to taxable 'asset shares'	33					2.38



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

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	35597	35597	1922	5.04	
Other fixed interest securities	13	22392	22392	1387	5.63	
Variable interest securities	14	468	468	5	2.04	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	3793	3793	156	4.12	
<b>Total</b>	<b>19</b>	<b>62250</b>	<b>62250</b>	<b>3470</b>	<b>5.17</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	235381	235380	12051	4.74	
Other fixed interest securities	13	268898	286444	15619	5.40	
Variable interest securities	14	22326	22326	363	3.42	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	45989	28444	2202	4.79	
<b>Total</b>	<b>19</b>	<b>572594</b>	<b>572594</b>	<b>30235</b>	<b>5.02</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **With Profit Fund**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
<b>Total</b>	<b>19</b>					

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

Land and buildings	21		70979	3218	4.53	
Approved fixed interest securities	22	792938	800179	39370	4.81	0.10
Other fixed interest securities	23	322173	326093	18125	5.42	0.86
Variable interest securities	24	39513	2488	103	4.07	
UK listed equity shares	25		14133	469	2.72	
Non-UK listed equity shares	26	69	3309	110	1.58	
Unlisted equity shares	27	5454	5454	181	3.55	
Other assets	28	173646	111158	2767	4.12	4.81
<b>Total</b>	<b>29</b>	<b>1333793</b>	<b>1333793</b>	<b>64345</b>	<b>4.85</b>	<b>0.67</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					1.40
Return allocated to non taxable 'asset shares'	32					0.31
Return allocated to taxable 'asset shares'	33					2.38

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	758953	7.89	4.80	4.80

<b>Other approved fixed interest securities</b>	<b>21</b>	312206	12.29	4.78	4.76
---	-----------	--------	-------	------	------

**Other fixed interest securities**

AAA/Aaa	<b>31</b>	147436	11.26	5.16	5.05
AA/Aa	<b>32</b>	173104	8.67	5.44	5.29
A/A	<b>33</b>	280697	9.70	5.57	5.30
BBB/Baa	<b>34</b>	33693	6.29	6.11	5.70
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>				
<b>Total other fixed interest securities</b>	<b>39</b>	634930	9.60	5.47	5.26

<b>Approved variable interest securities</b>	<b>41</b>	896	7.55	5.02	5.02
--	-----------	-----	------	------	------

<b>Other variable interest securities</b>	<b>51</b>	24386	10.13	6.27	6.12
---	-----------	-------	-------	------	------

<b>Total (11+21+39+41+51)</b>	<b>61</b>	1731371	9.34	5.06	4.98
-------------------------------	-----------	---------	------	------	------

## Long-term insurance business : Fixed and variable interest assets

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	20976	6.99	4.89	4.89
<b>Other approved fixed interest securities</b>	<b>21</b>	14622	6.74	5.16	5.13
<b>Other fixed interest securities</b>					
AAA/Aaa	31	4114	7.10	5.12	5.12
AA/Aa	32	8472	4.26	5.56	5.43
A/A	33	9693	4.64	5.90	5.71
BBB/Baa	34	114	14.16	4.87	4.12
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	22393	5.00	5.62	5.49
<b>Approved variable interest securities</b>	<b>41</b>	468	6.14	5.14	5.14
<b>Other variable interest securities</b>	<b>51</b>				
<b>Total (11+21+39+41+51)</b>	<b>61</b>	58459	6.16	5.24	5.18

## Long-term insurance business : Fixed and variable interest assets

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	6852	12.00	4.55	4.55
<b>Other approved fixed interest securities</b>	<b>21</b>	228529	12.73	4.74	4.72
<b>Other fixed interest securities</b>					
AAA/Aaa	31	63764	12.37	5.08	4.97
AA/Aa	32	95062	8.12	5.47	5.32
A/A	33	103684	9.81	5.62	5.33
BBB/Baa	34	23934	3.78	6.36	6.00
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	286444	9.32	5.51	5.30
<b>Approved variable interest securities</b>	<b>41</b>	428	9.11	4.90	4.90
<b>Other variable interest securities</b>	<b>51</b>	21898	10.11	6.52	6.38
<b>Total (11+21+39+41+51)</b>	<b>61</b>	544151	10.82	5.21	5.09

## Long-term insurance business : Fixed and variable interest assets

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **With Profit Fund**  
 Financial year ended **31 December 2006**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	731125	7.88	4.80	4.80
<b>Other approved fixed interest securities</b>	<b>21</b>	69055	11.98	4.84	4.81
<b>Other fixed interest securities</b>					
AAA/Aaa	31	79558	10.58	5.23	5.11
AA/Aa	32	69570	9.96	5.38	5.22
A/A	33	167320	9.93	5.53	5.27
BBB/Baa	34	9645	12.44	5.51	4.95
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	326093	10.17	5.42	5.21
<b>Approved variable interest securities</b>	<b>41</b>				
<b>Other variable interest securities</b>	<b>51</b>	2488	10.31	4.07	3.82
<b>Total (11+21+39+41+51)</b>	<b>61</b>	1128761	8.80	4.98	4.92

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	439451	778872		1218323	1359050
Form 51 - non-profit	12	53977	570793		624770	618785
Form 52	13	8860	13602		22462	24737
Form 53 - linked	14	34950	388792		423742	457378
Form 53 - non-linked	15	359	7628		7986	8809
Form 54 - linked	16	176	53958		54134	58961
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>537773</b>	<b>1813644</b>		<b>2351417</b>	<b>2527720</b>

**Reinsurance - external**

Form 51 - with-profits	21	10515	6		10521	11389
Form 51 - non-profit	22	932	167		1099	1381
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>11447</b>	<b>173</b>		<b>11620</b>	<b>12770</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31		69108		69108	73114
Form 51 - non-profit	32	11388	14700		26088	28086
Form 52	33					
Form 53 - linked	34	17944			17944	18590
Form 53 - non-linked	35	15			15	91
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>29348</b>	<b>83808</b>		<b>113156</b>	<b>119881</b>

**Net of reinsurance**

Form 51 - with-profits	41	428936	709758		1138694	1274547
Form 51 - non-profit	42	41657	555926		597583	589318
Form 52	43	8860	13602		22462	24737
Form 53 - linked	44	17005	388792		405797	438788
Form 53 - non-linked	45	343	7628		7971	8718
Form 54 - linked	46	176	53958		54134	58961
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>496978</b>	<b>1729663</b>		<b>2226641</b>	<b>2395069</b>



**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	439451		439451	502082
Form 51 - non-profit	12				
Form 52	13	8860		8860	9912
Form 53 - linked	14				
Form 53 - non-linked	15	15		15	91
Form 54 - linked	16				
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	<b>448326</b>		<b>448326</b>	<b>512085</b>

**Reinsurance - external**

Form 51 - with-profits	21	10515		10515	11383
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>10515</b>		<b>10515</b>	<b>11383</b>

**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	15		15	91
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	<b>15</b>		<b>15</b>	<b>91</b>

**Net of reinsurance**

Form 51 - with-profits	41	428936		428936	490699
Form 51 - non-profit	42				
Form 52	43	8860		8860	9912
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	<b>437796</b>		<b>437796</b>	<b>500611</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11		778872		778872	856968
Form 51 - non-profit	12					
Form 52	13		13602		13602	14825
Form 53 - linked	14					
Form 53 - non-linked	15		6796		6796	7798
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>		<b>799270</b>		<b>799270</b>	<b>879591</b>

**Reinsurance - external**

Form 51 - with-profits	21		6		6	6
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>		<b>6</b>		<b>6</b>	<b>6</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31		69108		69108	73114
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					
<b>Total</b>	<b>38</b>		<b>69108</b>		<b>69108</b>	<b>73114</b>

**Net of reinsurance**

Form 51 - with-profits	41		709758		709758	783848
Form 51 - non-profit	42					
Form 52	43		13602		13602	14825
Form 53 - linked	44					
Form 53 - non-linked	45		6796		6796	7798
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>		<b>730156</b>		<b>730156</b>	<b>806471</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12	53977		53977	52563
Form 52	13				
Form 53 - linked	14	34950		34950	36471
Form 53 - non-linked	15	343		343	560
Form 54 - linked	16	176		176	184
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	89446		89446	89778

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	932		932	1169
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	932		932	1169

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32	11388		11388	4975
Form 52	33				
Form 53 - linked	34	17944		17944	18590
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	29332		29332	23565

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	41657		41657	46419
Form 52	43				
Form 53 - linked	44	17005		17005	17881
Form 53 - non-linked	45	343		343	560
Form 54 - linked	46	176		176	184
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	59182		59182	65044

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12		570793	570793	566222
Form 52	13				
Form 53 - linked	14		388792	388792	420907
Form 53 - non-linked	15		832	832	360
Form 54 - linked	16		53958	53958	58777
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>		<b>1014374</b>	<b>1014374</b>	<b>1046266</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22		167	167	212
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>		<b>167</b>	<b>167</b>	<b>212</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		14700	14700	23111
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>		<b>14700</b>	<b>14700</b>	<b>23111</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42		555926	555926	542899
Form 52	43				
Form 53 - linked	44		388792	388792	420907
Form 53 - non-linked	45		832	832	360
Form 54 - linked	46		53958	53958	58777
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>		<b>999507</b>	<b>999507</b>	<b>1022943</b>





















































**Long-term insurance business: analysis of valuation interest rate**Name of insurer **LONDON LIFE LIMITED**Subfund **Life With Profit**Financial year ended **31 December 2006**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 505	9053	2.90	3.05	3.48
UKL WP code 120 / 165	7881	3.10	3.88	4.31
UKL WP code 100 / 120	160206	3.30	4.13	4.59
UKL WP code 100 / 120	61635	3.40	4.25	4.88
UKL WP code 100 / 120	193166	3.50	4.38	5.33
UKL WP code 165	2442	3.62	4.53	4.88
UKL WP code 120	3825	3.62	4.53	4.95
<b>Total</b>	<b>438208</b>			

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **LONDON LIFE LIMITED**Subfund **Pension With Profit**Financial year ended **31 December 2006**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP WP code 525	13929	3.05	3.05	3.48
UKP WP code 155 / 165 / 175 / 210	397429	4.45	4.45	4.92
UKP WP code 155	81655	4.45	4.45	5.04
UKP WP code 200	77931	4.60	4.60	5.06
UKP WP code 165 / 200	23116	5.00	5.00	5.65
UKP WP code 200	254	5.21	5.21	5.68
UKP WP code 725	6796	4.19	4.19	4.63
UKP WP code 155	105272	4.53	4.53	4.88
UKP WP code 155	25411	4.55	4.55	5.16
<b>Total</b>	<b>731794</b>			

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **LONDON LIFE LIMITED**Subfund **Life Non Profit**Financial year ended **31 December 2006**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL NP code 300/325/330/350/385/390/395/410/420/435	23912	3.59	4.49	4.60
UKL NP code 395	17745	3.76	4.70	4.82
UKL NP code 905	176	3.74	4.68	4.81
UKL NP code 700/715/795	17349	3.10	3.88	3.97
<b>Total</b>	59182			

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **LONDON LIFE LIMITED**Subfund **Pension Non Profit**Financial year ended **31 December 2006**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP NP code 300/325/330/390/400/410/905	25696	4.48	4.48	4.59
UKP NP code 390/400	520395	4.69	4.69	4.81
UKP NP code 905	52032	5.18	5.18	5.31
UKP NP code 300	8610	4.58	4.58	4.70
UKP NP code 725/745/765	389624	3.80	3.80	3.90
<b>Total</b>	996356			

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Total long term insurance business**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	2298800	2470824
Bonus payments in anticipation of a surplus	12	9260	13779
Transfer to non-technical account	13	1257	44949
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2309317	2529552
Mathematical reserves	21	2226640	2395069
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	82677	134483

**Composition of surplus**

Balance brought forward	31	73358	42149
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	9319	92334
Total	39	82677	134483

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	9260	13779
Cash bonuses	42	219	274
Reversionary bonuses	43	1832	2123
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	11311	16176
Net transfer out of fund / part of fund	47	1257	44949
Total distributed surplus (46+47)	48	12568	61125
Surplus carried forward	49	70109	73358
Total (48+49)	59	82677	134483

**Percentage of distributed surplus allocated to policyholders**

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



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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	479174	542849
Bonus payments in anticipation of a surplus	12	6567	9922
Transfer to non-technical account	13	776	1158
Transfer to other funds / parts of funds	14		24481
Subtotal (11 to 14)	15	486517	578410
Mathematical reserves	21	437796	500611
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	48721	77799

**Composition of surplus**

Balance brought forward	31	41742	34224
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6979	43575
Total	39	48721	77799

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	6567	9922
Cash bonuses	42	219	274
Reversionary bonuses	43	193	222
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	6979	10418
Net transfer out of fund / part of fund	47	776	25639
Total distributed surplus (46+47)	48	7755	36057
Surplus carried forward	49	40966	41742
Total (48+49)	59	48721	77799

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	734935	811988
Bonus payments in anticipation of a surplus	12	2693	3857
Transfer to non-technical account	13	481	43791
Transfer to other funds / parts of funds	14		(24481)
Subtotal (11 to 14)	15	738109	835155
Mathematical reserves	21	730154	806471
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	7955	28684

**Composition of surplus**

Balance brought forward	31	3616	3700
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	4339	24984
Total	39	7955	28684

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	2693	3857
Cash bonuses	42		
Reversionary bonuses	43	1639	1901
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	4332	5758
Net transfer out of fund / part of fund	47	481	19310
Total distributed surplus (46+47)	48	4813	25068
Surplus carried forward	49	3142	3616
Total (48+49)	59	7955	28684

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	70483	69933
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	70483	69933
Mathematical reserves	21	59182	65044
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	11301	4889

**Composition of surplus**

Balance brought forward	31	4889	994
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6412	3895
Total	39	11301	4889

**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	11301	4889
Total (48+49)	59	11301	4889

**Percentage of distributed surplus allocated to policyholders**

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

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	1014208	1046054
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	1014208	1046054
Mathematical reserves	21	999508	1022943
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	14700	23111

**Composition of surplus**

Balance brought forward	31	23111	3231
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(8411)	19880
Total	39	14700	23111

**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	14700	23111
Total (48+49)	59	14700	23111

**Percentage of distributed surplus allocated to policyholders**

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

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

Name of insurer LONDON LIFE LIMITED

Original insurer LONDON LIFE LIMITED

Date of maturity value / open market option 01 March 2007

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	5901	n/a	n/a	CWP	N	n/a
Endowment assurance	15	12601	1644	n/a	CWP	N	n/a
Endowment assurance	20	23545	3071	n/a	CWP	N	n/a
Endowment assurance	25	43117	6808	n/a	CWP	N	n/a
Regular premium pension	5	12478		n/a	CWP	N	n/a
Regular premium pension	10	26502		n/a	CWP	N	n/a
Regular premium pension	15	46983	1393	n/a	CWP	N	n/a
Regular premium pension	20	83585	4753	n/a	CWP	N	n/a
Single premium pension	5	12304	1366	n/a	UWP	N	n/a
Single premium pension	10	15913	1990	n/a	UWP	N	n/a
Single premium pension	15	21825	2680	n/a	CWP	N	n/a
Single premium pension	20	42579	671	n/a	CWP	N	n/a

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

Name of Insurer **LONDON LIFE LIMITED**  
 Original Insurer **LONDON LIFE LIMITED**  
 Date of surrender value **01 March 2007**

1	2	3	4	5	6	7	8
Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	5	1408		n/a	CWP	N	n/a
Endowment assurance	10	5105		n/a	CWP	N	n/a
Endowment assurance	15	10292		n/a	CWP	N	n/a
Endowment assurance	20	20108	633	n/a	CWP	N	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	11834	991		UWP	Y	n/a
With-profits bond	10	14601	1490		UWP	Y	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	12304	1366	n/a	UWP	Y	n/a
Single premium pension	10	15913	1990	n/a	UWP	Y	n/a

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

Name of insurer AMP UK  
 Original insurer AMP UK  
 Date of maturity value / open market option 01 March 2007

1 Category of with-profits policy	2 Original term (years)	3 Maturity value / open market option	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	10			n/a	CWP	N	n/a
Endowment assurance	15			n/a	CWP	N	n/a
Endowment assurance	20	21561	0	n/a	CWP	N	n/a
Endowment assurance	25	34958		n/a	CWP	N	n/a
Regular premium pension	5			n/a	CWP	N	n/a
Regular premium pension	10			n/a	CWP	N	n/a
Regular premium pension	15			n/a	CWP	N	n/a
Regular premium pension	20	106434	0	n/a	CWP	N	n/a
Single premium pension	5			n/a	CWP	N	n/a
Single premium pension	10			n/a	CWP	N	n/a
Single premium pension	15			n/a	CWP	N	n/a
Single premium pension	20	47209	0	n/a	CWP	N	n/a

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

Name of insurer AMP UK  
 Original insurer AMP UK  
 Date of surrender value 01 March 2007

1 Category of with-profits policy	2 Duration at surrender (years)	3 Surrender value	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	5			n/a	CWP	N	n/a
Endowment assurance	10			n/a	CWP	N	n/a
Endowment assurance	15			n/a	CWP	N	n/a
Endowment assurance	20	15805	0	n/a	CWP	N	n/a
With-profits bond	2			n/a	CWP	N	n/a
With-profits bond	3			n/a	CWP	N	n/a
With-profits bond	5			n/a	CWP	N	n/a
With-profits bond	10			n/a	CWP	N	n/a
Single premium pension	2			n/a	CWP	N	n/a
Single premium pension	3			n/a	CWP	N	n/a
Single premium pension	5			n/a	CWP	N	n/a
Single premium pension	10			n/a	CWP	N	n/a



**Long-term insurance capital requirement**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2006**Units **£000**

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	121260		87	93
Classes I (other), II and IX	13	0.15%	72975	0.71	78	83
Classes I (other), II and IX	14	0.3%	694978	635542	1490	1795
Classes III, VII and VIII	15	0.3%				
<b>Total</b>	<b>16</b>		<b>889213</b>	<b>635542</b>	<b>1655</b>	<b>1971</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				48	52
--	----	--	--	--	----	----

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	1853465	1772751	0.96	17728
Classes III, VII and VIII (investment risk)	33	1%	28157	27359	0.97	274
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	49637	45443	0.92	454
Classes III, VII and VIII (other)	35	25%				271
Class IV (other)	36	1%	5780	5079	0.88	51
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>18777</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	1853465	1772751	0.96	53183
Classes III, VII and VIII (investment risk)	43	3%	28157	27359	0.97	821
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	49637	45443		
Classes III, VII and VIII (other)	45	0%	353900	340967		
Class IV (other)	46	3%	5780	5079	0.88	152
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>2290939</b>	<b>2191599</b>		<b>54156</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>74636</b>
						<b>80957</b>

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

### **Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

#### **Appendix 9.1**

##### **\*0000\* Scheme of transfer**

On 3rd September 1997 the High Court sanctioned a scheme of transfer under Schedule 2C and section 49 of the Insurance Companies Act 1982. This had the effect of transferring the assets and liabilities of the United Kingdom business of Australian Mutual Provident Society to London Life Limited (formerly London Life Managed Funds Limited). The transfer date was 1.01pm on 31st December 1997.

Associated with the scheme of transfer was the provision of a contingent loan from London Life Holdings Limited to the Life Non-Profit Fund (£16,000,000), the Pension Non-Profit Fund (£69,000,000) and the Pension With-Profits Fund (£114,000,000). On 23 December 2004, the contingent loan advanced on 31 December 1997 was terminated by repayment of the outstanding principal of £199m together with capitalised interest of £87m. At the same time a new contingent loan was advanced of £286m.

On 24 November 2006 the rights and benefits under the contingent loan agreement between the Company and London Life Holdings Limited were assigned to Pearl Group Limited. On 31 December 2006, the contingent loan was repaid to Pearl Group Limited and on the same date Pearl Group Limited advanced a new contingent loan on identical terms, except for the extension to the interest moratorium for a further three years to cover the period 1 January 2007 to 31 December 2009. No interest is due during this period.

The contingent loan is not repayable for a minimum of five years and is only repayable at that point if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund loan amounts and solvency requirements. The contingency was not satisfied at 31st December 2006. No interest accrues on either the current loan or the previous loan for the period from 1 January 2007 to 31 December 2009.

##### **\*0201\* Modification to the Return**

The Financial Services Authority, on the application of the firm, made a direction on 26 January 2007 effective from 31 December 2006. The effect of the direction is to enable the firm to apply a long-term business amount of 2% to its investments in Jersey property unit trusts. £28m in line 43 of Form 13 relates to the Company's investments in those assets.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

**Appendix 9.1 (continued)**

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net admissible assets</b>		
Form 13 line 89 (other than long term business)	163,129	163,467
Form 13 line 89 (long term business)	2,418,378	2,600,438
Less Form 14 Line 71	(2,310,885)	(2,499,031)
Less Form 15 Line 69	(3,984)	(3,012)
	<hr/>	<hr/>
Net admissible assets	266,638	261,862
Contingent loan included in Form 3 Line 46 (2005: Form 3 Line 52) and Form 14 Line 11	37,093	17,810
	<hr/>	<hr/>
Total capital resources after deductions	<u>303,731</u>	<u>279,672</u>

**\*0302\* Instruments issued by the long term insurance fund included in capital resources**

Included within capital resources is £37,093,000 (2005: £17,810,000) of contingent loan from Pearl Group Limited.

**\*0306\* Financial reinsurance - ceded**

The insurer has entered into a Surplus Relief Reassurance Agreement with Pearl Assurance Limited (formerly Pearl Assurance plc). Under this arrangement Pearl Assurance Limited agreed to accept risk in respect of all the long-term business other than business of the "Life With-Profits Fund".

The maximum liability reinsured is the lower of an amount specified in the Agreement and the outstanding amount of the contingent loan (but only to the extent that the contingent loan has not been written down in the accounts of London Life Limited).

The amount of the financial reinsurance ceded is £26,000,000 (2005: £28,000,000), against contingent loan outstanding of £37,093,000 (2005: £17,810,000) as recorded on Form 51. Consequently Form 3 line 92 reports a balance of £nil (2005: £nil).

Further details are disclosed in paragraph 9 of the "Abstract of valuation report".

## Returns under the Accounts and Statements Rules

### Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2006

#### Appendix 9.1 (continued)

##### \*0308\* Adjustment for Contingent loans

On 23 December 2004, a contingent loan was provided by London Life Holdings Limited to the "Pension Non-Profit", "Life Non-Profit" and "Pension With-Profits" sub funds of the insurer's long-term business fund. On 24 November 2006 rights and benefits under the contingent loan agreement between the Company and London Life Holdings Limited were assigned to Pearl Group Limited. On 31 December 2006, the contingent loan was repaid in full to Pearl Group Limited and on the same date Pearl Group Limited advanced a new contingent loan. The purpose of the loan is to cover the shortfall arising as a result of prudential reserves for guaranteed benefits under the relevant policies, which is expected to disappear over time. The contingent loan is only repayable if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund amounts and solvency requirements. No interest accrues on either the current loan or the previous loan for the period from 1 January 2007 to 31 December 2009.

At the financial year ended 31st December 2006, the total amount of contingent loan is £286,088,000 (2005: £286,088,000), however the amount still to be repaid from future profits under the arrangements is £154,324,000 (2005: £106,473,000). Of the amount still to be repaid £37,093,000 (2005: £17,810,000) has been recognised as a liability on Form 51. The remaining balance of £117,231,000 (2005: £88,663,000) has been reported at Form 3 line 94.

##### \*0310\* Net Valuation differences shown in Form 3 Line 14

	2006	2005
	£'000	£'000
<b>Positive valuation differences in respect of liabilities</b>		
Additional shareholder fund tax in report and accounts	-	300
Contingent loan valuation difference	117,231	88,663
Actuarial valuation difference	-	1,668
Onerous contracts provision	3,141	
	<u>120,372</u>	<u>90,631</u>
<b>Negative valuation differences in respect of liabilities</b>		
Actuarial Valuation difference	<u>(21,654)</u>	-
	<u>(21,654)</u>	-
<b>Net valuation difference</b>	<u>98,718</u>	<u>90,631</u>

##### \*1305\*

##### \*1319\* Counterparty limits

- a) The investment guidelines operated by the Company limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits are set out in the Market and Counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31st December 2006

### Appendix 9.1 (continued)

**\*1305\***

#### **\*1319\* Counterparty limits (continued)**

- b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 1% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target asset mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for longer term, modifications may be sought.
  - Loans to other companies in the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- c) There were no breaches of these limits during the financial year.

#### **\*1306\* Counterparty exposure at the end of the financial year**

**\*1312\***

There were three cases where exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resources requirement and the long-term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

The amounts and nature of the assets giving rise to this exposure are:

	£'000
Bonds held with the following institutions:	
UK Treasury	802,533
KFW International Finance	100,906
Henderson UCITS scheme	117,376

**\*1307\***

**\*1313\***

- a) The aggregate value of rights over collateral in respect of approved stock lending transactions is £740m.
- b) On 22 February 2007, reinsurance arrangements between the Company and Opal Reassurance Limited ("Opal") were approved in principle by the Board of Directors and it is anticipated that a reinsurance treaty will be signed during the first half of 2007. The arrangement involving the reinsurance of specified pension annuities in payment to Opal is effective from 1 January 2007.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

**Appendix 9.1 (continued)**

**\*1308\* Unlisted and listed investments**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	5,500	6,900
Listed investments valued in accordance with the rules in GENPRU 1.3 which are not readily realisable	-	-
Units or other beneficial interests in collective investment schemes, as specified	32,407	24,600
	<hr/>	<hr/>
	37,907	32,500
	<hr/>	<hr/>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 42, 46 or 48 of Form 13 Total long term business insurance assets. Units or other beneficial interests in collective investment schemes are as specified in instruction 5 to Form 13.

**\*1309\* Hybrid securities**

The aggregate value of these investments falling within lines 46 or 48 of Form 13 Total long term business insurance assets which are hybrid securities is £65.0 million (2005: £83.1 million).

**\*1318\* Other asset adjustments**

Included within line 100 of Form 13 for each sub fund are:

<u>2006</u>	Other than long term	Life non Profit	Pension non profit	With profits
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross up of sub fund intercompany balances	(11)	(1,030)	(501)	-
Gross up of sub fund intercompany tax balances	-	-	(8,660)	-
PVIF	8,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7,989	(1,030)	(9,161)	-
	<hr/>	<hr/>	<hr/>	<hr/>

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

**Appendix 9.1 (continued)**

**\*1318\* Other asset adjustments**

<u>2005</u>	Other than long term	Pension non profit	With profits
	£'000	£'000	£'000
Gross up of sub fund intercompany balances	(2,620)	(22,749)	(1,537)
Gross up of sub fund intercompany tax balances	(1,616)	(2,193)	(8,036)
	<hr/>	<hr/>	<hr/>
	(4,236)	(24,942)	(9,573)
	<hr/>	<hr/>	<hr/>

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

**\*1501\***

There are no provisions for reasonably foreseeable adverse variations as the insurer does not hold any uncovered obligations under a derivative contract and has not entered into any non approved derivative contracts.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2006

#### Appendix 9.1 (continued)

##### \*1402\* Liabilities

- \*1502\*
- a) There are no charges over the assets of the insurer.
  - b) There is no potential liability to taxation on capital gains for the long term insurance business fund and the other than long term insurance business fund if the insurer disposed of its assets.
  - c) (i) Pensions Transfer and Opt-Outs

In common with other life insurers in the United Kingdom that have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the Pension Non-Profit Fund of the long term insurance business fund. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. There is no provision for possible redress included in the mathematical reserves for Phase 1 cases (2005: £nil).

In addition, in 1999 the Financial Services Authority (FSA) and PIA issued guidelines on the next phase of the review and redress programme dealing with Phase 2 cases. In June 2000 the guidance on phase 2 transfers, less loss calculations was finalised. This guidance has been used to set the 2006 provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £8.6 million (2005: £8.8 million).

##### (ii) Contingent Liabilities

There are no other contingent liabilities not included in Form 14 or Form 15 apart from the contingent loans referred to in supplementary note 0308.

- d) There are no guarantees, indemnities or other contractual commitments, other than in the ordinary course of its insurance business, in respect of the existing or future liabilities of any related companies.
- e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the Company.



## Returns under the Accounts and Statements Rules

### Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2006

#### Appendix 9.1 (continued)

##### \*1405\* Other adjustments to liabilities

Included within line 74 of Form 14 are:

	Total long term 2006 £'000	Total long term 2005 £'000
Difference between Mathematical Reserves and Long Term Business Provision	(58,747)	(16,141)
Contingent Loan	154,324	106,473
Onerous Contracts Provision	3,141	-
	<hr/>	<hr/>
	98,718	90,332
	<hr/>	<hr/>

\*1407\* Separate Forms 14 for the with-profit sub-funds have been presented.

##### \*1507\* Other adjustments to liabilities

Included within line 83 of Form 15 are:

	2006 £'000	2005 £'000
Additional shareholder fund tax in the report and accounts	-	300
Gross up of sub fund intercompany balances	(11)	(2,620)
Gross up of sub fund intercompany tax balances	-	(1,616)
	<hr/>	<hr/>
	(11)	(3,936)
	<hr/>	<hr/>

##### \*1601\* Basis of conversion of foreign currency

Assets and liabilities denominated in a foreign currency are translated using the closing rate method. Exchange differences on opening net assets are dealt with in the profit and loss account.

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

No charge has been incurred during 2006 in respect of external consultancy services (2005: £261,000)

##### \*1700\* Analysis of derivative contracts

In respect of Form 17 Other than long term insurance business assets and Forms 17 for Total long term insurance business assets categories 12 and 13, all amounts required to be shown (including comparatives) would be zero and these Forms have not been included within the Return.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

**Appendix 9.1 (continued)**

**\*1911\* Restatement of comparatives**

£38.3m had been incorrectly shown in line 34 in 2005 and has been reclassified to line 47 of the Life With Profit Form 19 following a correction to the categorisation of the financing provided by AMP to the long term fund of the insurer on demutualisation.

Our presentation of Form 19 will continue to be subject to regular ongoing dialogue with the FSA.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

**Appendix 9.3**

**\*4002\* Other income and expenditure**

2006

The total of other income of £286,088,000 is made up of:

	Summary	Life Non-Profit	Pension Non-Profit	Pension With-Profits
	£'000	£'000	£'000	£'000
Contingent loan advance on 31 December 2006	286,088	23,002	99,196	163,890
	<u>286,088</u>	<u>23,002</u>	<u>99,196</u>	<u>163,890</u>

2006

The total of other expenditure of £286,088,000 is made up of:

	Summary	Life Non-Profit	Pension Non-Profit	Pension With-Profit
	£'000	£'000	£'000	£'000
Repayment of contingent loan issued on 23 December 2004	286,088	23,002	99,196	163,890
	<u>286,088</u>	<u>23,002</u>	<u>99,196</u>	<u>163,890</u>

2005

The total of other income of £24,481,000 is made up of:

				Pension With-Profits
				£'000
Transfer from life with-profit fund				24,481
				<u>24,481</u>

2005

The total of other expenditure of £24,481,000 is made up of:

				Life With-Profits
				£'000
Transfer to pension with-profits fund				24,481
				<u>24,481</u>

In accordance with section 21 of the Schedule 2C scheme at 31st December 2004 the Life Non-Profit Fund and the Pension Non-Profit Fund repaid their support. During 2005 the Pension With-Profits Fund repaid its support.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2006

#### Appendix 9.3 (continued)

##### **\*4006\* Apportionment to the long term business funds**

The insurer maintains a Life Non-Profit Fund, a Pension Non-Profit Fund, a Life With-Profits Fund and a Pension With-Profits Fund. Separate portfolios of investments are maintained for each non-profit fund and the combined with-profits fund. So, for the non-profit funds, the investment income and the increase or decrease in the value of the amounts brought directly into account are directly attributable to each fund. Assets and investment returns are allocated between the with-profits funds as determined by the actuarial function holder in accordance with the Principles of Financial Management which form Schedule 3 to the scheme of transfer which was approved by the High Court under Schedule 2C and section 49 of the Insurance Companies Act 1982.

Actual policyholder expenses are borne by the non-profit funds on a basis determined by the actuarial function holder after allowing for a proportion to be recovered from the with-profits fund. The administration expenses to be recovered from the with-profits funds are determined by a formula and other expenses, including investment management costs, are allocated to the with-profits funds on a basis approved by the actuarial function holder.

The with-profits funds are taxed as if each constituted the whole of the long term insurance business funds of a mutual life assurance company. The non-profit funds bear the whole of the charge for policyholders' taxation less amounts borne by the with-profits funds. The tax is apportioned between the two non-profit funds on a basis approved by the actuarial function holder.

##### **\*4008\* Provision of management services**

Throughout the whole of the financial year Pearl Group Services Limited has provided the management and administration services to the insurer. Henderson Global Investors Limited have provided the investment management services to the insurer for the whole of the financial year.

##### **\*4401\* Valuation of assets**

Investments are stated at current value at the end of the financial year, calculated as follows:

- listed investments are stated at the bid market value
- short term deposits are included at cost
- other investments are shown at directors' estimates of market value

##### **\*4502\* Other income and expenditure**

Other income consists of management fee rebates.

Other expenditure consists of safe custody fees and bank charges.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2006

### Appendix 9.3

#### \*4801\* Asset share

For the two blocks of business shown in the table below, the asset share mix is 5% more or less than the mix shown in Form 48 for at least one of the lines 21 to 28 of column 2. The bonus series in the passive block are all those detailed in paragraph 10 of Appendix 9.4 for UK Pension business and Cash bonus (Life Fund P).

#### Asset Mixes

Asset	Active Block	Passive Block
Gilts	43%	69%
Corporates	20%	27%
Property	11%	0%
Equity	24%	0%
Cash	2%	4%
Other	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### \*4803\* Assumed maturity dates

Securities which have been assumed to be redeemed before the latest possible date are listed below:

Security Name	Assumed Maturity Date
AIB UK 3 LP FRN VAR 29/06/49 GBP	15/06/2016
HSBC Bank 5.75% EMTN 27/06/17 GBP	27/06/2012
Siemens Financieringsmat 6.125% Var 14/09/66-16 GBP	14/09/2016
UBS AG Jersey Branch 5.25% Var EMTN 21/06/21	21/06/2016
Punch Taverns Finance 7.274% 15/07/15-04/22 GBP	15/07/2015
Bradford & Bingley 5.75% EMTN Var 12/12/22 GBP	12/12/2017
HSBC Bank 5% EMTN 20/03/23 GBP	20/03/2018
HSBC Capital Funding 5.844% EMTN 29/11/49 GBP	05/11/2031
Royal Bank of Scotland 5.625% 29/06/49 EMTN GBP	07/06/2032

#### \*4804\* Asset yields

The yields for the assets contained within lines 18 and 28 of Form 48 are as follows:

Asset	Yield
Swaps	4.27%
Other assets with income	4.63%
Other assets no income	0.00%

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2006**

**Appendix 9.3 (continued)**

**\*4806\* Assets used to calculate investment returns in column 5 Form 48**

The assets used to calculate column 5 of Form 48 are those for the passive asset pool. The asset mix for these assets is shown in Note 4801.

**\*4901\* Credit rating agency**

The credit ratings used are those supplied by UBS rating agency.

**\*5101\***

The following group schemes exist on Form 51:

<b>Number of schemes</b>	<b>Product Code</b>
0	175
1	185
94	410
3	420

**\*5301\***

The following group schemes exist on Form 53:

<b>Number of schemes</b>	<b>Product Code</b>
0	735
1	765

**\*5811\***

The proportion of surplus distributed to policyholders which would have been shown in lines 61-64 were distorted by transfers made in accordance with the 2C Scheme. The Life and Pension With-Profits proportions were distorted in previous periods by repayments of support provided to the With-Profits funds.

Policyholders receive 90% of the surplus in which they are eligible to participate and hence lines 61-64 have been restated to reflect this.

**\*6002\* Capital at risk**

Gross mathematical reserves of £37.1m are excluded from capital risk in column 2 of Form 60 since these represent reserves available to repay financing arrangements rather than policyholder liabilities and a long-term insurance capital requirement is not calculated for such reserves.

## Returns under the Accounts and Statements Rules

### Statement of additional information on derivative contracts required by rule 9.29

#### London Life Limited

#### Global Business

#### Financial year ended 31st December 2006

- (a) During the financial year the insurer operated an investment policy for the use and control of derivatives. This policy lists the approved derivative contracts and the approved uses of derivatives, establishes procedures for introducing new contracts or uses, identifies areas of risk, and establishes a control framework for dealing, settlement and independent monitoring and reporting of derivatives.

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management).

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by either cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

The insurer controls market risks through the setting of exposure limits which are subject to detailed monitoring and review. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

The insurer permits the purchase of partly paid shares, subject to the unpaid capital being covered by cash, and also convertible bonds as alternatives to investment in the underlying equities.

- (b) Subject to the principles described above, the investment policy permits the writing of contracts, under which the insurer had an obligation to acquire or dispose of assets, which were not reasonably likely to be exercised, at the time when the contract was entered into. In these circumstances the portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset, in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood, that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of exotic options, including barrier options, without the prior approval of the senior management of the Investment Manager. The purchase of free-standing out of the money call options is not permitted.

- (c) There were no options bought or sold during the financial year which were over 5% of the strike price.
- (d) The extent to which Form 13 would be changed if assets which the insurer had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired and disposed of, is that no change would occur.

## Returns under the Accounts and Statements Rules

### Statement of additional information on derivative contracts required by rule 9.29

London Life Limited

Global Business

Financial year ended 31st December 2006

(continued)

(e) If options outstanding at the end of the financial year had been exercised so as to change exposures by the maximum amount (allowing for options that either must be exercised together, or the exercise of one precludes the possibility of the other being exercised), the numbers in (d) above would not be materially different.

(f) The maximum extent to which the information provided in (d) above would have been different if (d) had applied to derivative contracts at other points during the financial year is as follows:

	Change due to derivatives £m	Date
Deposits	(8.4)	31 October 2006
Fixed Interest – Approved	8.4	31 October 2006

The maximum extent to which the information provided in (e) above would have been different if (e) had applied to derivative contracts at other points during the financial year is not materially different than those quoted in the table above.

(g) The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, under existing market conditions was £nil.

The maximum loss, which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, in the event of other foreseeable market conditions, was £nil.

The maximum potential loss at any other time during the year due to the failure of a single counterparty to fulfil its obligations under derivative contracts was £0.15m.

(h) The insurer has not made use of any derivative contract at any time during the financial year, which does not fall within INSPRU 3.2.17R.

(i) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £nil.



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

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

#### **London Life Limited**

##### **Global Business**

##### **Financial year ended 31st December 2006**

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were London Life Holdings Limited and Pearl Assurance Group Holdings which ceased to be controllers on 26th November 2006, Pearl Group Limited, Sun Capital Investments Limited, Hera Investments One Limited, Xercise Limited, Jambright Limited, Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas, TDR Capital Nominees Limited and TDR Capital LLP.

The persons who, to the knowledge of the insurer, were controllers at the end of the financial year were:

##### **1. Pearl Group Limited**

As at 31st December 2006, Pearl Group Limited owned 100% of the shares of London Life Limited and was able to exercise 100% of the voting power at any general meeting.

##### **2. Sun Capital Investments Limited**

As at 31st December 2006, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **3. Hera Investments One Limited**

As at 31st December 2006, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **4. Xercise Limited**

As at 31st December 2006, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **5. Jambright Limited**

As at 31st December 2006, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **6. Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas**

As at 31st December 2006, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 70.4% of the ordinary shares of Xercise Limited and were able to exercise 70.4% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

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

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2006**

**(continued)**

#### **7. TDR Capital Nominees Limited**

As at 31st December 2006, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **8. TDR Capital LLP**

As at 31st December 2006, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

### **Statement of information on the actuary who has been appointed to perform the with-profits actuary function as required by rule 9.36**

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2006**

The with-profits actuary from 1 January 2006 until 14 November 2006 was Paul Turnbull. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Turnbull is in respect of the period from 1 January 2006 to 14 November 2006:

1. a) Mr Turnbull holds no shares or share options in 2006.
  - b) Mr Turnbull had no transactions with the insurer throughout the year but his spouse held a number of minor policies issued by the Insurer.
  - c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt Limited, (the employer of Mr Turnbull), from the Insurer during the period specified was £3,352,000.
  - d) Mr Turnbull was throughout the period a member of the Pearl Staff Pension Scheme (London Life Limited being a subsidiary of Pearl Group Limited) and was entitled to the standard benefits under the rules of the scheme in respect of a prior period of employment by a subsidiary of Pearl Group Limited. Mr Turnbull did not accrue further pension benefits in the scheme throughout the period.
2. The Insurer has made a request to Mr Turnbull to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained with the agreement of Mr Turnbull.

#### Note 1

Under rule 9.36(4) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to other subsidiary undertakings of its parent undertaking.

#### Note 2

Regarding Section 1(c) the remuneration details supplied relate to the contractual sums paid to Watson Wyatt Limited for the provision of actuarial services. These services include the performance of the with profit actuary function by Mr P Turnbull.

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

**Statement of information on the actuary who has been appointed to perform the with-profits actuary function as required by rule 9.36**

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2006**

**(continued)**

The with-profits actuary from 15 November 2006 to 31 December 2006 was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the period 15 November 2006 to 31 December 2006:

1. a) K J Arnott held no shares or share options in 2006
- b) K J Arnott held a number of assurance and insurance policies and investment products issued by the insurer in the normal course of business, the transactions being of a minor nature.
- c) The aggregate of the remuneration and value of other benefits receivable by KJ Arnott from the insurer for the year ended 31 December 2006 was £236,637.
- d) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to KJ Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statement Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

### Note 1

Under rule 9.36(4) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to other subsidiary undertakings of its parent undertaking.

**LONDON LIFE LIMITED**

**APPENDIX 9.4**

**ABSTRACT OF VALUATION REPORT**

**Introduction**

1. (1) The date to which the investigation relates is 31<sup>st</sup> December 2006.
- (2) The date to which the previous investigation under IPRU(INS) rule 9.4 related was 31<sup>st</sup> December 2005.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4)

**Product range**

2. There have been no significant changes to products during the financial year.

**Discretionary charges and benefits**

3. (1) Market Value Adjustments (MVAs) were applied as follows:

<b>Product</b>	<b>Policy Year of Entry</b>	<b>Period applied</b>
Unitised With Profit Life	1998 - 2001	Throughout 2006
Unitised With Profit Pension	1998 - 2001	Throughout 2006

- (2) There have been no changes to premiums on reviewable protection policies during the financial year. The amount of annual premium for business where a change was permitted but did not occur was £0.8m.
- (3) No policies have been sold in this category.
- (4) Policy fees on linked policies increased in 2006, in line with the Retail Price Index, an increase of 2.7%.
- (5) During the financial year, benefit charges remained unchanged on linked policies.
- (6) During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.
- (7) (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
  - (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders not taking part in a unit transaction are unaffected by that transaction.

- (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny.
  - (iii) The asset values of the internal linked funds are calculated on a “bid” basis as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and, in Life funds, allowances for tax on income and realised and unrealised capital gains.
  - (iv) The assets of the internal linked funds are valued at the same time on each working day.
- (b) During the financial year there were no times at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.
- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in equity funds are index-adjusted. There is no allowance for tax in the internal linked Pension funds.

The table below summarises the current tax rates used in the Life funds and the times at which the accruals are cleared.

<b>Fund Type</b>	<b>Realised Gains</b>	<b>Unrealised Gains</b>	<b>Realised Losses</b>	<b>Unrealised Losses</b>
Fixed Interest	20%	20%	20%	20%

Fixed Interest tax accruals are cleared at the end of each month.

Equity (Direct Holdings)	19.9%	18.3%	19.9%	18.3%
--------------------------	-------	-------	-------	-------

Equity (Direct Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are not cleared until the end of the month in which they become realised.

Equity (Collective Investment Scheme Holdings)	19.9%	17.3%	19.9%	17.3%
--	-------	-------	-------	-------

Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the “deemed disposal” regime. The tax rate used for this purpose at the end of 2006 was 17.3%.

The tax treatment of Life unit linked funds reinsured to the London Life Linked Assurances (LLLA) “sub-fund” of NPI Limited follows the tax treatment in that company. NPI Limited applies the tax treatment described above for fixed interest funds, but its LLLA equity funds have accumulated capital losses. During the financial year no deductions were made for tax on (index-adjusted) realised gains and no credit was given for realised losses in the equity funds.

(9) See (8) above

(10) The allowances made to the insurer on the holding of such units are not significant. The extent to which the policyholder benefits from them is such that the charges made to the policyholder are no greater than if the underlying investments were directly held.

#### **Valuation basis (other than for special reserves)**

4. (1) The general principles and methods adopted in the valuation are:

##### **NON-LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method, except for the classes of business mentioned below. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

A prospective method of valuation has not been used for the following non-linked contracts:

- For Group Life and Group Reversionary Assurance business, the liability was determined as the unexpired risk at the valuation date plus an allowance for expenses.
- For Deposit Administration business, the liability was determined as the accumulation, with earned interest, of the premiums, after providing for expense charges and the cost of any group life benefits.
- Certain miscellaneous policies for which approximate mathematical reserves of adequate amount have been made.

Specific modification has been made to the gross premium method for:

- Policies issued to joint lives on first death and second death bases have been valued as single male life policies of equivalent age.
- Policies issued with an addition to the age for extra risks are valued at the increased age.

For conventional with-profits business, the amounts of benefit valued includes bonuses declared on or before 31 December 2006, which apply during the period 1<sup>st</sup> July 2006 to 30<sup>th</sup> June 2007 for traditional London Life Business and during the period 1<sup>st</sup> May 2006 to 31<sup>st</sup> April 2007 for former AMP(UK) Business.

For the Cash Bonus (Reduction of Premium) product group, the value of office premiums is decreased by the value of reductions, or cash allocations, on the assumption that the rates declared for the current bonus year will remain the same throughout the duration of the policies.

For unitised with-profits contracts a prospective valuation method is used. The liability is calculated as the capitalised value of benefits purchased to date, including existing annual bonuses. The valuation reserve is subject to a minimum of the bid value of the units in force at the valuation date.

### ***Contingent Loan and Surplus Relief Reinsurance Agreement***

The Contingent Loans have been valued at the amounts shown on Form 51. The nature of the contingency is such as to ensure that the payment of interest or the repayment of principal beyond that shown in Form 51 will not give rise to any future valuation strain.

The value of the claims payable under the Surplus Relief Reinsurance Agreement has been determined for each sub-fund as the value of the liabilities (determined in accordance with the Prudential Sourcebook for Insurers) less the value of the realistic liabilities, subject to a maximum of the cover provided by the Agreement. This has been shown in respect of sample individual policy calculations to yield the same results as valuing the claims directly. The value of premiums has been determined as zero. This reflects the inter-linking of the Contingent Loan and the Surplus Relief Reinsurance Agreement whereby premiums are only payable if the Contingent Loan is written down. The Contingent Loan has not been written down but is recognised at less than full face value on Form 51 as a consequence of the contingency. Therefore no value of premiums is necessary.

### **INDEX LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method.

### **LINKED BUSINESS**

Mathematical reserves have been determined by valuing the units allocated to policies and adding a non-unit reserve for mortality and expenses.

The non-unit reserve is obtained on a discounted cashflow method. The amount of the non-unit reserve is the net present value of any yearly deficiencies of income over outgo less yearly surpluses of income over outgo, making no allowance for surrender/lapse but allowing for policies being made paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

### ***Modifications to the Valuation Method***

For policies in which the benefits are expressed in terms of the values of Capital Units and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

The London Life Pension Unit Linked product group is written in the with profit fund and the unit reserve is reinsured into the pension non profit fund, where the funds management charge arises and which prudently more than covers the related investment fees. The per policy expenses arise in the with profit fund and there is no income to offset against these costs, thus the non-unit reserve is calculated without allowance for management fee income on the funds under management or for investment management fees on those funds.

For Investment Linked Managed Fund, Investment Linked Managed Pension Fund, and Investment Linked Guaranteed Pension Fund business, for which the contributions are applied in the purchase of units in an internal linked fund, the following method was used:



- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

(2) The following table sets out the rates of interest rate used for all product groups representing a significant amount of business:

<b>Sub Fund</b>	<b>Product Group</b>	<b>2006</b>	<b>2005</b>	<b>Product Code</b>
90:10 Life	Cash Bonus	3.40%	3.00%	100, 120
90:10 Life	Fund R Compound Bonus	3.30%	3.00%	100, 120, 335
90:10 Life	Unitised With Profit Life	2.90%	2.30%	505
90:10 Life	Fund T Compound Bonus	3.10%	2.95%	120, 165
90:10 Life	AMPUK Business	3.50%	3.15%	100, 120, 205
90:10 Pension	Pension Compound Bonus	4.45%	4.00%	155, 165
90:10 Pension	Unitised With Profit Pension	3.05%	3.00%	155
90:10 Pension	Fund W Deferred Simple Bonus	5.00%	4.45%	165
90:10 Pension	Fund W In Payment Simple Bonus	4.60%	3.80%	200
90:10 Pension	AMPUK Business	4.45%	3.75%	155
90:10 Pension	London Life Pension unit linked	4.19%	3.78%	725, 745
90:10 Pension	SPP With Profit Immediate Annuity	5.21%	4.75%	200
0:100 Life	Immediate annuities	3.75%	3.20%	395, 905
0:100 Life	Deferred annuities	3.58%	3.09%	390
0:100 Life	AMPUK Life unit linked	3.1%	2.94%	700, 715, 795
0:100 Pension	Level immediate annuities	4.68%	4.30%	400
0:100 Pension	Index-linked immediate annuities	5.16%	4.30%	905
0:100 Pension	AMPUK Pension unit linked	3.8%	4.00%	725, 745
0:100 Pension	Deferred Annuities	4.46%	4.10%	390

- (3) Yields on other approved fixed interest with a credit rating lower than AAA and other fixed interest or variable yield were reduced to allow for the risk of default whilst retaining the margin over gilt yields in respect of reduced liquidity of corporate bonds. The level of the reduction was assessed by reference to the term and credit ratings of the assets.

For property the yield is determined at an aggregate level as the lower of the current rental yield and prospective rental yield and further restricted to be no more than 50 basis points above the 10-year gilt yield.

A small amount of equities are held in low yielding OEICs. No further adjustment for risk was made.

(4) Products representing a significant amount of business used the following mortality bases:

Sub Fund	Product Group	2006		2005		Product Code
		Male	Female	Male	Female	
90:10 Life	Cash Bonus	60% A67-70 Ult - 4 yrs	60% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100,120
90:10 Life	Fund R Compound Bonus	100% AM92 - 4yrs	100% AF92 - 4yrs	100% AM92 - 4yrs	100% AF92 - 4yrs	100,120, 335
90:10 Life	Fund T Compound Bonus	60% A67-70 Ult - 4 yrs	60% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	120,165
90:10 Life	AMPUK Business	100% A67-70 Ult	100% A67-70 Ult - 4yrs	100% A67-70 Ult	100% A67-70 Ult - 4yrs	100,120, 205
90:10 Pensions	Pension Compound Bonus	60% A67-70 Ult - 4 yrs	60% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	155,165
90:10 Pensions	AMPUK Business	60% A67-70 Ult	60% A67-70 Ult - 4yrs	100% A67-70 Ult	100% A67-70 Ult - 4yrs	155
90:10 Pensions	Fund W Deferred (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	165
90:10 Pensions	Fund W Deferred (post-vesting)	81% PMA00C2025mc	81% PFA00C2025mc	95% PMA92 C2025 mc <sup>(1)</sup>	95% PFA92 C2025 mc <sup>(1)</sup>	165
90:10 Pensions	Fund W In Payment Simple Bonus	87.5% PMA00average(mc,lc) with 1% floor <sup>(2)</sup>	PFA00average(mc,lc) with 1% floor <sup>(2)</sup>	90% PMA92 MC <sup>(1)</sup>	90% PFA92 MC <sup>(1)</sup>	200
90:10 Pensions	SPP With Profit Immediate Annuity	87.5% PMA00average(mc,lc) with 1% floor <sup>(2)</sup>	87.5% PFA00average(mc,lc) with 1% floor <sup>(2)</sup>	90% PMA92 C2025mc <sup>(1)</sup>	90% PFA92 C2025mc <sup>(1)</sup>	200
90:10 Pensions	Unitised With Profit Pension	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	155
90:10 Pensions	London Life Pension unit linked	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	725,745
0:100 Life	AMPUK Life unit linked	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	700, 715, 795
0:100 Life	Immediate Annuities	87.5% PMA00 avg(mc,lc) with 1% floor <sup>(2)</sup>	87.5% PFA00 avg(mc,lc) with 1% floor <sup>(2)</sup>	90% PMA92 MC <sup>(1)</sup>	90% PFA 92 MC <sup>(1)</sup>	395

Sub Fund	Product Group	2006		2005		Product Code
		Male	Female	Male	Female	
0:100 Life	Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs floor <sup>(2)</sup>	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
0:100 Life	Deferred Annuities (post-vesting)	81% PMA00 C2025 mc <sup>(1)</sup>	81% PFA00 C2025 mc <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	390
0:100 Pensions	Immediate Annuities	87.5% PMA00 avg(mc,lc) with 1% floor <sup>(2)</sup>	87.5% PFA00 avg(mc,lc) with 1% floor <sup>(2)</sup>	90% PMA92 MC <sup>(1)</sup>	90% PFA 92 MC <sup>(1)</sup>	400
0:100 Pensions	Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
0:100 Pensions	Deferred Annuities (post-vesting)	81% PMA00 C2025 mc <sup>(1)</sup>	81% PFA00 C2025 mc <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	390
0:100 Pensions	AMPUK Pensions unit linked	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	725, 745

Note:

1. Projected mortality rates use medium cohort improvement factors. Where the table name shows MC, a two-dimensional mortality table has been used varying by age and calendar year. For the lower case "mc", the same improvement factors have been used to project mortality rates applying in 2025
2. Where the table name shows "avg(mc,lc) with 1% floor" the maximum of the average of the Medium and Long cohort improvement or 1% factors have been used.
3. Where appropriate, additional reserves for the extra mortality that may arise from AIDS have been established. These additional reserves are calculated assuming that the additional mortality will be 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party and apply to male lives only. The additional reserves calculated have all been included within the reserves for the relevant individual product lines.

For annuity contracts life expectation for males is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10 Pensions	Fund W Deferred Annuities			23.4	23.4
90:10 Pensions	SPP With Profit Immediate Annuity	23.9	14.9		
90:10 Pensions	Fund W Immediate Annuity	23.9	14.9		
0:100 Life	Deferred Annuities			25.9	24.9
0:100 Life	Immediate Annuities	23.9	14.9		
0:100 Pensions	Deferred Annuities			25.9	24.9
0:100 Pensions	Immediate Annuities	23.9	14.9		

For annuity contracts life expectation for females is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10 Pensions	Fund W Deferred Annuities			25.5	25.5
90:10 Pensions	SPP With Profit Immediate Annuity	26.4	16.9		
90:10 Pensions	Fund W Immediate Annuity	26.4	16.9		
0:100 Life	Deferred Annuities			28.2	27.2
0:100 Life	Immediate Annuities	26.4	16.9		
0:100 Pensions	Deferred Annuities			28.2	27.2
0:100 Pensions	Immediate Annuities	26.4	16.9		

(5) There are no products representing a significant amount of business that use a morbidity basis.

(6) The expense bases are as follows:

**NON LINKED BUSINESS**

Per policy expenses, before allowance for tax relief, were as follows:

Sub fund	Product Group	2006 £pa	2005 £pa	Tax Relief	Product Code
90:10 Life	Conventional endowment with-profits OB savings	35.09	33.77	20%	120
90:10 Pension	Conventional pensions endowment with-profits	86.90	83.82	0%	155
90:10 Life	Conventional deferred annuity with- profits	34.32	33.00	20%	165
90:10 Pension	Conventional deferred annuity with- profits	38.83	37.29	0%	165
0:100 Pension	Annuity non-profit (CPA)	25.08	23.76	0%	400
90:10 Pension	Individual pensions UWP	86.90	83.82	0%	525
0:100 Pension	Level term assurance	12.54	11.88	0%	325
0:100 Pension	Decreasing term assurance	12.54	11.88	0%	330

Notes:

1. The expenses shown are per element rather than per contract.

### LINKED BUSINESS

Sub fund	Product Group	Monetary Amount (£)		Percentage of Premium %		Product Code
		2006	2005	2006	2005	
90:10 Life	Life property linked	35.01	61.40	0.50	0.50	700
0:100 Life	Life property linked endowment	28.16	26.62	0.43	0.45	715
90:10 Pension	Individual pension property linked	86.90	83.82	n/a	n/a	725
0:100 Pension	Individual pension property linked	28.16	26.62	0.33	0.34	725
0:100 Pension	Group money purchase pension property linked	28.16	26.62	0.33	0.34	735

### LINKED AND NON-LINKED BUSINESS

#### Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

Sub fund	Product Groups	2005	2004
		bps	bps
90:10	All	23	Note 1
0:100 Life	All conventional business	16	Note 1
0:100 Life	All unit linked business	43	Note 1
0:100 Pensions	All conventional business	8	Note 1
0:100 Pensions	All unit linked business	33	Note 1

Note:

1. For 2004 the investment expenses were included within the per policy expense assumptions shown above.

## (7) LINKED BUSINESS

Unit growth rates, before allowance for tax relief and management charges, were as follows:

Product Group	Gross Unit Growth rate (% p.a.)	
	2006	2005
AMPUK Unit Linked Pension	5.6%	5.0%
AMPUK Unit Linked Life	5.6%	5.0%
London Life Pension unit linked	n/a	n/a

### Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		2006	2005
All	Expense inflation	3.9%	4.0%
All	Policy fee inflation	4.2%	4.0%

- (8) As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for SPP With Profit Immediate annuities where allowance is made for the guaranteed annual bonus.

## (9) Surrender/Lapse Rates

No allowance is made for surrender and lapse rates other than for Guaranteed Annuity Options.

### Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits and unit linked business.

For accumulating with-profits business the calculation is performed twice – once assuming the premiums continue as normal and again assuming the policy becomes paid up at the valuation date. The maximum of these two calculations is then used for that policy.

For unit-linked business the calculation is performed assuming the policy becomes paid up at the valuation date.

**(10) Tax Rates**

Relief for tax applied to expenses is 20% for UK Life business and 0% for UK Pension business.

Tax on investment income is set out in the following table:

Type of business	2006	2005
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	10%	10%
UK Pension – other income	0%	0%

(11) No allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.

**(12) Effect on Mathematical reserves due to changes in INSPRU**

There has been no allowance for lapses on valuation of protection business.

Allowance for negative reserves on valuation of protection business reduces reserves by £0.7m for 0:100 Life and £0.3m for 0:100 Pension.

There has been no allowance for lapses in the valuation of unit-linked business.

All expenses have been treated as attributable in the valuation of unit-linked business.

**Options and Guarantees**

5.(1) (a) Contracts which only offer annuity benefits are valued as deferred annuities. Contracts which offer both cash and annuity benefits are valued as cash benefit policies with an additional reserve held to cover the basis upon which the cash benefits may be converted into annuity benefits.

The guaranteed annuity option reserve is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option. The risk free rate for the forward term, volatility and forward rate parameters for the swaption are determined from the choice of replicating swaption. The market value of the swaption is determined by applying these parameters to Black's model

The actual annuity rate is calculated on the assumptions that policyholders retire at their expected retirement age and select a level annuity with no guarantees.



This reserve has been determined in accordance with the basis set out below:

<b>Assumption</b>	<b>Sub Fund</b>	<b>Product Group</b>	<b>2006</b>	
Take up Rate <sup>(1)</sup>	90:10 Life	Fund R Compound Bonus	78%	
		90:10 Life	Fund T Compound Bonus	77%
	90:10 Pensions	AMPUK Pension	87%	
	90:10 Pensions	Pensions Compound Bonus - traditional	100%	
		90:10 Pensions	BIGVIP	92%
		90:10 Pensions	VIPMIGOLD	94%
	90:10 Pensions	POLMIG	43%	
	Rate of interest	All	All	BoE gilts spot curve, capped at 4.53%
Tax	Life	All	20%	
	Pensions	All	0%	
Mortality in payment	All	Male	87.5% PMA00average(mc,lc) with 1% floor <sup>(2)</sup>	
		Female	87.5% PFA00average(mc,lc) with 1% floor <sup>(2)</sup>	
Retirement Rates	All	All	Normal Retirement Age	
Voluntary Discontinuance in deferment	All	All	0.5%p.a.	

Notes:

1. Where the take up rates are below 95% they are assumed to taper to 95% over 20 years.
2. Projected mortality rates use medium cohort improvement factors. Where the table name shows MC, a two-dimensional mortality table has been used varying by age and calendar year. For the lower case "mc", the same improvement factors have been used to project mortality rates applying in 2025

5 (1)(b) Details of the products concerned are summarised below:

Type of Business	Product Code	Product name	Basic reserve £'000	Spread of Outstanding durations <sup>(1)</sup>	Guarantee reserve £'000	GAR (% fund for 65 year old male) <sup>(2)</sup>	Increments allowed?	Annuity form <sup>(3)</sup>	Retirement Age
UK Life	120	Fund R Compound Bonus	7,111	1-30 years	2,425	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Compound Bonus	7,487	1-19 years	2,442	9%	No	See Note 3	See Note 3
UK Pension	120	Former AMPUK Pension	47,979	1-33 years	25,411	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	60,077	1-24 years	33,554	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	15,040	1-23 years	8,105	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	133,145	1-39 years	62,829	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	16,140	2-43 years	358	6%	Yes	See Note 3	See Note 3

Notes:

1. The spread of outstanding durations has been taken as the term to expected retirement.
2. Guaranteed annuity rates are for the following form of annuity: Single life, annual in advance, no escalation or guarantee period and are shown to whole numbers.
3. Different products offer different guaranteed terms. All common forms of annuity types are offered at a wide range of retirement ages.

- (2) No investment performance guarantee is given on linked contracts. The price of units in the Deposit Fund are guaranteed not to fall. The underlying assets are entirely cash or cash-based collective investment schemes. Therefore no additional reserve is judged to be necessary.

There are no guaranteed surrender values not already allowed for in the valuation of the basic mathematical reserve.

- (3) Where in any policy an option confers a right, without medical evidence, to extend the period of assurance or take out a new policy, a reserve equal to one or one and half times the option premium has been made.

**(4) Personal Pension Guarantee Reserve**

A reserve has been made for guarantees awarded in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred.

The following method is used to determine the mathematical reserves:

- a) For cases that have been given a guarantee: on a case by case basis using the actual information available to calculate or estimate the liability period, current salary, policy value offsets and thus calculate the overall liability. All the calculations assume a model pension scheme benefit rather than the actual scheme benefits of the fund of which the policyholder was or could have been a member.
- b) For other cases which have not been given a guarantee, or where the guarantee has been satisfied but where the internal accounting on the case is not yet finally complete: by allocating a notional settlement cost as necessary to each case on the basis of a potential liability period, or if this is unknown, an appropriate average liability period. The notional settlement cost per year of liability period being appropriately determined from recent settlement statistics.

This reserve has been determined in accordance with the basis set out below, in which the rates are expressed as real rates rather than nominal rates:

<b>Assumption</b>	<b>2006</b>
Real rate of interest	1.1% per annum
Salary increase	2% per annum
Expense loading for annuity in payment	22.5% per annum
Mortality in deferment	65% AM/AF80 ultimate
Mortality in payment	110% RMV92 max(75% clc,92s,1%) 100% RFV92 max(75% mclc,92s,1%)
Percentage assumed married	100%
Leaving service assumption	Nil

The amount of business involved had a basic mathematical reserve of £8.6m reserve with additional reserves of £0.4m. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

### **Mortgage Endowment Promise**

An additional reserve has been made to cover the Mortgage Promise made to certain mortgage endowment policies. The reserve is the expected shortfall discounted at the appropriate valuation interest rate and allowing for mortality and lapses.

This reserve has been determined in accordance with the basis set out below:

<b>Assumption</b>	<b>2006</b>
Rate of interest	3.5% per annum
Mortality - Conventional Life Endowment	100% AM/F92 Ult -4yrs (-4 females)
Mortality – AMPUK Business	100% A67/70 Ult -0yrs (-4 females)
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £237m with additional reserves of £9.8m

### **Expense Reserves**

6. (1) The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading	£6 million
Allowance for investment management expenses	£4 million

No other significant expense reserves are held.

There are no non-attributable expenses.

- (2) All provisions for future expenses have been made using explicit methods, except for investment expense allowances where a margin in the valuation interest is used.
- (3) The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.
- (4) Since London Life is closed to new business other than for increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date
- (5) No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to these total per policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services is engaged with a third party to implement the outsource of processing and administration work which gives London Life certainty

over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As London Life is closed to new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

- (6) There are no non-attributable expenses.

#### **Mismatching reserves**

- 7. (1) All liabilities and assets are denominated in sterling.
- (3) No currency mismatch reserve is held
- (4) As a realistic life firm no resilience capital is required.
- (7) No additional reserve is held.

#### **Other special reserves**

- 8. There are no other special reserves held.

## Reinsurance

9. (1) No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.

(2) The following table shows the principle reinsurance treaties used:

Reinsurer	Nature and extent of the cover	Premiums £'000	Amount deposited back £'000	Closed to new business?	Amount of any undischarged obligation £'000	Mathematical Reserves ceded £'000	Retention by the insurer
Pearl Assurance Limited	Surplus Relief financing. See p below		No deposit back arrangements	No	Nil	26,000	See Note (1) below
Pearl Assurance Limited	Liability to pay the Basic Annuity and Bonus Annuity under the with profits annuity business is fully ceded.	369	38,723	Yes	Nil	69,674	See Note (1) below
LLLA "sub-fund" of NPI Limited	100% reinsurance of unit-linked liabilities	61	Nil	No	Nil	17,960	0%

Note:

1. London Life is closed to new business.

### **Pearl Assurance Limited & NPI Limited**

- l) All of the reinsurers are authorised to carry on insurance business in the United Kingdom.
- m) London Life Limited, NPI Limited, and Pearl Assurance Limited are all part of the Pearl Group of companies.
- n) None of the treaties is subject to any material contingencies such as credit or legal risk.
- o) No provision has been made for any liability of the Company to refund any reinsurance commission in the event of lapses or surrender of the contract. Any refunds are met out of the corresponding premiums from the reinsurer.
- p) Under the Pearl Assurance Limited Surplus Relief financing treaty interest is payable for a particular sub-fund if sufficient assets remain to meet the greater of the value of the liabilities (determined in accordance with the Prudential Sourcebook for Insurers) of the sub-fund and an amount, determined in accordance with the Principles of Financial Management as set out in Schedule 3 to the 'Scheme', as necessary to meet the reasonable expectations of the policyholders of the sub-fund

### **10. Reversionary (or annual) bonus**

#### **Life Compound Bonus Participation Pool<sup>(1)</sup>**

<b>Bonus Series</b>	<b>31.12.2006 Basic Mathematical Reserve £'000</b>	<b>31.12.2006 Reversionary Bonus %</b>	<b>31.12.2005 Reversionary bonus %</b>	<b>31.12.2006 Total guaranteed bonus %</b>
R1A, R2A, R2E, R2F, R2G, R4D, R4E	158,469	0.00% / 0.00%	0.00% / 0.00%	N/A

#### **AMPUK Life Participation Pool<sup>(1)</sup>**

<b>Bonus Series</b>	<b>31.12.2006 Basic Mathematical reserve £'000</b>	<b>31.12.2006 Reversionary Bonus %</b>	<b>31.12.2005 Reversionary bonus %</b>	<b>31.12.2006 Total guaranteed bonus %</b>
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	121,913	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: AU, AUF, QU, GU	22,509	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	32,855	0.00% / 0.00%	0.00% / 0.00%	N/A

**Cash Bonus Participation Pool<sup>(2)</sup>**

<b>Bonus Series</b>	<b>31.12.2006 Basic Mathematical reserve £'000</b>	<b>31.12.2006 Reversionary Bonus %</b>	<b>31.12.2005 Reversionary bonus %</b>	<b>31.12.2006 Total guaranteed bonus %</b>
Up to 68th series	42,623	3.00%	4.00%	N/A
69 <sup>th</sup> series onwards	18,793	2.00%	3.00%	N/A

**Simple Bonus Participation Pool<sup>(2)</sup>**

<b>Bonus Series</b>	<b>31.12.2006 Basic Mathematical Reserve £'000</b>	<b>31.12.2006 Reversionary Bonus %</b>	<b>31.12.2005 Reversionary bonus %</b>	<b>31.12.2006 Total guaranteed bonus %</b>
Fund W - Deferred	31,120	0.00%	0.00%	N/A
Fund W - In Payment	69,106	7.00%	7.00%	N/A

**Pension Compound Bonus Participation Pool<sup>(2)</sup>**

<b>Bonus Series</b>	<b>31.12.2006 Basic Mathematical reserve £'000</b>	<b>31.12.2006 Reversionary bonus %</b>	<b>31.12.2005 Reversionary bonus %</b>	<b>31.12.2006 Total guaranteed bonus %</b>
VIPMIG, BIGVIP, RPP84	114,276	0.00% / 0.00%	0.00% / 0.00%	N/A
POLMIG, GRPAVC, RPP85	109,879	0.00% / 0.00%	0.00% / 0.00%	N/A
V9A, V9B, V9C	93,705	0.00% / 0.00%	0.00% / 0.00%	N/A
V71, V72, V73	18,635	0.00% / 0.00%	0.00% / 0.00%	N/A
PPS, PPSTV, MINPPS, VIPLUS, VIPMIG0	93,047	0.00% / 0.00%	0.00% / 0.00%	N/A
SPP Bonus Series 3	15,529	0.00%	0.00%	4.50%
SPP Bonus Series 4	33,337	0.00%	0.00%	4.50%



**AMPUK Pension Participation Pool<sup>(2)</sup>**

<b>Bonus Series</b>	<b>31.12.2006</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2006</b>
	<b>Basic Mathematical reserve £'000</b>	<b>Reversionary bonus %</b>	<b>Reversionary bonus %</b>	<b>Total guaranteed bonus %</b>
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	67,544	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Pensions: PAC	21,202	0.00% / 0.00%	0.00% / 0.00%	N/A
Deposit Administration GKA	10,787	4.20%	5.00%	N/A

**Unitised With Profit Pension Participation Pool<sup>(3)</sup>**

<b>Bonus Series</b>	<b>31.12.2006</b>	<b>01.01.2006 - 31.12.2006</b>	<b>01.01.2005 - 31.12.2005</b>	<b>01.01.2006 - 31.12.2006</b>
	<b>Basic Mathematical reserve £'000</b>	<b>Reversionary bonus %</b>	<b>Reversionary bonus %</b>	<b>Total guaranteed bonus %</b>
UWP Pension	13,601	2.50% / 5.0%	2.50% / 6.50%	N/A

**Notes**

1. The asset shares in these participation pools are invested in the Active Block (see note 4801).
2. The asset shares in these participation pools are invested in the Passive Block (see note 4801).
3. The asset shares in the unitised with profit participation pools are invested separately to the Active and Passive Blocks.
4. Super compound bonus rates are shown as rates applied to the basic sum assured / bonus sum assured.

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

LONDON LIFE LIMITED

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) This actuarial investigation relates to 31 December 2006.
- (2) This date of the previous actuarial investigation was 31 December 2005.
- (3) An interim valuation was carried out on 30 June 2006.

2. Assets

- (1) Not applicable.
- (2) Not applicable as there are no equity holdings in related insurance undertakings.
- (3) Not applicable as the relevant assets for the purposes of INSPRU 1.3.43R (Risk Capital Margin) do not include any value in respect of future profits arising from non-profit insurance contracts written outside the with-profits fund.
- (4) Not applicable.
- (5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

- (1) (a), (b), (c) See Table 3.1. (Note that the table does not add exactly due to rounding.)

TABLE 3.1

With-Profits Benefits Reserve and Value of Future Policy Related Liabilities (£m)

Product Class	Method used to Calculate With-Profits Benefits Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
<i>Life With-Profits</i>			
AMP(UK) Life	Retrospective – asset shares <sup>1</sup>	179	11
Fund P	Prospective – bonus reserve valuation	62	-1
Fund R	Retrospective – asset shares <sup>1</sup>	192	12
Fund T	Prospective – bonus reserve valuation	10	1
<i>Pension With-</i>			

**TABLE 3.1****With-Profits Benefits Reserve and Value of Future Policy Related Liabilities (£m)**

<b>Product Class</b>	<b>Method used to Calculate With-Profits Benefits Reserve</b>	<b>With-Profits Benefits Reserve</b>	<b>Future Policy Related Liabilities</b>
<i>Profits</i>			
AMP(UK)	Retrospective – asset shares <sup>1</sup>	54	37
Pensions			
Fund V (GAO)	Retrospective – asset shares <sup>1</sup>	197	61
Fund V (No GAO)	Retrospective – asset shares <sup>1</sup>	180	9
Fund W	Retrospective – asset shares <sup>1</sup> Prospective – bonus reserve valuation <sup>2</sup>	89	14
All Funds <sup>3</sup>	N/A	0	144
<b>Total</b>	<b>N/A</b>	<b>962</b>	<b>287</b>

<sup>1</sup> Asset shares are not calculated for paid-up policies and therefore the with-profits benefits reserve for such policies is based on a bonus reserve valuation.

<sup>2</sup> For immediate annuities in Fund W a prospective bonus reserve method is used to calculate the with-profits benefits reserve.

<sup>3</sup> Relates to the cost of capital and financing costs.

(2) Not applicable as the with-profits benefits reserve and future policy related liability figures in Table 3.1 represent the totals from Form 19.

(3) Not applicable.

#### **4. With-Profits Benefits Reserve – Retrospective Method**

(1) (a) Zero.

(b) 100% of the with-profits benefits reserve that has been calculated using a retrospective method has been valued on a grouped basis.

(c) (i) Contracts are grouped at homogeneous benefit level and then grouped either by year of entry and year of birth or by year of entry and year of maturity. For the former, the data is further grouped into 5 year age bands.

(c) (ii) The total number of with-profits contracts in force at 31 December 2006 was 86,662 (comprising 35,841 pensions contracts and 50,821 life contracts. These contracts were grouped into a total of 21,551 model points (comprising 16,594 pensions and 4,957 life).

(c) (iii) For each product line, the effect of any grouping was tested by comparing the statutory reserves calculated for the (grouped) model points with the actual statutory reserves (i.e. as used for the statutory valuation). The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level.

(2) (a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.

(b) Not applicable.

(3) The Scheme of Transfer ("the Scheme"), effected immediately before the demutualisation of AMP (effective 1 January 1998), specifies the calculation basis for determining the aggregate expenses to be charged to the with-profits sub-funds in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the with-profits sub-funds if deemed appropriate by the London Life With-Profits Actuary. The aggregate expenses charged to the with-profits sub-funds are allocated to the with-profits benefit reserve on a basis deemed appropriate by the London Life With-Profits Actuary.

(a) The last expense investigation was in December 2006.

(b) Expense Investigations occur annually.

(c) (i) and (ii) See Table 4.1.

<b>Expense Type</b>	<b>Amount</b>
Initial expenses	0
Maintenance expenses <sup>1</sup>	4.2
<b>Total expenses</b>	<b>4.2</b>

<sup>1</sup> Includes project expenses of £0.52m.

(c) (iii) The expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.

(c) (iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) are valued at £4.7m.

- (4) No charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital. The only material charge made to the with-profits benefit reserves is in respect of life cover benefits on life endowments and whole of life contracts.
- (5) No non-insurance risk charges are made to conventional with-profits business. For unitised with-profits business, risk cover is charged through cancellation of units.
- (6) The average claim to with-profit benefit reserve payout ratio for each year is shown in table 4.2 below.

---

**TABLE 4.2**

**Average Claim Payout Ratio (%)**

---

<b>Year</b>	<b>Payout Ratio</b>
2006	106%
2005	119%
2004	122%

---

- (7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for conventional with-profits business during 2006 was approximately 2.5% and 0.5% for active and passive funds respectively. The investment return (before tax and expenses) allocated to the with-profits benefits reserve for unitised with-profits business during 2006 was 8.7%.

The unitised with-profits benefits reserve is invested in a different asset mix to the conventional with profit business. This assumed asset mix has a significantly higher equity backing ratio than that backing the conventional with profits business.

## **5. With-Profits Benefits Reserve – Prospective Method**

- (1) (a), (c) Table 5.1 below shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method. However, it should be noted that claim values are determined using projected terminal bonus rates which, in line with actual practice, are based on asset shares for premium paying policies, i.e. the with-profits benefits reserves calculated using the prospective method do not affect the overall level of realistic liabilities, but do

affect the split between the with-profits benefits reserve and the costs of guarantees and smoothing.

**TABLE 5.1**

**Economic Assumptions used to Calculate the With-Profits Benefits Reserve at 31 December 2006 – Prospective Method**

<b>Assumption</b>	<b>Value</b>	<b>Note</b>
Gilt return	4.8%	Annualised yield on UK 10 year gilt at 31 December 2006
Cash return	5.3%	3 month BAA sterling interest rate
Other fixed interest	5.3%	Gilt return plus 0.5% margin
Equity return	7.3%	Gilt return plus 2.5% margin
Property return	6.8%	Gilt return plus 2.0% margin
Risk discount rate ("A")	5.7%	Weighted average gross investment return – 'active' investment pool (gross)
Risk discount rate ("P")	4.9%	Weighted average gross investment return – 'passive' investment pool (gross)
Expense inflation	3.4%	

(b) The risk discount rates in Table 5.1 are based on the weighted average investment return at 31 December 2006 of the assets backing the liabilities for which a prospective method is used to calculate the with-profits benefits reserve. Two risk discount rates are shown as the assets of the WP Fund are split into two pools of managed assets – one active and one passive. The relevant pool of assets depends on the nature of the liabilities for which they provide backing (and whether asset shares are likely to determine future payouts).

(d) See Table 5.2 (annual bonus rates).

**TABLE 5.2****Annual Bonus Rates Assumed in Calculation of With-Profits Benefits Reserve at 31 December 2006 – Prospective Method**

<b>Product Class</b>	<b>Annual Bonus Rate</b>
Fund W – immediate annuities	7% simple
Fund W – cost of vesting deferred annuities	7% simple
Fund P – 68 <sup>th</sup> and earlier series (current rate) <sup>1</sup>	3%
Fund P – 69 <sup>th</sup> series and later (current rate) <sup>1</sup>	2%
Fund P – all series (ultimate) <sup>2</sup>	2%
UWP Bond Life	2.00% rate on PU; 4.00% rate on BU
UWP Pensions	2.50% rate on PU; 5.00% rate on BU
All other product classes	0%

<sup>1</sup> For Fund P, the policy was designed such that premiums are extinguished after about 10 years. Thereafter a net cash bonus is payable each year, which is guaranteed not to reduce. The annual declaration is the rate of increase in the cash bonus.

<sup>2</sup> This is the rate applicable from year 2 onwards. The current rates reduce over the next 2 years to reach the ultimate rate.

For product classes where a prospective method is used to calculate the with-profits benefits reserve, the future assumed final bonus rates are based on the bonus declaration applicable as at the valuation date, and as detailed in section 10 of Appendix 9.4. The assumed glidepath follows a linear reduction over five years to zero.

(e) See Tables 5.3 and 5.4 for the expenses assumptions used. No future charges for guarantee costs, smoothing costs, etc were assumed when deriving the with-profits benefit reserves.

**TABLE 5.3****With-Profit Maintenance Expense Assumptions (£) <sup>1</sup>**

<b>Product Class</b>	<b>Per policy expenses £</b>
<i>Life With-Profits</i>	
AMP (UK) Life	31.90
Conventional Life (Funds P, R, T)	31.20
<i>Pensions With-Profits</i>	
AMP (UK) Pensions	31.90
Endowments (Fund V ICL)	35.30
Deferred Annuities (V ICL)	35.30
Pension Protector (V ICL)	35.30
APEX WP (V ICL)	0.248%
VIPMIG, VIP PLUS	79.00
BIGVIP, POLMIG, GRPAVC	79.00
RPPMIG, PPS, MINPPS	79.00
PPP, SPPP, FSAVC	79.00
EPP	79.00
SPP	45.30
Fund W (Deferred Annuities)	35.30
Fund W (Immediate Annuities)	35.30

<sup>1</sup> The expenses are gross of tax relief at 20% (BLAGAB business). Future expenses are assumed to increase by RPI plus 0.2% on 1 January each year. These expense figures reflect the expense assumptions prior to any model pointing adjustment.

**TABLE 5.4****Investment Expense Assumptions (basis points)**

With-profits fund	20
-------------------	----

(f) See Table 5.5. Note that there is no differentiation by duration for any with-profits product group.



---

**TABLE 5.5****Lapse Assumptions**

---

<b>Product Class</b>	<b>Long-term</b>
Fund V: "Old" Fund V(IBM), i.e. BIGVIP, GRPAVC, POLMIG, RPPMIG (with GAO), VIPMIG(OLD) <sup>2</sup> , FUND V(ICL)	5.0%
AMP (UK) Pensions	2.5%
Fund V: "New" Fund V(IBM), i.e. MINNPSS, PPS, PPSTV, VIPPLUS, RPPMIG (without GAO), VIPMIG(NEW) <sup>1</sup>	8.0%
Fund R, AMP (UK) Endowments & Whole of Lives	3.0%
Funds T, W and P	0.0%

---

<sup>1</sup> VIPMIG(NEW) are members of VIP Schemes who are on VIPPLUS (as opposed to VIPMIG(OLD)) pricing terms.

(2) Not applicable as only one set of assumptions is used.

**6. Costs of Guarantees, Options and Smoothing**

(1) Not applicable.

(2) (a) All costs of guarantees, options and smoothing have been valued using a full stochastic approach.

(b) (i) Not applicable.

(b) (ii) 100% of the with-profits insurance contracts for which costs have been valued have been treated on a grouped basis.

(b) (iii) The basis for grouping contracts and the validations made are as per described in Sections 4 (1) (c) (i), (ii) and (iii), which apply equally to business for which a prospective method was used to calculate the with-profits benefits reserve.

(c) Not applicable.

(3) No significant changes were made to the valuation method for valuing the cost of guarantee, option or smoothing since the previous valuation.

(4) (a) (i) The main guarantee types valued are:

- Lump sum basic benefit, e.g. the sums assured and attaching reversionary bonuses payable at maturity on an endowment or “funded to cash” deferred annuity. Generally these guarantees are out-of-the money.
- Annuity benefit, i.e. a basic annuity amount plus attaching reversionary bonuses vesting at a specified date. Some of these guarantees are in-the-money and others are out-of-the money.
- Guaranteed annuity option rate, i.e. a guaranteed annuity rate specified in a contract that can be applied at maturity to convert the cash benefits provided by the contract into annuity benefits. Generally these guaranteed annuity rates are well in-the-money.

The costs of smoothing form the balance of total optionality costs, i.e. the excess of claim values over guaranteed benefits plus option costs.

(a) (ii) The model assumes that:

- Interest rates follow a 1-factor Hull & White<sup>1</sup> process.
- Corporate bond spreads also follow a 1-factor Hull & White process.
- Equity and property returns follow an extension of the Black-Scholes lognormal model with a stochastic rather than deterministic drift term.

The interest rate calibration process is in two steps:

- First, a zero-coupon yield curve is derived. In accordance with the guidance provided by the actuarial profession, the initial yield curve has been calibrated to the gilt curve with a 10bp adjustment.
- Second, two parameters that govern the evolution of the interest rate model are chosen so that, given this yield curve, the model optimally replicates observed swaption prices.

The equity model is driven by two parameters that represent the equity dividend yield and equity process volatility respectively. The dividend yield parameter is set to zero, in order to model total equity returns. The volatility parameter is set to reflect the prices of long term at-the-money

---

<sup>1</sup> See e.g. “Interest Rate Models – Theory and Practice”, by Brigo and Mercurio, Springer Finance

equity puts and calls and is fitted using least squares estimation. Note that this parameter is not directly comparable to the observed market equity volatility as the realised equity process is also a function of the stochastic interest rate and therefore some of the interest rate volatility defined by the interest rate volatility parameter is also included in the equity process.

Table 6.1 shows the market data used to calibrate the equity process.

<b>Option Term</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
31 December 2006	14.25	15.15	15.79	16.10	16.38

Source: Lehman Brothers

The correlation assumptions used are listed in Table 6.2. These assumptions are set based on historic data on the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

	<b>Long Dated Bonds</b>	<b>Equity Index</b>	<b>Property Index</b>
<b>Long Dated Bonds</b>	100%		
<b>Equity Index</b>	30%	100%	
<b>Property Index</b>	10%	30%	100%

The property model is parameterised by two parameters that represent the rental yield and property process volatility respectively. The rental yield parameter is set to zero, in order to model total property returns. Ideally, the volatility parameter would be set to reflect the prices of long term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 13.5% based on analysis of historic volatility of property indexes. Note that, as with the equity process, the property volatility parameter is not the observed market property volatility as the property process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the property process.

The corporate bond process models the variation in the spread over risk free bonds. The calibration of this process is in two steps:

- Firstly, the model is calibrated to market zero coupon corporate bond yields at the valuation date, so that the model will exactly reproduce the prices of corporate bonds traded in the market at the valuation date.
- Secondly, two parameters are chosen so that the model optimally replicates the historic volatility of corporate bond spreads.

(a) (iii) Table 6.3 shows the simulated values of specific options and / or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception – the corporate bond scenarios used to derive the values in Table 6.3 are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine London Life's realistic balance sheet reflected the average credit quality of London Life's corporate bond portfolio.

**TABLE 6.3**

**Simulated values of specific options and / or contracts – 31 December 2006 (£)**

	Asset type (all UK assets)	K=0.75			K=1			K=1.5					
		5	15	25	35	5	15	25	35	5	15	25	35
0	n												
	r	5.11%	4.71%	4.25%	3.98%	5.11%	4.71%	4.25%	3.98%	5.11%	4.71%	4.25%	3.98%
1	Risk free zero coupon bond	779,469	501,115	353,063	255,402	X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	36,398	121,297	171,019	224,310	143,014	257,234	319,017	382,328	531,598	621,367	686,898	757,229
3	FTSE All Share Index (p=0.8)	27,613	82,153	105,227	132,179	116,770	182,521	205,661	232,417	467,200	472,355	473,706	485,111
4	Property (p=1)	28,226	115,841	176,185	229,899	127,553	249,582	317,324	387,700	520,657	617,277	679,570	760,923
5	Property (p=0.8)	20,711	76,976	111,307	135,275	101,742	176,366	209,935	238,267	455,456	465,527	467,354	490,486
6	15 year risk free zero coupon bonds (p=1)	746	1,141	3,463	14,095	56,310	64,708	71,328	98,890	499,489	500,385	500,855	505,421
7	15 year risk free zero coupon bonds (p=0.8)	143	0	96	916	34,860	16,509	9,686	16,562	428,213	313,358	234,789	196,368
8	15 year corporate bonds (p=1)	1,936	4,235	5,999	18,182	66,836	76,069	82,493	108,700	500,049	501,054	501,134	508,839
9	15 year corporate bonds (p=0.8)	716	800	415	1,563	44,133	23,379	15,221	20,927	429,141	316,677	240,342	203,986
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	19,162	88,497	131,193	181,160	112,504	215,133	267,309	331,993	514,871	579,921	633,743	702,802
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	13,605	54,049	72,751	97,329	87,424	144,814	163,119	188,898	448,300	425,533	416,296	433,243

**TABLE 6.3**

**Simulated values of specific options and / or contracts – 31 December 2006 (£)**

	Asset type (all UK assets)	K=0.75			K=1			K=1.5					
		5	15	25	35	5	15	25	35	5	15	25	35
n													
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	12,812	58,928	89,113	131,545	100,383	175,991	216,011	269,219	507,343	549,003	583,999	635,417
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	8,209	31,198	42,314	60,954	75,849	108,201	116,833	138,358	439,661	391,625	365,281	366,598
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 Year corporate bonds (p=1)	3,917	29,189	49,778	86,661	76,396	133,546	163,543	212,506	499,966	520,859	540,491	581,828
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	1,738	11,176	17,184	30,294	52,571	70,225	73,392	92,591	430,380	352,367	309,116	306,608
		L = 15				L = 20				L = 25			
16		7.61%	9.67%	8.05%	5.89%	10.52%	12.09%	9.85%	7.19%	13.05%	14.11%	11.35%	8.26%

Notes:

- (1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(a) (iv) As described in the answer to a (ii) the equity dividend yield has been set to zero. The property rental yield parameter is also set to zero, in order to model total property returns.

(a) (v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.

(a) (vi) The outstanding durations of significant guarantees within material product classes are shown in Table 6.4. The fit of the asset model to specimen relevant market traded instruments (swaptions, equity options and the initial yield curve) at these durations is demonstrated in Tables 6.5, 6.6 and Figure 6.2, and discussed in (a) (vii).

---

**TABLE 6.4**

**Outstanding durations of significant guarantees (years)**

---

<b>Product Class</b>	<b>Duration of Guarantees</b>
Life Compound Bonus, Fund R	13
AMP (UK) Life	12
Pension Compound Bonus (GAO)	11
AMP (UK) Pension	9
Pension Compound Bonus (no GAO)	6
Pension Simple Bonus	6
Total WP Fund	10

---

(a) (vii) The validation process involves two tests:

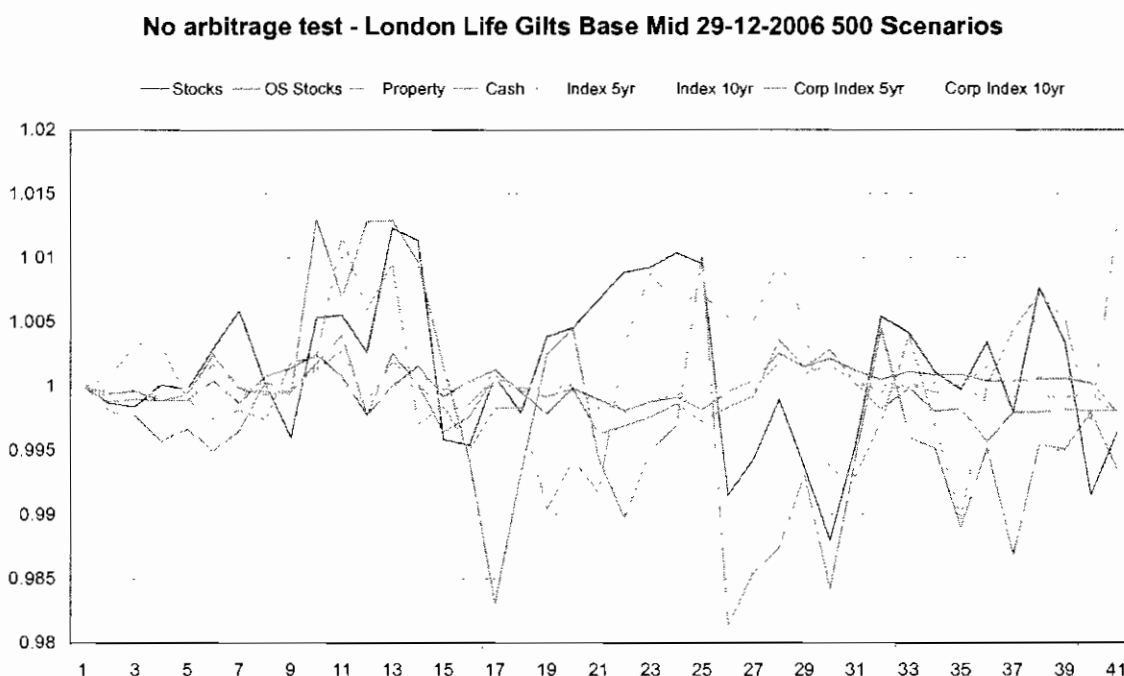
- Ensuring the scenarios satisfy the principle of no arbitrage.
- Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator used is based on well-established models which have been subject to peer review in academic literature. Published proofs exist that the models are internally consistent and arbitrage free. The models were implemented using simulation techniques. To ensure that the models were implemented correctly and that the simulation process did not introduce bias, test runs were performed using a sufficient numbers of scenarios (8 million in total) such that the test illustrated below would identify any systematic errors. The models passed this test without error.

For practical purposes, it is not possible to use sufficient scenarios to eliminate all simulation error. With a predominantly fixed interest asset holding, which is less volatile than equities, 500 scenarios gives an acceptably small sampling error for London Life.

Figure 6.1 demonstrates that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1. This test is referred to as the “one=one” test. As Figure 6.1 shows the results of calculating the expected value by simulation, a margin for error is expected. The observed error is small and the scenarios are considered to pass the no-arbitrage test.

**Figure 6.1**



The results shown above are better than might be expected from a naïve simulation given the number of scenarios used. The scenario generation process incorporates extensive rejection testing and other variance reduction techniques to ensure that the scenarios selected pass the no-arbitrage test to a close tolerance.

The second validation test described above requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for:

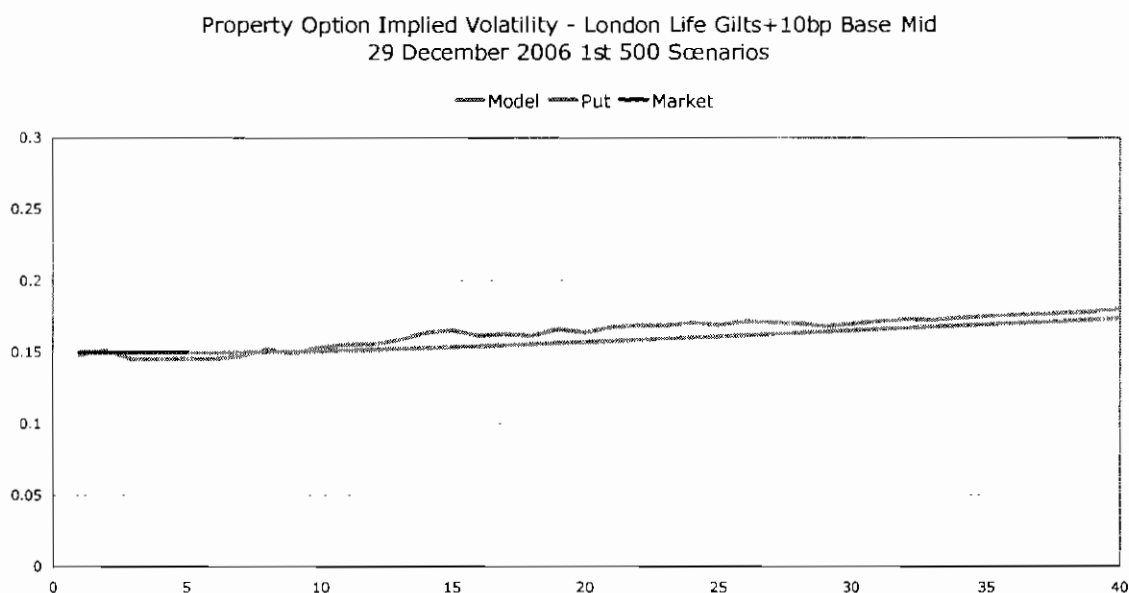
- Swaptions
- Equity options
- The initial yield curve.



As explained above property volatility has not been calibrated to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, we can demonstrate the fit to the volatility assumption of 13.5% mentioned above.

Figure 6.2 below shows the results for the property index option test. The short line shows the assumed volatility of 13.5%, which has been used to calibrate the model. The smooth (blue) line shows the volatility implied by the theoretical put option price on the property index calculated from the model. The irregular line show the implied volatilities calculated from simulated prices. These can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

**Figure 6.2**



Tables 6.5.A and 6.5.B show the results of this test for the prices of the hybrid swaptions used in the calibration process and actual swaptions using the swap curve as the risk free rate. The tables express the simulated value as a percentage of the theoretical value. As with the “no-arbitrage” test described above, this test is the result of a simulation and therefore some error is expected. However the observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. As such, the scenarios are deemed market consistent.

**TABLE 6.5.A****Ratio of simulated to hybrid market swaption prices (using gilt + 10bp as discount rate)**

		Swap Length						
		5	7	10	15	20	25	30
Option Maturity	5	106.6%	106.2%	102.6%	103.2%	104.7%	102.8%	101.4%
	7	102.6%	99.7%	98.9%	101.4%	102.6%	101.5%	99.7%
	10	100.1%	100.4%	101.7%	104.8%	104.4%	103.0%	101.9%
	15	103.0%	103.9%	102.1%	100.9%	98.5%	96.9%	95.5%
	20	105.3%	99.9%	99.4%	95.8%	93.2%	91.1%	88.9%
	25	101.3%	99.0%	97.5%	93.8%	91.7%	90.3%	88.3%
	30	100.7%	97.3%	95.2%	92.1%	90.0%	89.3%	87.4%

**TABLE 6.5.B****Ratio of simulated to actual market swaption prices (using swaps as discount rate)**

		Swap Length						
		5	7	10	15	20	25	30
Option Maturity	5	101.4%	102.8%	102.7%	103.1%	105.0%	102.6%	101.8%
	7	100.3%	100.4%	100.6%	101.9%	103.2%	101.7%	100.9%
	10	104.5%	104.1%	103.2%	106.2%	104.7%	104.1%	104.1%
	15	100.2%	101.2%	100.5%	98.7%	97.7%	97.9%	97.9%
	20	104.0%	98.1%	96.6%	95.0%	94.7%	94.3%	92.9%
	25	95.3%	94.2%	95.5%	95.0%	94.9%	94.5%	93.4%
	30	101.4%	99.4%	98.7%	97.2%	95.7%	95.7%	94.3%

Figure 6.3 shows the results for this test applied to (spot) at the money equity put and call options. The short line shows the market volatilities used to calibrate the model. The calibration is weighted heavily to the 5 and 10 year equity volatility. The smooth (blue) horizontal line shows the volatility implied by the theoretical put option price calculated from the model (chosen to be consistent with market volatility as explained above). The irregular line show the implied volatilities calculated from simulated prices. Figure 6.3 shows that they

follow the theoretical volatility closely and hence the error introduced by simulation is small and market consistency is deemed satisfied.

**Figure 6.3**

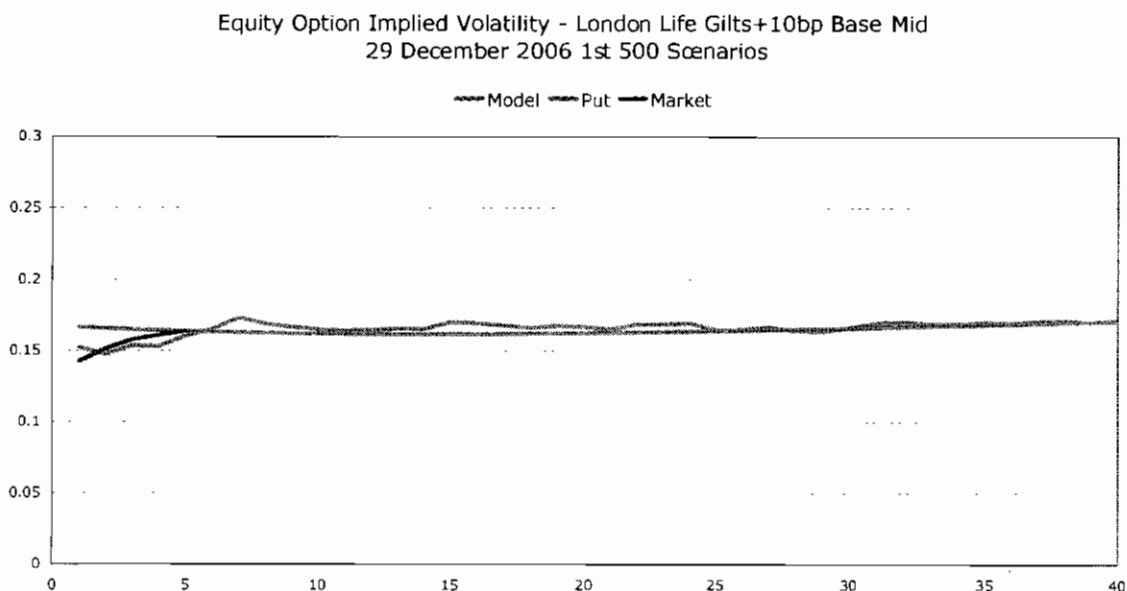


Table 6.6 shows the fit of the scenarios to the initial yield curve, with the simulated price of a risk free bond expressed as a percentage of the price implied by the zero curve. The ratios of simulated to market price are very close to unity.

**TABLE 6.6**  
**Ratio of simulated to market initial yield curve**

Term of Bond	Ratio of simulated to market price
1	99.9%
5	100.2%
10	100.3%
15	99.9%
20	99.6%
25	99.9%
30	100.0%
35	100.0%
40	100.0%

- (a) (viii) Simulations were performed using 500 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a) (vii) above.
- (b) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.
- (c) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.
- (5) (a) When determining the realistic balance sheet no circumstance specific management actions were allowed for, e.g. investment strategy, surrender bases, bonus methodology, etc., and were the same in all scenarios.
- (b) Table 6.7 sets out the equity backing ratio (for the with-profits benefit reserve) and annual bonus rates that would be modelled under 3 different assumed risk-free curves.

**TABLE 6.7**

**Projected Equity Backing Ratios and Annual Bonus Rates – Scenarios i, ii, iii**

	Equity Backing Ratio		Future Annual Bonus Rates	
	UWP	CWP	UWP Bond Life	UWP Pensions
(i) Risk free interest rate curve - At 31 December 2006	50%	1%	2.00% / 4.00%	2.50% / 5.00%
(i) Risk free interest rate curve - End 5 years	50%	0%	2.00% / 4.00%	2.50% / 5.00%
(i) Risk free interest rate curve - End 10 years	50%	0%	2.00% / 4.00%	2.50% / 5.00%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2006	50%	1%	2.00% / 4.00%	2.50% / 5.00%
(ii) Risk free interest rate curve + 17.5% - End 5 years	50%	0%	2.00% / 4.00%	2.50% / 5.00%
(ii) Risk free interest rate curve + 17.5% - End 10 years	50%	0%	2.00% / 4.00%	2.50% / 5.00%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2006	50%	1%	2.00% / 4.00%	2.50% / 5.00%
(iii) Risk free interest rate curve – 17.5% - End 5 years	50%	0%	2.00% / 4.00%	2.50% / 5.00%
(iii) Risk free interest rate curve – 17.5% - End 10 years	50%	0%	2.00% / 4.00%	2.50% / 5.00%

(6) The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in Table 6.8 (i.e. the assumptions are consistent with those made for the with-profits benefits reserve prospective method). The assumptions are the same for both paid-up and premium-paying policies, and do not vary across policy durations.

**TABLE 6.8**

<b>Average lapse rate for the policy years</b>		<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PUP	3.0	3.0	3.0	3.0
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	lapse	3.0	3.0	3.0	3.0
Conventional With-profits Life business single premium – Fund R and AMP (UK) Life	lapse	3.0	3.0	3.0	3.0
Conventional With-profits Life business regular premium – Fund P and T	PUP	0.0	0.0	0.0	0.0
Conventional With-profits Life business regular premium – Fund P and T	lapse	0.0	0.0	0.0	0.0
Conventional With-profits Life business single premium – Fund P and T	lapse	0.0	0.0	0.0	0.0
Conventional With-profits Pensions business regular premium – Fund V (GAO)	PUP	5.0	5.0	5.0	5.0
Conventional With-profits Pensions business regular premium – Fund V (GAO)	lapse	5.0	5.0	5.0	5.0
Conventional With-profits Pensions business single premium – Fund V (GAO)	lapse	5.0	5.0	5.0	5.0
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PUP	8.0	8.0	8.0	8.0
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	lapse	8.0	8.0	8.0	8.0
Conventional With-profits Pensions business single premium – Fund V (no GAO)	Lapse	8.0	8.0	8.0	8.0
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PUP	2.5	2.5	2.5	2.5
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	lapse	2.5	2.5	2.5	2.5
Conventional With-profits Pensions business single premium – Fund AMP (UK) Pensions	Lapse	2.5	2.5	2.5	2.5
Conventional With-profits Pensions business regular premium – Fund W	PUP	0.0	0.0	0.0	0.0
Conventional With-profits Pensions business regular premium – Fund W	lapse	0.0	0.0	0.0	0.0
Conventional With-profits Pensions business single premium – Fund W	Lapse	0.0	0.0	0.0	0.0

Only a small proportion of London Life (Funds R, T & V) & AMPUK business experience any PuPs; the most significant of these being Fund R. The paid-up assumptions do not vary across policy durations, and are shown in Table 6.9.

**TABLE 6.9**

<b>Average paid-up rate for the policy years</b>		<b>1- 5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>
Conventional With-profits Life business regular premium – Fund R	PUP	1.0	1.0	1.0	1.0

The annuitant mortality and take-up rate assumptions are shown in Tables 6.10 and 6.11 respectively.

**TABLE 6.10**

**Mortality Assumptions**

	<b>Males</b>	<b>Females</b>
Annuitant mortality	97.5% PMA00 average(mc,lc) with 1% floor	97.5% PMA00 average(mc,lc) with 1% floor
Funds P, R	55% AM80	55% AF80
Funds T, V(IBM), V(ICL)	65% AM80	65% AF80
AMP (UK) Life and Pensions	50% A67/70	50% A67/70

**TABLE 6.11**

**Take Up Rate Assumptions**

	<b>Normal Retirement</b>	<b>Early Retirement</b>	<b>Terminal Bonus<sup>1</sup></b>
Fund V (excluding POLMIG, GRPAVC)	76%	76%	76%
POLMIG, GRPAVC	10% <sup>2</sup> / 75% <sup>3</sup>	10% <sup>2</sup> / 75% <sup>3</sup>	10% <sup>2</sup> / 75% <sup>3</sup>
AMP (UK)	77%	77%	77%
Fund R	0%	0%	0%
Fund T	0%	0%	0%

<sup>1</sup> This is the take up rate assumption made for the purposes of setting terminal bonus rates.

<sup>2</sup> Rate used for projection year if gross yield is above 4%.

<sup>3</sup> Rate used for projection year if gross yield is below 4%.

(7) Assumptions for foreseeable policyholder actions are potentially needed for the take-up of GAO benefits, MVA free dates on UWP policies and MVA free withdrawals on UWP policies. London Life has only a very small amount of UWP business and on materiality grounds this is not explicitly modelled. As such the only assumption that falls into this category is the take-up rate for GAO benefits. Table 6.11 shows the assumptions made, which apply in all scenarios where the GAO benefit is valuable to the policyholder.

## **7. Financing Costs**

The London Life Scheme specified that capital support was to be provided to the Pensions With-Profits sub-fund (and the other non-profit sub-funds) via a contingent loan ("CL"). The initial amount of the CL to the Pensions With-Profits sub-fund was £114m. Both interest and capital payments are contingent on:

- the sub-fund (in this case Pensions With-Profits) not being a "supported" fund; and
- the sub-fund in question having, immediately following any such interest or capital payment, assets in excess of the Required Capital Amount (explained below).

In addition to this, CL principal can only be repaid if, under a range of scenarios deemed by the London Life Head of Actuarial Function as reasonably foreseeable, London Life as a whole would have sufficient assets (after any payment) to meet policyholder reasonable expectations ("PRE") and statutory solvency requirements (Peak 1). This constraint also applies in respect of any dividend payments and the distribution or return of capital to shareholders.

The Required Capital Amount ("RCA") is calculated at sub-fund level as the expected value of future shareholders' transfers plus the greater of:

- statutory liabilities (Peak 1, excluding any in respect of contingent loans and inter-fund support); and
- the amount needed to meet PRE.

The above constraints effectively mean that all payments in respect of the CL are fully subordinated to policyholders. Indeed, no interest has ever been paid on the CL and during 2004 London Life Holdings Limited waived their right to interest on the CL for years 2004, 2005 and 2006. Before deduction of accrued interest, the face value of the CL stood at approximately £285m at 31 December 2006 (including the CL to the Life Non-Profit and Pension Non-Profit sub-funds).

The Scheme also includes provisions for providing sub-funds with further capital support should they need it. The trigger for this is whether the sub-fund has sufficient assets to cover the RCA. If this is not the case, the Scheme provides that “inter-fund support” should be provided by transferring assets, via a loan bearing interest (3 month LIBOR), from either the Shareholder Fund or a non-profit sub-fund. Similar to the CL, interest and capital payments are fully subordinated to meeting PRE. At 31 December 2006, neither the Life nor Pension with-profits sub-funds have any inter-fund support.

The financing cost figures are calculated reflecting the full subordination to PRE, i.e. it is the average value of the payments (CL and inter-fund support) that the sub-fund could make subject to first fully satisfying PRE.

## 8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities, before the allocation of working capital as per the GN45 requirement for Closed Funds, is set out in Table 8.1.

<b>Liability</b>	<b>LWP (£m)</b>	<b>PWP (£m)</b>
Investment Management Expenses <sup>1</sup>	1	4
Additional Basic Rate Tax <sup>2</sup>	6	-
Value of future shareholder transfers	8	3
Mortgage endowment mis-selling	1	-
<b>Total</b>	<b>15</b>	<b>7</b>

<sup>1</sup> The value of future investment expenses on assets over and above asset share (i.e. not deducted from asset share).

<sup>2</sup> Basic rate tax on assets in excess of asset share in respect of Life business (i.e. not deducted from asset share).

No provisions have been included in respect of ‘Any other liabilities related to regulatory duty to treat customers fairly’.



## 9. Realistic Current Liabilities

The realistic current liabilities at 31 December 2006 stood at £82.3m, which is consistent with the regulatory current liabilities at the same date

One of the main components of the realistic current liabilities is the deposit back from Pearl Assurance plc in respect of the Secured Pension Plan reinsurance, which is invested with the same asset mix as the non-UWP with-profits business. This component is assumed to move in line with the backing assets when calculating the RCM and carrying out sensitivity tests.

The realistic current liabilities do not include any liability in respect of the Pearl Group staff pension scheme. Pearl Group Services Limited employs all of the operating staff within the PGL life companies (including London Life) and hence retains the responsibility for meeting the pension scheme's obligations.

The remaining current liabilities are made up of:

- £6.1m for outstanding claims;
- £1.2m in respect of other risks and charges;
- £15.8m in respect of tax;
- £38.7m in respect of SPP deposit back; and
- £20.5m in respect of other creditors and accruals & deferred income

## 10. Risk Capital Margin

(a) The risk capital margin for London Life at 31 December 2006 was zero for both the LWP sub-fund PWP sub-fund.

As described in Section 7, the terms of the Scheme are such that the capital support (CL and inter-fund support mechanism) is fully subordinated to the need to meet PRE. The PWP sub-fund financing costs acts to absorb changes that would otherwise affect the working capital.

As a result, the working capital and risk capital margin in the PWP sub-fund is shown as zero.

The working capital reflects the difference in the market consistent value of the financing costs and the residual balance of assets after allowing for all other liabilities in the realistic balance sheet. The RCM reflects the change in working capital between base and the most

onerous RCM condition. The financial flexibility of London Life is such that any adverse experience would, in the first instance, simply reduce the value of the capital expected to be repaid to shareholders, i.e. the financing costs. Any amount within LWP sub-fund that would have contributed towards the working capital is now displayed as 'Other long-term insurance liabilities' within Line 47 of Form19. As such, the LWP RCM is also displayed as zero.

The most onerous scenario for London Life (i.e. the one which reduces the financing costs the most) is that which combines:

- A fall in equity and property values;
  - A rise in interest rates; and
  - A rise in persistency.
- (i) 20% fall in equity values; 12.5% fall in property values.
- (ii) 17.5% rise in yield curve (UK assets), equivalent to a 0.81% nominal change in the long term gilt yield from 4.62% to 5.43%.
- (iii) (a) The average change in spreads for bonds was +50 basis points (weighted by value), resulting in a 5.3% fall in bond asset value.
- (b) Not applicable.
- (c) Not material. Our interpretation of INSPRU is that intra-group reinsurance is not subject to the reinsurance credit risk event. London Life has a small amount of traditional reinsurance. The effect of allowing for the reinsurance credit risk event in respect of this is very small and so on materiality grounds this has not been included in the value of the liabilities shown in Form 19.
- (d) Not applicable.
- (e) In respect of the interest rate derivatives (forward swaps and payer swaptions), which are the only significant derivative holdings at 31 December 2006, the credit shock tested was a 5 basis point adverse movement in swap rates. This credit shock resulted in a 8.8% fall in the value of the derivatives.
- (iv) The average change in persistency experience (weighted by realistic value of liabilities) expressed as an annual percentage is 32.5%, which corresponds with a reduction in the average lapse rate (weighted by realistic value of liabilities) from

3.8% per annum to 2.4% per annum. This change in persistency resulted in a 0.6% increase in the realistic value of liabilities (excluding financing costs). This increase in liabilities (excluding financing costs) is offset in the PWP sub-fund by a corresponding reduction in the financing costs (refer to Sections 7 and 10 (a)), signifying a reduction in the ability of the with-profits fund to repay the contingent loan and inter-fund support.

(v) Not applicable.

(b) No particular management actions were assumed for the purposes of calculating the risk capital margin.

(c) (i) As described above, the risk capital margin for the with-profits fund is zero and therefore no additional assets are required to cover this amount.

(ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the Shareholder Fund (or non-profit sub-funds) to any sub-funds needing further capital support, which is the case for the Life and Pensions with-profits sub-funds.

## 11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates assumed are 20% on savings income and indexed capital gains and nil on franked income received net of the non-recoverable tax credit. Tax relief on expenses are assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

## 12. Derivatives

There are no derivatives held to cover the risk capital margin at the valuation date. Interest rate futures and options are used to match GAO liabilities.

## 13. Analysis of Working Capital

Table 13.1 describes the significant movements in the working capital of the with profits fund from the preceding financial year.

**TABLE 13.1**

**Analysis of Working Capital**

	<b>LWP<sup>1</sup></b>	<b>PWP<sup>2</sup></b>
<b>Working Capital as at 31 December 2005</b>	0	(1)
Undo zeroisation to Opening working capital	43	75
Opening Adjustment	(13)	(2)
Expected Return	1	3
Investment Management	3	3
Insurance Management	4	4
Other	0	3
Other Long-Term Insurance Liabilities/Financing Costs	(38)	(85)
<b>Working Capital at 31 December 2006</b>	0	0

<sup>1</sup> LWP working capital is described within 10(a) above. As per GN45 this is allocated within 'Other Long-term Insurance Liabilities' to ensure that the working capital total is zero, as required for a closed fund.

<sup>2</sup> PWP financing costs are described within 10(a) above.

## 14. Optional Disclosure

Not applicable.

**Returns under the Accounts and Statements Rules**

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

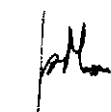
**London Life Limited**

**Global Business**

**Financial year ended 31st December 2006**

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU and INSPRU; and
- (b) the directors are satisfied :
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and either PRU or GENPRU and INSPRU as applicable; and
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in the directors' opinion, premiums for contracts 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 in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and
- (d) the directors have, in preparing the return, taken and paid due regard to-
  - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



J S Moss  
Managing Director



J S B Smith  
Director



J R Cusins  
Director

Date:  March 2007

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

### **Independent auditors' report to the directors pursuant to rule 9.35**

#### **London Life Limited**

#### **Global business**

#### **Financial year ended 31st December 2006**

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

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

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

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

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

#### **Respective responsibilities of the insurer and its auditors**

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction referred to in supplementary note 0201. Under rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner set out in 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 reports prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

## Returns under the Accounts and Statements Rules

### Independent auditors' report to the directors pursuant to rule 9.35

London Life Limited

Global business

Financial year ended 31st December 2006

(continued)

#### Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 28 March 2007. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statements and the valuation reports.

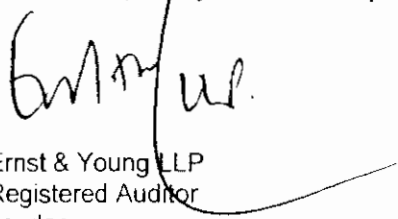
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused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

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

#### Opinion

In our opinion:

- (a) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules as modified, and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

  
Ernst & Young LLP  
Registered Auditor  
London

Date: 28 March 2007